

SGI Sustainable
Governance
Indicators

2015 Mexico Report

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Executive Summary

In the years to come, governance will be the single most important factor shaping Mexico's prospects, with economic competitiveness and social cohesion as a close second and third. The importance of governance stems from the fact that Mexico has one foot in the developed world while another lags far behind. On the one hand, Mexico's elites – business, governmental and academic – are all generally advanced in their outlook. Mexico's policymakers are completely at home in Western institutions, and tens of thousands of Mexicans now have degrees from American, Canadian and European universities, while thousands have advanced degrees. In addition, at least a portion of the tertiary education system is well advanced in terms of international competitiveness. On the other hand, Mexico suffers from many problems that are not typical for OECD countries. Challenges include a wasteful and over-unionized education system, extreme poverty in many rural and selected urban areas, rampant corruption, rampant organized crime, chronic tax evasion, and clientelistic governance at the state and municipal levels. And most obviously, the country continues to face a domestic-security crisis that is far more extreme than security problems in the rest of the countries covered by the SGI. This set of domestic-security issues (organized crime, etc.) is more than an isolated problem. Even through concentrated regionally, its effects represent an overall challenge to establishing the rule of law and achieving a meritocratic state.

The country's generally successful democratization process and marked strengthening of the rule of law in many policy areas has therefore been substantially undermined by the domestic-security challenges related to organized crime. Moreover, the overall performance of the Mexican state over the past generation has been extremely uneven. At this time, Mexico still faces serious economic, social and political challenges.

Economic competitiveness also matters, because this is the key to raising popular living standards. Successive governments have achieved macroeconomic stability but have delivered little in the way of economic growth or social progress. Good performance within the narrow realm of macroeconomics has not translated into a better life for the poorest half of the Mexican population, and there are increasing signs of popular resentment at that fact.

It is becoming necessary to ask whether Mexico's educated elites in fact have the capacity to propel the country forward. Failure may occur for any number of reasons, but the most important issue today has to do with whether the government can implement successfully a number of potentially important recent reforms. At the moment, what the elites want for Mexico – democracy, stronger institutions, less social inequality, a more competitive economy and macroeconomic stability – is broadly the subject of consensus. The globalization of higher education has also deepened the distribution of skills within the middle Mexican government levels and the private sector. However, given the socioeconomic fragmentation of Mexico's society, it remains unclear whether an emerging elite consensus will prove sufficient to strengthen the state's administrative role in such a way as to tackle the root causes of corruption and economic stagnation effectively. Consequently, the final outcome of Mexico's journey cannot be predicted with certainty.

The Mexican state is in many ways weak. Apart from longer-term problems of low tax-collection efficacy and high levels of violence and organized crime based around the illegal drug trade, the political leadership has also had a weak position for many years. No president has had a majority in both houses of Congress since 1997, a situation that did not change with the 2012 election results. The Institutional Revolutionary Party (PRI), a party many Mexicans have long associated with an authoritarian state, made a remarkable return to the office of the presidency, but its level of popularity remains low.

It is true that President Enrique Peña Nieto has turned out to be a much more effective reformer than many had expected. To take one example among many, he has persuaded Congress to vote for a major reform of the education system aimed at strengthening the professionalism of the teaching profession. Authorities also arrested the teachers' union boss, one of the most powerful political figures in Mexico, on embezzlement charges. President Peña Nieto has also spearheaded a change to the Mexican constitution that will make private investment possible in the oil industry. It will take a long time for this to make an enormous difference, but it raises hopeful prospects for the long run. Another significant issue has been the introduction of meaningful competition into the telecommunications industry. This has been the stronghold of tycoon Carlos Slim, often cited as the richest man in the world. Economists have calculated that the introduction of a genuinely competitive telecommunications market could result in additional economic growth of 1% to 2% annually.

However, social and political change is unlikely to be achieved through legislation alone, since such changes will ultimately require a shift in Mexico's

political culture. While Pena Nieto has made an impressive start in the areas of economic and political reform, he remains under pressure on social issues. One of the most difficult areas is the alarming level of violence and organized crime stemming from the illegal drug trade. Drug-related violence has not abated and is unlikely to do so in the short term.

Key Challenges

Within the last generation, Mexico has successfully secured two great achievements – democratization and a noteworthy degree of macroeconomic stability. However, there has until recently been a sense that the country’s achievements have become fewer and further between in recent years as the limitations of “minority governments” (i.e., a president whose party lacks a majority in Congress) become more apparent. At the same time, Mexico is experiencing a serious erosion of domestic security that has instituted a worrying lack of the rule of law and systemic corruption. For the latter reason, public opinion is becoming restive at best, with disillusionment increasingly common. The last two general elections, in 2006 and 2012, have revealed an unmistakable undercurrent of popular alienation. The new president has sought to reform the system from above, and he has achieved some success in removing bottlenecks in the making and the implementation of public policy.

It is too early to assess how this reform strategy will turn out. It will put a lot of pressure on the government and may lead to a case of “reformers’ curse,” in which the government is blamed for transitional difficulties before people come to appreciate any improvements to their lives. Under President Pena Nieto, reforms are certainly taking place. While Pena Nieto does not quite have a congressional majority, he is reasonably close to having one, and he has shown himself sufficiently adept at wielding political power to be able to legislate. However, while the president is sometimes very effective, he is not yet popular. Slow economic growth and the slaughtering of some sacred cows have cut into Pena Nieto’s popular support, and mid-term elections are due in mid-2015. The result may be that the PRI will perform badly and the presidency may once again weaken.

When Pena Nieto was first elected, there was a near unanimous view that Mexico needed to reform its education system, its telecommunications sector, its taxation system, its inefficient and monopolistic oil-producing arrangements, and its labor legislation. All of these have now either been reformed or are in the process of reform. It is of course much too early to evaluate the consequences of these reforms, though the measures do seem to

have involved careful planning and, in most cases a coherent attempt to professionalize the system.

The government's desire to change the constitution to facilitate private investment in the oil and energy sector is a clear example of the need for reform and the difficulties of making reform work. Oil revenues make up around 30% of total government revenue. Thanks to high world oil prices until recently the Mexican government was able to maintain macroeconomic stability, despite the generally poor efficacy of tax collection. However, the fiscal surplus from oil is now being squeezed by falling world prices, rising Mexican oil consumption and (slowly) falling oil production. These trends are likely to reduce the fiscal surplus before the benefits of large-scale private investment emerge.

Modernization in Mexico is by no means simply a matter of economics. There are serious problems in the area of organized crime and law enforcement, which seriously undermine democracy and the rule of law. While it is not Mexico's fault that its location makes it a prime conduit for illegal commerce with the United States, the country nevertheless has the responsibility of dealing with the criminal violence arising from this situation. In this regard, it is not clear that the Mexican authorities are winning. In sum, two future threats must be highlighted: 1) the violence/security problem that seriously undermines the rule of law and democracy, and 2) social cohesion as a challenge for democracy.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 6

On the positive side, the general quality of macroeconomic management in Mexico is good. The Finance Ministry and the central bank (Banco de México) benefit from a considerable wealth of technical expertise. Such economic stability in recent years represents a real achievement given the frequency with which Mexico faced economic crises in the 1980s and 1990s. As a result, the Mexican economy has been able to keep growing despite the recent global economic downturn and current financial difficulties. Microeconomically, the picture is less clear, though it has some positive features. Mexico is an export economy tied to the North American market. Its economy can cope for the most part with competition from China, which a few years ago seemed to pose a real threat. Indeed, exports are by and large doing well. The country has economic problems based on a lack of internal economic competition in key sectors such as telecommunications, with a tendency to generate oligarchies. However, the current Mexican government has made it a priority to increase domestic competition, and has enacted some significant reforms in this area. It remains to be seen how they will function in practice. Unfortunately, organized crime and the related legal insecurity have acted as barriers to investment in the regions most affected, and have also contributed to a migration-driven brain drain in these regions. Moreover, illegal money laundering from drug-related activities has channeled huge financial resources into the formal economy, blurring the border between illegal and legal economic activities.

Labor Markets

Labor Market
Policy
Score: 6

The most important issue in Mexico's labor economy is the differentiation of the labor market into so-called formal and informal sectors. The informal sector consists of companies that are not legally registered for taxation or

national insurance, and largely escape both the advantages and disadvantages of legal regulation. By OECD standards, the size of the informal sector is quite large, although many small companies inhabit a twilight world in which they have both lawful and extra-legal features.

In November 2012, Mexico enacted a new labor-reform bill intended to increase market flexibility and reduce hiring costs. Although eventually watered down with regard to union transparency, supporters of the law claim that it has the potential to increase productivity, boost employment, and improve competitiveness. The new law reforms Mexico's labor regulations and allows employers to offer workers part-time work, hourly wages and gives them the freedom to engage in outsourcing. Opposing, but not being able to block the bill, the left-wing PRD deplors the ease with which employers can now hire and fire workers, outsource jobs, sidestep giving workers health benefits and hire part-time workers for a fraction of the pay they would otherwise receive. On the other hand, the new law contains provisions to outlaw gender-based discrimination, and by lifting the ban on part-time employment, it will be easier for some, including single parents and students, to find work. Until recently, Mexican labor law was based exclusively on Article 123 of the constitution, as well as the 1931 labor law. The Mexican labor system was organized on principles that were fundamentally corporatist for insiders and exclusionary for the rest. The corporatist system declined as the economy became more oriented to market principles, the Cold War ended, and labor militancy became less of a threat.

However, a more modern philosophy did not replace the old system, and in turn, the labor legislation became cumbersome and anachronistic. The new law has thus updated Mexico's labor legislation to some extent. However, the new law is unlikely to produce major changes. Durable long-term change is notably hard to achieve due to Mexico's chronic labor surplus and its large informal sector of the economy. The government is facing entrenched interests – particularly from the trade-union sector – who maintain a strong following and will try their best to halt reform. Despite the trade unions' relative loss of influence in the past two decades, they are still influential compared to those in other Latin American countries.

Taxes

Tax policy, tax reform and the insufficiency of tax collection have been on the political agenda in Mexico for at least the past fifty years. During this long period there has been little progress either in collecting more tax revenue or making the tax system more equitable. A new tax-reform law was passed under President Peña Nieto, taking effect on 1 January 2014. This was well-

targeted, but is in fact rather modest given the task that Mexico faces. The government believes the new law will increase the national government's tax revenues by around 2.5% of GDP. However, according to observers, Mexican tax collection is between six and eight percentage points of GDP short of where it should be given its current stage of development. One reason for low levels of tax collection is the large share of the economy taken up by the informal sector, which is notoriously tax resistant. Another factor is that most Mexicans distrust their government and do not think that money paid in taxation will be spent wisely, so they manage to evade paying tax. Additionally, the market-reforming economists who have been running Mexico over the past 30 years have not prioritized raising revenue, putting comparatively more emphasis on controlling government spending in order to decrease the size of the government. Furthermore, many also feel that as an oil-exporting country, Mexico can earn a significant amount of public revenue by taxing oil income. However, Mexico's exportable oil surplus has been on the decline due to falling production and slowly increasing consumption. Lawmakers are less focused than they should be on imposing other kinds of taxation.

On the positive side, the low level of taxation has at least been helpful for Mexico's international competitiveness. Non-oil tax revenues are not oppressively high and do not present a barrier to enterprise. There is not enough tax being collected to damage competition. Public revenues are barely sufficient to provide the resources necessary to tackle the challenge of social fragmentation effectively. But Mexico has the option of increasing public-sector prices, such as gasoline prices, if this were necessary for macroeconomic stability. Equitable tax collection is not really on the agenda due to the low level of direct tax collection; reform fatigue is thus likely to cement social inequality in the country.

Budgets

Budgetary Policy
Score: 9

Fiscal stability has been a very strong policy priority for the past several administrations. Just as Germany would do anything to avoid a repetition of the hyperinflation of the 1920s, Mexico badly wants to avoid repetition of its debt crisis of 1982 or the "Tequila Crisis" of 1994. Southern Europe's present difficulties have also been a cautionary tale to the Pena Nieto government of the dangers of fiscal profligacy. Consensus among the major political actors is significant on this matter. In fact, all the major parties in Mexico support policies of fiscal stability. In 2008, Mexico accepted a domestic recession as the necessary price to pay for avoiding inflation. In the shorter term, Pena Nieto's first budget passed Congress easily at the end of 2012, and budgetary issues have posed few problems since.

Research and Innovation

R&I Policy
Score: 3

National spending on research and development (R&D) continues to be very low in comparison with other OECD countries. According to World Bank estimates, in 2011 Mexico spent only 0.4% of its GDP on R&D, roughly the same percentage as in developing countries like Botswana and Uganda. One consequence of Mexico's economic oligopolization has been severe polarization, in which a very large number of "micro" firms have little or no institutionalized access to state R&D spending, while large and efficient firms undertake their own research and development spending. There is growing awareness of this problem within Mexico itself, but Mexico still ranks below most OECD member countries on indices relating to R&D.

Global Financial System

Stabilizing
Global Financial
Markets
Score: 6

Affected by the global financial downturn of 2008, Mexico's financial sector confronted worsening access to capital markets and distressed financial intermediaries in the housing sector. Domestic demand experienced a severe decline in 2009, when the country's gross domestic product (GDP) contracted by 6%. As a consequence, the World Bank delivered a comprehensive set of services that mitigated the impact of the global financial crisis in Mexico. Measures to boost productivity, support counter-cyclical policies and strengthen financial market resilience supported the strong economic recovery underway since 2010 – 2011. The World Bank worked with the Mexican government to develop and implement a customized and innovative package of services to support growth and increase the resilience of the Mexican financial sector to external shocks. But there have been other measures to stabilize financial markets as well: Although Mexico tends to regard itself as a "have not" rather than a "have" in its international discourse, it has participated fully in international efforts to halt illegal drug production and trafficking. As part of its anti-drug-smuggling policies, for example, money laundering has become more difficult. Yet as the prevalence of destabilizing domestic drug-related conflicts shows, the government is far from achieving its internal goals related to drug production and money laundering.

Despite government efforts, dealing with major financial inflows from illegal drug-related activities remains a major challenge in Mexico. On the positive side, the performance of Mexican banks (e.g., regarding the percentage of non-performing loans or banks' risk-weighted assets) is well above OECD average according to IMF statistics. There may indeed be a danger of going too far the other way, since the lending policies of the country's largest financial institutions have sometimes been criticized as being too conservative.

Another measure of the government has been to participate actively in issues of international trade. Mexico seeks to diversify its economy as much as it can away from the United States. This policy of seeking balance has had some success.

II. Social Policies

Education

Education Policy
Score: 5

Mexico's education system is relatively weak despite significant public investment in the sector. Education spending in Mexico in 2012–2013 is not far short of 7% of GDP and has been on a sharp upward trend since the 1980s. Teachers' salaries have also been steadily rising. While Mexico's GDP is relatively low by OECD standards, this does not fully explain the weak outcomes. Indeed, in absolute terms Mexican educational spending is comparable to that of South Korea but Mexican students are performing much worse as shown by an international cross-sectional comparison. The problem, therefore, appears to be related to resource allocation rather than funding per se. Too much is spent on salaries in contrast to capital spending, and too much of the budget is spent in an unaccountable fashion. Aiming to mitigate the strong influence of the teachers union on the Education Ministry, the government's recent reforms were aimed at facilitating a meritocracy in the teaching profession. This will be a hard job.

In 2013, the Mexican Congress passed a significant education-reform bill. Its main aim was to weaken the hitherto-powerful teachers union – whose leader was arrested in 2013 and charged with embezzlement – and to create a meritocracy within the teaching profession. Nobody doubts that the union has been profoundly corrupt, but it will take many years before it is evident whether the recent reform has succeeded in improving the situation or not. Until she was jailed on corruption charges, the teachers' union leader was considered politically untouchable, as she controlled many votes. It was quite common for the teachers union to collect salaries for non-existent teachers. One of the provisions of the reform requires the national statistics institute to ascertain how many teachers are actually employed by the Mexican state. Another creates a national institute for education evaluation, which will take on the functions of an inspectorate – tasks for which the union was previously responsible. Private education is generally of much higher quality in Mexico. Privately educated students out-performed those enrolled in public schools at every level, though the sector lacks equity. The private-education sector

accounts for 1.4% of GDP in comparison to the state's 5.4%, much of this being spent at the secondary or university level.

Social Inclusion

Social Inclusion
Policy
Score: 3

Mexico is a socially hierarchical society along a number of dimensions: educational, racial and financial. Democracy has only somewhat reduced the most flagrant social divisions. Tax collection is insufficient to generate much public revenue for social programs. Apart from anything else, the Mexican state is too weak to carry out major social reforms and there is strong resistance against wealth redistribution. Nevertheless, there is some evidence that public policy has improved the distribution of income in Mexico. The Gini coefficient has come down slightly, and social and political processes have become somewhat more open. The courts have also become more susceptible to individual-rights concerns. Policymaking on social issues is mostly constructive, but there is not much of it at present. Only substantial tax reform would make a difference, and even then progress would necessarily be slow.

Health

Health Policy
Score: 5

The quality of health care varies widely in Mexico, and different regions show broad differences in the quality and variety of services available. Some U.S. citizens come to Mexico as health tourists, taking advantage of cheaper health care south of the border. Private, self-financed health care is limited for the most part to middle-class and upper-class Mexicans. This group encompasses about 13% of the total population, but receives about 33% of all hospital beds. A larger minority of around one-third of the population (most of whom work in the formal sector) can access health care through state-run occupational and contributory insurance schemes such as the Mexican Social Security Institute (Instituto Mexicano del Seguro Social, IMSS) and the State Employees' Social Security and Social Services Institute (Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, ISSSTE). These are based on automatic contributions for workers in the formal sector and, in practice, work reasonably well, although with some variation across different parts of the country. The system has been decentralized to the state level.

More recently, the government has been attempting to make health care more affordable and extend it to more people outside the formal sector. In order to extend the insurance principle, the government has set up the so-called Popular Insurance (Seguro Popular) program, which is open to contributors on a voluntary basis, with means-tested contributions from citizens supplemented by substantial government subsidies in order to encourage membership. While

not yet able to offer universal health care, the state is subsidizing the private system. Mexico currently enjoys a degree of demographic advantage, since the population is disproportionately young. Thus, health care spending accounts for a relatively small proportion of GDP. However, large-scale migration also increases the demand on public services.

Ironically, while many Mexicans suffer from poverty-related diseases, there is also a problem with obesity. Mexico has many overweight people – a problem the government is trying to combat via the tax system.

Families

Family Policy
Score: 5

As in most other areas of Mexican social policy, social divisions are pronounced in the area of family policy. On the one hand, educated and urban Mexicans are broadly supportive of women's rights, as is the political class. Recent political reforms require registered political parties to have a quota of women included as a part of their election slates. The PAN presidential candidate in the 2012 presidential elections was a female professional. In addition, educated women are increasingly participating in the labor market and quite a large number of professional people are women.

On the other hand, gender equality is progressing much slower among Mexico's poor, disadvantaged groups. Poorer Mexicans tend to have larger families and face fewer opportunities for women in the labor market. Also, old-fashioned "macho" and conservative Catholic attitudes from the past make it harder for lower-class women to progress. In addition, many labor-based institutions tend to be based for traditional reasons around the concept of the working man. Moreover, lower-class women are more active in family businesses and in the informal sector of the economy, where incomes tend to be lower, and where it is hard for them to access state benefits. The main problems facing working class women have to do with the dysfunction in public services like health, education and transportation.

Pensions

Pension Policy
Score: 5

Mexico is slowly shifting from a pensions system based on contributions and corporate identity to one that is more universalistic in character, operated by government-approved financial agencies called Afores. Some Mexican states have in recent years introduced noncontributory old-age pensions based on universal eligibility. A pension reform plan is now underway to introduce a universal old age pension for Mexicans over the age of 65. Mexico is in a relatively advantageous position to introduce reform in that its birth rate peaked in the 1970s, which has led to a reduction in children's demands on the

public sector. At the other end of the demographic balance, Mexico still has a relatively low proportion of old people. As a result, Mexico's dependent population is fairly low. This happy position will eventually change for the worse. More substantial reforms will be needed as the population ages and the current system – while improving – might not be robust enough in the future to cope with an older population. Historically, Mexico's pensions policy has been based on the principle of contributions, which has not provided adequate, or any, safety net for the elderly poor. However, some parts of Mexico, notably the capital district, now have a limited old-age pension system based on a universal entitlement.

Integration

Integration Policy
Score: 3

Mexican integration policy is weak to non-existent. The Mexican narrative and national psyche tends to assume that migration is the path to emigration. Mexico was and remains a major source of emigration, but has not effectively addressed problems related to immigration that have been steadily increasing during the last 15 to 20 years. There is no problem with “middle class” European and U.S. migration to Mexico. Indeed immigration of this kind is broadly welcomed and has been increasing – albeit from a very low level. However, there are serious problems with migrants from Central America, both those seeking eventual entry to the United States and also the minority who want to stay in Mexico. Few are able to acquire formal documentation. In their desperation, such people are often preyed upon by criminals or even recruited into local drug gangs. Homicide rates are also high among this group. The Mexican authorities mostly do not welcome this kind of immigration and do their best to discourage it. They also downplay the incidence of criminal attacks with Central American immigrants as victims, although the international media has recently cast a spotlight on this population's predicament.

Safe Living

Safe Living
Conditions
Score: 2

Mexico is among the most dangerous countries in the world. This is mainly a result of criminal activity, as the amount of political violence is very small for a country of Mexico's size. From a regional perspective, it has a slightly better homicide rate than Honduras or Venezuela, but is as bad as Colombia. The main reason for this high homicide rate is that Mexico has become a major center for the transit of illegal drugs to the United States. In brutal competition with each other, Mexico's criminal gangs, or cartels, have carried out horrific acts and killed thousands.

In 2006, then-incoming PAN President Calderon made the so-called war on

drugs a policy priority. However, the murder rate has increased since 2006. The reasons for this increase are complex and cannot all be blamed on the government. But Calderon's anti-drug policy clearly did not succeed. The incoming Pena Nieto government has criticized the Calderon government for relying too much on force in dealing with the drug problem, but it is not clear if Mexico has any alternatives. Mexico has improved the efficiency of its crime-fighting operations, but there are still huge problems stemming from a lack of bureaucratic cooperation and the immense scale of the criminal activity. Moreover, at least a portion of the security apparatus has been infiltrated by organized crime, which makes taking effective measures against Mexico's most significant problem even more difficult. It is probably too early to evaluate Pena Nieto's performance in this regard, but the number of killings remains high. Interestingly enough, the government of Mexico City seems about to decriminalize marijuana, which may have some impact on the activity of drug gangs. However, this remains to be seen.

Global Inequalities

Global Social
Policy
Score: 5

Mexico is one of a group of new donor countries such as India, China, Brazil and South Africa that were formerly only recipients of foreign aid, but in recent years have also become providers of foreign assistance. Related to this trend, in 2011 Mexico established the Mexican Agency for International Development Cooperation (AMEXCID). This agency is tied to the Foreign Ministry and is responsible for coordinating Mexico's foreign assistance. However, Mexico's provision of foreign aid is still far below the aid volumes provided by traditional OECD donors, and is also lower than the foreign assistance originating from China, Brazil or India. Nevertheless, Mexico has been engaged in international efforts seeking to bring together traditional and non-traditional donors. In summer 2014, for example, Mexico hosted the first ministerial-level meeting of the Global Partnership for Effective Development Cooperation.

These activities are embedded in a historic setting under which Mexico has traditionally promoted South-South cooperation and global-development issues. Thus, compared to many developing countries, Mexico has a strong sense of global social justice. Still, compared to other countries of the OECD world, efforts to combat international poverty and injustice are still quite limited, and somewhat marked by contradictions. For example, there is a marked difference between Mexico's attitude toward undocumented migration to the north and its attitude toward migrants from Central and South America. It supports immigration north, but is quite intolerant of immigration from countries to its south. Its attitude toward social inclusion similarly depends on whether the subject is Mexican migrants or migrants to Mexico. As far as the

former is concerned, Mexican officials have at times come close to encouraging law-breaking in the United States.

Regarding free trade, Mexico is supportive of open trade agreements and actively seeks good relations with any country that might counterbalance its heavy economic dependence on the United States. The one exception is China, which policymakers sometimes see as a threat. The country has implemented anti-dumping measures in the past though none are now operational.

III. Environmental Policies

Environment

Environmental
Policy
Score: 4

Mexico is a signatory to the Kyoto Protocol and has shown every sign of taking environment policy seriously. However, it needs to do so, because it has some very real environmental problems. The provision of clean water to Mexico City, air pollution in the capital, and deforestation in rural Mexico are some of the largest challenges. Helping the Mexican authorities is a marked decrease in population growth. However, although environmental policy has become more sophisticated, particularly in Mexico City and other major cities, the enforcement of environmental standards and regulations is often lacking. It is true that many companies do not comply with existing regulations, but this is mainly due to the high degree of informality in the economy as a whole. Despite an increasing awareness of environmental challenges among the broader – and particularly younger – population, public pressure is still weak compared to many other OECD countries. It does not help that the Mexican Green Party is not particularly green as the term is typically understood internationally.

Global Environmental Protection

Global
Environmental
Policy
Score: 6

Mexico is confronted with a dilemma. On the one hand, it is interested in raising its international profile as a supporter of the Kyoto agreement and other anti-climate-change measures. On the other hand, Mexico's economy still relies to a large extent on the export of oil and gas, and important legal initiatives (e.g., climate-change law) have as a consequence faced serious implementation problems. Mexico relishes having an international profile in areas that allow it to show independence from the United States. Environmental policy is included in this category. Mexico is a leading international actor on environmental policy within the region, even if its

policies are inconsistent at best. Mexico is still the second-biggest emitter of greenhouse gases in Latin America. Firewood is still the main fuel used by poor Mexican families. Moreover, the importance of the oil industry for the Mexican economy leaves it facing serious barriers to credible domestic action even as it seeks to position itself as a pioneer in international environmental protection. However, Mexican authorities and the public are at least much more aware of these environmental issues and the resulting problems and tensions than they were a generation ago. Mexico's climate-change law went into effect in October 2012, drawing international praise. There is an underfunded Climate Change Fund, created to finance adaptation and greenhouse-gas emissions-reduction initiatives. Its operating rules have apparently been completed, but as of the time of writing had not been published. Other problems associated with the implementation of the law have to do with the creation of a national climate-change information system, the effective reduction of greenhouse gases, and producing assessments of adaptation and mitigation measures.

Overall, Mexico was one of the first countries in the world to pass a specific law on climate change. The law set an obligatory target of reducing national greenhouse-gas emissions by 30% by 2020. The country also has a National Climate Change Strategy, which is intended to guide policymaking over the next 40 years. However, as of the time of writing, only 14 of Mexico's 32 states had drawn up a state plan on climate change, just seven had passed their own laws, and only 11 had begun measuring their CO₂ emissions.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 9

Until recently, elections were organized by the Federal Election Institute (IFE). This was recently replaced by a new public body that is intended to be more independent of the main political parties. A new electoral law slated to take effect in 2015 will allow independent candidates to run for office in national elections. There are good reasons for thinking this new policy to be risky in a region of the world notorious for its electoral personalism; but it nevertheless involves an increase in voter choice, and responds to popular disillusionment with the political parties.

Electoral disputes are common, but do not surpass what is normal for a democracy. The system of allowing only candidates backed by recognized parties to run worked satisfactorily in the 2012 electoral campaign, but has now been changed. Further electoral reform is likely ahead of the 2018 presidential elections.

Media Access
Score: 7

This is another area where negotiations over proposed changes have been completed, but where the reforms have not yet (as of the time of writing) taken effect. Currently, all political parties are eligible for public financing, the volume of which corresponds to their electoral strength. The law prohibits discrimination of parties on the basis of color, social origin and other irrelevant factors. The electoral process in Mexico is, in general, subject to a comparatively high degree of regulation. For example, there are restrictions on the amount of money parties are allowed to raise and spend. The main reason for this restrictiveness is a well-founded fear by the political authorities that Mexico's drug gangs will try to use their massive wealth to influence the political process (which has not happened to date to a significant degree at national level). Despite the degree of regulation, money still counts in Mexican politics. For example, there is evidence that the biggest television enterprise, Televisa, displayed a preference for the PRI over other political parties by granting the party more coverage in the electoral campaign.

Voting and
Registrations
Rights
Score: 8

At the national level, Mexico by and large conforms to the standards of a Western-style electoral democracy. The electoral machinery is independent and widely respected, and the federal courts enjoy jurisdiction over district and

lower-level courts, and also over state and municipal elections. Members of political parties can also bring legal cases against the parties to which they belong. In fact, the number of cases referred to the courts relating to electoral matters has risen sharply in recent years. Old authoritarian practices have also decreased to a marginal degree at the national level. Some provisions governing state and local elections are determined locally, and some of those are characterized by bias. Even so, electoral exclusion is not significant enough to be a problem. The same electoral register is used for federal and state/local elections. Voter registration requires the production of an identity card. There are good reasons for this stipulation, since multiple voting was common in the past in some parts of Mexico. However, the identity-card requirement dissuades some less-educated Mexicans from registering to vote, which is a problem common to most countries with relatively high rates of social marginalization. Another cause of concern is that some members of indigenous groups, who do not speak or write Spanish, are sometimes simply told how to vote by local leaders

Party Financing
Score: 6

Mexico's elections are highly regulated by the state in order to prevent drug cartels from influencing the electoral process. The high degree of regulation applies to elections at the municipal, state and national level. The regulatory agency in place during the review period, the IFE, was constituted along party lines, but with an entrenched rule of minimum majorities, preventing domination by any one party. However, this body has now been replaced by an independent agency that is expected to be less controlled by the parties.

Political parties are to a significant degree financed by the state and there are restrictions on the amount of fundraising permitted. According to the rules, political parties are not allowed to advertise directly at election time. Previously, they have had to ask the IFE to book advertising instead. Electoral expenditures have been similarly controlled. Sanctions have been frequent and take the form of fines. There are transgressions, of course, but not all of them are discovered. The IFE generally avoided levying large fines on parties for fear of retaliation. In general terms, the party-financing system works well. However, organized crime and its linkages with politics present a serious threat to the system, as these interests have attempted to penetrate the electoral process in several regions and municipalities.

Popular Decision-
Making
Score: 5

The degree to which citizens have the effective opportunity to propose and make binding decisions on issues of importance to them varies across Mexico. However, the left-leaning opposition failed in its attempt to subject the government's oil reforms to some kind of direct vote, with the government claiming that there was no provision in the constitution for any such vote. The Federal District, which encompasses Mexico City, is much more election-driven than some of the rural states, for example. Citizens are much more likely to influence public policy through non-constitutional forms of action

such as demonstrations or, paradoxically, through the formal legal process than through social movement types of politics. On the other hand, experiments in participatory budgeting are taking place in some parts of Mexico City. At the same time, there are parts of rural Mexico in which all effective decision-making power is in the hands of a few caciques. Regarding intra-party decision-making, major parties in Mexico increasingly use direct elections to choose candidates for public office and as party leaders. See “intra-party democracy.”

Access to Information

Media Freedom
Score: 7

Officially, the media is independent of government and this is broadly true of national political figures. Blatant forms of political influence are rare at the national level, though more subtle forms of influence are in play, not least because of the financial advantages of media ownership. Respect for media autonomy is not universally true at the state or local level where journalists can be frightened by the security services and media owners are sometimes bribed or influenced in more subtle ways. It is also the case that the police and military tend to develop relationships with journalists as part of their work, and these relationships can sometimes be abused. Mexican journalists often find themselves on the front line of the war on drugs if they dare expose the links between state agents and gang members. Many of them have given up investigating this issue. Thus, although the government has not interfered politically in the media, the Mexican state has not been capable of guaranteeing journalists’ safety as they carry out their duty in examining issues that top public concerns. The government, in one of its many proposed reforms, plans to introduce more competition to Mexican terrestrial media by entertaining bids for new TV stations. Meanwhile, as elsewhere, social media are becoming increasingly influential in Mexico.

Media Pluralism
Score: 6

The Mexican media is much more diversified and politically pluralist than it was a generation ago, but ownership is still highly concentrated. For example, just two television companies have an overwhelming share of the market, although reforms that contain anti-monopoly provisions are now on the way. As of today, these powerful televisual interests are bland rather than partisan. Younger Mexicans take full advantage of internet-based media, which has been growing in both size and significance. The development of online media has done a lot to enhance pluralism. Yet since digital media is only used by a certain part of the population – younger and more educated – there is a generational and educational divide in access to media sources.

Access to
Government
Information
Score: 6

The national freedom of information act became law in 2002. The law was the first of its kind in Latin America to impose obligations on the state to share information with the citizenry and increase the level of political transparency. Today, Mexico’s freedom of information has proved to be a considerable

success in its progress toward an informed public. Scholars, journalists and bureaucrats have all made full use of its provisions and a lot of new information has come to light. However, the degree to which the law is obeyed varies, and local, regional, political and bureaucratic interests are sometimes capable of dragging their feet in providing information. Moreover, failures of coordination between the huge number of state entities sometimes makes it difficult to obtain requested information.

Civil Rights and Political Liberties

Civil Rights
Score: 4

In principle, Mexico guarantees most civil rights via its legal and constitutional systems. The Supreme Court is effective, reliable and increasingly assertive. It is becoming increasingly legitimate over time. The administration of the courts is quite centralized. The Supreme Court regulates the lower courts, which has raised standards across the system. An awareness of rights issues is slowly penetrating the rest of society but progress is slower at municipal level. However there are some states and municipalities that are still effectively governed by a single party, and things in some municipalities have not changed much since authoritarian days. Furthermore, in practice the Mexican military and other security forces are notorious for breaching human rights and the courts do not provide adequate protection. Police corruption is also a very serious problem, and it is not rare for police officers to extort money from members of the public. In this regard, the partial infiltration of the police forces by organized crime has increased the problem. It has been quite difficult to effectively hold the military to account for abuses, though the Mexican Commission on Human Rights has intensified efforts to do so.

Political Liberties
Score: 5

Civil liberties are largely respected at the national level. Ordinary people can in practice say largely what they want and dissident opinions can be expressed without fear. There is more of a problem among political actors whose bending of rules can make them vulnerable to arrest on politically motivated corruption or other misconduct charges. For example, it is ironic that the head of the teachers' union was more vulnerable to arrest than ordinary teachers. However, in the regions most affected by drug crime, it is far from clear that ordinary people can say largely what they want. The potential physical threat may lead to considerable problematic self-censoring, even though state agencies are not responsible for this.

Non-discrimination
Score: 5

There is little overt racial discrimination in Mexico but definite overlap between race and class. White-skinned Mexicans are over-represented among the wealthy and powerful. Social discrimination varies by region. In the capital district there is growing awareness of issues of sex and gender, but that is not the case in the poorest regions in the country where there remains a degree of social authoritarianism. The higher courts are aware of these gender issues and are becoming increasingly assertive in these regards. However, while there is

more awareness of discrimination issues that there once was, there is less attention paid to issues of indigenous rights and other forms of social disadvantage. Business groups have been particularly slow to promote Mexicans of visibly mixed race. Considered as a challenge to social hierarchism, the Zapatista movement, which advocated for indigenous rights, was essentially a failure.

Rule of Law

Legal Certainty
Score: 4

To its credit, Mexico is in the process of changing – albeit slowly – from a society governed largely by the exercise of personal discretion to one based more on legal norms. This process is uneven, and has been seriously hampered by the increasing violence associated with the war on drugs. Both electoral law and ordinary justice have developed significantly since democratization got under way in the 1990s. It does not follow that the law is universally obeyed – indeed, that is far from being the case – but the authorities are much more constrained by the law than they once were. Correspondingly, the courts are much more powerful than they were just a few years ago. Nevertheless, some scholars have claimed that the courts tend to be sympathetic to the ruling PRI. After all, a PRI government carried out Mexico’s major judicial reform of 1994. Although the reform markedly professionalized the judiciary, it may have done less to alter its political bias. Moreover, the security problems caused by organized crime have led to a high degree of impunity, which seriously undermines the effectiveness of the rule of law and citizens’ trust in the legal system.

Judicial Review
Score: 5

The Supreme Court, having for years acted as a servant of the executive, has in recent years become much more independent, more legitimate and somewhat more assertive. Court decisions are less independent at the lower level, however, where there is significant local variance and where judges are often sympathetic to the dominant ruling party, the PRI. At the local level, corruption and lack of training for court officials are other shortcomings. These problems are of particular concern because the vast majority of reported crime takes place at the state and local level – and few suspects are ever brought to trial. As a means of changing this situation, some states are experimenting with the Anglo-U.S. adversarial model for their courts, which has shown some capacity to improve conditions in Mexico.

Appointment of
Justices
Score: 8

Mexican Supreme Court justices are nominated by the executive and approved by a two-thirds majority of Congress. Judicial appointments thus require a cross-party consensus since no party currently enjoys a two-thirds majority or is likely to have one in the near future. There are some accusations of judicial bias in the Supreme Court, but any bias is not flagrant and is more social than political. For example, the Court showed a marked reluctance to allow abortion, though in the end it was persuaded to allow the Federal District to

introduce it on the basis of state's rights.

Interestingly, there is not the same suggestion of judicial bias in Mexico's constitutional courts. The federal electoral machinery is fully respected and largely vindicated itself when faced with the difficult 2006 election.

Corruption
Prevention
Score: 3

Despite several regulations and policies, there are severe and persistent corruption problems in Mexico. In the years after the Revolution, social peace was bought largely through a series of semi-official payoffs. This carried through to the 1970s and beyond. Bribery is widespread in Mexico, and even though the level of corruption has decreased, the cost of bribery has increased during the last few years. A case in point was a prominent politician, Carlos Hank Gonzalez, who famously stated, "a politician who is poor is a poor politician." The culture has changed somewhat in that those who enrich themselves from public office are, at least, no longer admired.

But there are regions of Mexico where the culture of corruption persists, though efforts have been made to combat the problem. Measures have included increasing the professionalism of the civil service and considerably strengthening the legal framework. Such efforts had some positive effect, but at the price of creating new problems, such as introducing paralyzing bureaucratic procedures. Another problem is that federal and state definitions of illegal and corrupt practices are often contradictory or inconsistent, the latter being more lax. Particularly troubling is that the worst victims of corruption are the poor, who, unlike the wealthy, lack the resources to pay off corrupt officials. In addition, it should be noted that drug cartels systematically influence local and regional politics through corrupt practices.

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 8

The Mexican president is required by law to produce a strategic plan his first year in office. At a lower level, there are quite a few planning units within the Mexican government, though they do not all have decisive input into the policymaking process. At worst, planning can create opportunities for a kind of middle-class clientelism.

Planning in Mexico was at its heyday in the 1980s, with no fewer than three planning ministers moving up to become presidents of Mexico. In more general terms, a “passion for planning” was not only a phenomenon of the 1980s, but stems from the origins of the PRI regime and its corporatist structures with a mixed economy. For a couple of reasons, the role of planning entities declined in the mid-1990s. It was at least partly the result of Mexico becoming a market economy, and also because planning itself was a failure during this period, as Mexico was too bound to international economic trends to make its own decisions. However, as in several other countries in Latin America, planning has become more popular once again. The major challenge to planning in Mexico and Latin America consists in creating sufficiently tight links between the agencies responsible for the planning and the implementing agencies. In this regard, it could be argued that conditions for planning were reasonably favorable in the recent past, because no major policy transformations were underway. By contrast, the implementation of several highly significant recent reforms will put Mexico’s planning skills to the test.

Scholarly Advice
Score: 6

In the Mexican political system, barriers between the government and scholars are comparatively low. It is quite common for a cabinet to include recruits from academia, and there are also substantial informal contacts between academics and public officials. By the same token, former government officials often teach at universities. The Mexican government is keen to strengthen relationships with economists, international relations professionals

and other experts with technical expertise, particularly those who hold higher degrees from outside Mexico and have work experience in international or U.S. think tanks. However, the procedures by which academic advice is sought are often not formalized enough, a fact that leads not only to a frequent lack of transparency regarding relations between academia and politics, but also to the fact that policy advice is often obtained on an ad hoc basis. Regarding the role of intellectuals in society, in general, they are held in high esteem and have every chance of influencing policy. Indeed, the current legislative agenda features many ideas about reform that were initially presented by public intellectuals.

Consultations with the broader civil-society sphere are unlikely to achieve much in contemporary Mexico. On the supply side, Mexico's civil society is as yet not particularly vibrant in international comparison. On the demand side, the lack of political will, rather than any lack of discussion per se, has stalled progress. Important reforms have been on the agenda for many years. What is clear is that President Pena Nieto has adopted a somewhat opaque policy style. His motto in pursuing reform is "politics, politics, politics," thus giving preference to political activities (negotiating, campaigning, ordering, overruling policy opposition, etc.) rather than broad-based policy dialogue.

Interministerial Coordination

GO Expertise
Score: 8

The presidential office offers positions of high prestige in Mexico. It is involved with the legislative process to a decisive degree. Due to the absence of a high-level career civil service, both the cabinet and the presidential office are staffed with presidential appointments. The independence of figures within the executive is thus questionable since everyone of influence in the presidential office is a political appointee. It is relevant to note that the majority of legislative proposals introduced by the executive failed in post-1997 Mexico; however, this has shown a distinct turnaround in the last two years, with proposals succeeding at what might be comparatively viewed as a radical level. Political roadblocks rather than any lack of policy expertise were responsible for the earlier problems.

GO Gatekeeping
Score: 9

The role of the presidential office is significant in Mexico. Because Mexico does not have a prime minister, there has been no real counterweight to the power of the presidency within the executive branch of government. Much of the power thus comes from the presidential office. Whatever the legal situation might be, it makes no sense to press ahead with items to be discussed in cabinet if the presidential office opposes them. Good relations between the presidential office and an individual member of cabinet matter more to the cabinet secretary than to the presidential office.

Line Ministries
Score: 7

Cabinet ministers are respectful of and even deferential to the presidential office. After all, cabinet ministers dismissed by the president rarely find a way back into high-level politics (though there are exceptions). Senior figures in the presidential office are therefore very powerful people, because they determine access to the president and can have an influence on ministerial careers. Yet there have been problems of coordination, particularly on the security side where anti-drug policies were sometimes frustrated for this reason. Thus far, President Pena Nieto has built his cabinet around two super-ministries and ministers, the finance minister and the minister of interior. The role of line ministries varies from case to case.

Cabinet
Committees
Score: 7

Mexico is unusual in that it has four cabinets, respectively dealing with economic, social, political and security matters. As a result, Mexico in practice has a system of cabinet committees each of them normally chaired by the president. The full cabinet never or hardly ever meets. Mexico's cabinet, as a collective, matters less than in most countries. The cabinet is not a supreme executive body as it is in, say, Britain. For one thing, there are a number of heads of executive agencies, with cabinet rank, who are not directly subject to a minister. The government is in the process of increasing these, for example replacing the Secretariat of Administration (Funcion Publico) with a national anti-corruption commission. Another example is in education where the government has pledged to introduce a national institute for education evaluation that will answer to the central government and not the Education Ministry. Likewise, no cabinet minister is currently involved negotiations for the political, social and economic agenda known as the "Pact for Mexico" (Pacto Por Mexico) and cannot shape the political agenda at the highest level.

Ministerial
Bureaucracy
Score: 5

With the possible exception of the Ministry of Finance and the Ministry of Foreign Affairs, where bureaucratic expertise plays a major role, there is little to no real distinction in Mexico between civil servants and politicians, though the relationship between them has significantly varied over time. However, the upper administration consists of several thousand presidential appointments and only a very few career bureaucrats. Traditionally, the political system has been weighed toward presidential appointments. The cabinet today is much more heterogeneous, however, with some figures personally close to the president and others more independent. The "politicization" of the cabinet will change the ways in which it does business, but it is not clear what the final consequences will be.

Informal
Coordination
Score: 7

A number of informal mechanisms for coordinating policy exist, and given the lack of "formal" coordination capabilities within the Mexican administration, informal coordination often functions as a substitute. This is normal in a presidential system where only a few cabinet secretaries have independent political bases. Ministers retain their positions, for the most part, at the will of the president. The Mexican constitution, significantly, refers to cabinet "secretaries" (not ministers) to establish that they are servants of the president.

Cabinet secretaries who go out on a limb generally enjoy a short political life. It is important to note, however, that some cabinet secretaries are more equal than others. The Finance Ministry has clearly assumed a hegemonic role under President Pena Nieto and it seems likely that the interior secretary will also take on a leading role in the new administration. Moreover, in the later stages of a presidential term, informal competition for the succession is likely to politicize co-operative arrangements within the cabinet.

Evidence-based Instruments

RIA Application
Score: 8

Regulatory impact assessment (RIA) was introduced in Mexico in 1997. In 2000, RIA was implemented broadly through reform of the Federal Administrative Procedure Law. Thus, RIA in Mexico is established by law, and not by presidential or prime ministerial decree as in some other OECD countries. There is a government agency belonging to the Ministry of Economy, the Federal Commission for Regulatory Improvement (Comisión Federal de Mejora Regulatoria, COFEMER), which is responsible for performing impact assessments on new proposals if they generate compliance costs. COFEMER spot-checks existing regulations, but does not assess them systematically. Nevertheless, despite some limitations, it has been quite active since it was established at the beginning of Fox's term in 2000, and its reputation in Mexico is good. However, opinions issued by COFEMER are not binding on other agencies and ministries. More than 10 Mexican states have also adopted RIAs for subnational regulatory projects. Moreover, evidence-based evaluations of several Mexican public policies in the social sector have gained international recognition, and have had significant spillover effects to the international evaluation community. This is especially true for social policies, where rigorous impact assessments based on randomized control trials of the Education, Health, and Nutrition Program (Programa de Educación, Salud y Alimentación, PROGRESA) can be perceived as an international showcase on how to evaluate large-scale social programs. In this area, the National Council for the Evaluation of Social Development Policy (CONEVAL) is responsible for carrying out rigorous impact evaluations in large social-sector programs. CONEVAL is an autonomous and independent agency created by the 2007 General Law on Social Development (Ley General de Desarrollo Social).

Quality of RIA
Process
Score: 8

RIA was introduced in Mexico in 1997 and its usage has spread from the federal government to some state governments. It seems to have established itself as a legitimate part of the policymaking process. The relevant government agency, COFEMER, contains some 60 officials and is responsible to an interdepartmental committee that ultimately reports to the Ministry of Economy. COFEMER does not have a veto on new proposals, but it must be consulted and can express an opinion. Its position vis-à-vis the ministries was

strengthened by an additional presidential order by Calderon in 2007. It can prevent new regulations from coming into force until the consultation process is complete. COFEMER has also been active in negotiating the streamlining of procedures with individual Mexican states. This is significant, as much regulation is generated at subnational levels. After a quiet start, COFEMER has played a significant role in Mexico's pro-competitive policy.

Sustainability
Check
Score: 6

RIAs highlight international benchmarking to reinforce their investigations. As one example, in a recent development, the Mexican government signaled its intention to become a world leader in sustainable tourism. Here, sustainability relates to energy efficiency, improved environmental performance and the protection of cultural heritage. The government partnered with the private firm EC3 Global to support the adoption of their trademark EarthCheck science and solutions for tourism operators and companies committed to sustainable practices and to align their performance with global benchmarks, endorsed by the World Tourism Organization. EarthCheck is an internationally recognized environmental management and certification program with more than 1,300 members in 70 countries. The program improves the operational performance of member organizations and reduces costs.

Societal Consultation

Negotiating
Public Support
Score: 5

Neither President Pena Nieto nor former President Felipe Calderon were or are known as great communicators. On the whole, Pena Nieto is more hierarchical in his approach to consultation than either of his predecessors. His approach is to negotiate at the highest level of politics (i.e., with party leaders) and to rely on those involved to employ sufficient weight to enable reform to proceed. Thus, he undertakes intensive consultations with the leaders of Mexico's political parties but social actors are less involved, perhaps because they are seen as potential opponents. This is in line with the PRI's tradition of corporatism, where participation has flowed mainly through corporatist party channels rather than through independent civil-society organizations. The danger in this strategy of negotiating with party leaders is that alliances may split when potential losers withdraw their support from the government; moreover, mid-term elections will lead to rivalry rather than consensus. It should be noted that some participatory involvement occurs at the local and state level, in the form of experiments with participatory budgeting, roundtables with stakeholder consultation, and so on. While these types of consultation processes are not as strong as in other Latin American countries, they have become more popular in Mexico.

Policy Communication

Coherent
Communication
Score: 6

Any assessment of President Pena Nieto's communication style is necessarily provisional, as he has been in power only since December 2012. Some indications are positive, although polls show that the government is not especially popular despite low inflation and an effective legislative program. This suggests some problems with communication skills. Communication performances under recent administrations have been mixed. Former President Fox had remarkable public-relations talent, but not much grasp of policy detail. For example, the president and the Finance Ministry occasionally provided conflicting economic forecasts. Under former President Calderón, there was marked enhancement in the general quality of official communication, but Calderón had less feel for the news. He certainly ran a much tighter ship, with a clearer government line, but there were sometimes communication problems between the security sectors. Various agencies, including the Ministry of the Interior, the Ministry of Public Security, the Ministry of Defense and the Attorney General, competed with each other to take the lead in fighting the drug cartels.

Implementation

Government
Efficiency
Score: 4

The government is effective at policy implementation in some areas, but several factors regularly impede effective implementation. The most significant of these are: (a) the central government's lack of financial resources; (b) pronounced organizational weaknesses in local and municipal governments and the decentralized agencies overseen by federal ministries; (c) electoral rules that inhibit continuity in office, which might otherwise be conducive to good government; (d) high levels of crime including but not limited to the drugs trade; and (e) some powerful and obstructive groups within civil society. Some of these, notably the first three, are currently being tackled through new reforms.

On the first point, the central government has been able to find the necessary financial resources when there is a national emergency. For example, a lot of public money has been directed to fighting the drug trade. But there are limits to government tax revenue and a number of policy initiatives have been frustrated by a lack of resources. Second, Mexico is a federal country, and the quality of state and municipal government varies enormously from location to location. Some municipalities are run quite professionally, but others lack such basic aspects as a viable police force or indeed, in some cases, any police force whatsoever. As for the third point, municipal authorities are elected to three-year terms of office with no reelection permitted. However, this situation may

change as a result of the recent constitutional reform, which allows municipalities to set their own term limits with respect to reelection. The system being changed created some very unconstructive incentive structures, as no officeholder had any interest in the long term. The same system – with no immediate reelection permitted – has also applied to congressional posts. This system in legislative terms tended to entrench the power of party elites, who were able to weaken the executive branch of government as a result. However, the reformed system allows congressional reelection up to a maximum of 12 years. Once in effect, it should make quite a difference to the policy process.

From the perspective of citizens themselves, the Mexican state remains highly ineffective as a provider of public goods insofar as it has been unable to improve its implementation of security policies, the number-one concern of the citizenry. After barely 18 months in office (as of the time of writing), the president has enacted major reforms that will put considerable pressure on the administration's policy-implementation capacity; however, it remains too early to say whether he will succeed in achieving his policy objectives.

Ministerial
Compliance
Score: 9

Whatever problems there may be with the Mexican system, it does deal effectively with the so-called agency problem, except perhaps at the very end of the presidential term, when the lame duck phenomenon occurs. Cabinet secretaries mostly have a strong incentive to avoid incurring presidential displeasure. This is less true at the very end of the presidential term, when some political figures may jump ship to serve the new administration. Usually the government acts as a lame duck during its last months in office, and not much is expected of it.

Monitoring
Ministries
Score: 7

There is inevitably some arbitrariness in evaluations, but the presidential office can choose who it evaluates and how. There are two caveats to this statement, however. First, Mexico is a federal system, and there are thus limits to the central government's power. If anything, decentralization is increasing. Second, independent agencies headed by individuals of cabinet rank have taken on an expanding role. Yet where the central authority has power, it uses it. Calderón was a hands-on president who routinely dismissed ministers when dissatisfied with their performance. Ministerial turnover is in general relatively high for a presidential system. However, while sanctioning ministers is a sign of the president's power, it does not necessarily reflect the output of a systematic monitoring process.

Monitoring
Agencies,
Bureaucracies
Score: 6

The process of monitoring tends to work better at the national level than at the subnational level, where the general process of accountability is less strongly developed. Monitoring is considerable at particular times and places, but selective. Essentially, it depends on politics. Ministries can scrutinize bureaucratic agencies if they want to, but there are good subjective reasons why they do not always do so – for example, because of political

considerations. Decentralized agencies often try to exercise autonomy by going over the top of the governing secretariat and contacting the president directly. Pemex, the state-owned petroleum company, is notorious for such attempts, although it does not always succeed.

Task Funding
Score: 7

As a federal system, Mexico has three levels of government – central, state and municipal. This section will deal with state government, as municipal governments have less influence in the political process and access to less funding.

Adequate task funding is more an issue of macroeconomic stability than political will. In the days when Mexico routinely suffered from macroeconomic crises, it was impossible to fund projects properly. Those days are now over. The last few years have seen considerable fiscal decentralization and also a devolution of power to state governments. The state governors’ association is a powerful lobby group that bargains effectively with central government. It would complain if its mandates were unfunded. In general terms, Mexico’s intergovernmental transfer system needs to reduce vertical imbalances and discretionary federal transfers. Moreover, Mexican states need to increase their own revenues in order to become less dependent on central government transfers.

Constitutional
Discretion
Score: 7

The Mexican constitution gives subnational entities, in particular states, considerable opportunity to influence policy. However, fiscal federalism in Mexico still relies heavily on transfers and thus gives the central government much fiscal leverage, which is the result of a traditional pattern of structuring political processes in a centralist or hierarchical manner. On the other hand, the economic heterogeneity among states is so substantial that there is a need for a solidary-oriented transfer system. Thus, a highly decentralized and purely competition-based system of fiscal federalism would not be a good fit for the existing degree of regional disparity. This latter fact has to be considered when interpreting criticism of the central government for taking an over-controlling attitude to implementation. Moreover, considerable administrative-capacity deficits and illiberal political practices persist at the state level, and even more so at the local level. Moreover, governance problems in a number of regions tend to be more challenging than those at the central level.

National
Standards
Score: 5

In general, the central government does as well as it can. As is likely the case in all federal and decentralized countries, the central government would like more power over subnational governments than it has. It would particularly like more power over municipalities. There are indirect ways by which the central government tries to control municipalities, but they are not always successful. High levels of corruption and inefficiency in several states/municipalities inhibit effective implementation of public policy standards. More recently, there have been some scandals relating to national standards. For example, not a single government entity seems to know how

many teachers there are in the Mexican public sector, let alone how well they teach, what they teach or how they teach. Part of the recent education reform requires the statistical agency INEGI to conduct a census of the teaching profession, which has never been done before.

Adaptability

Domestic
Adaptability
Score: 7

The Mexican governing elite is, in theory, very adaptable due to a high degree of contact with international organizations and policy institutes. One reason for its openness is that much of the upper civil service studied abroad, mostly in English speaking countries, and retains strong personal contacts from those days. Mexico’s presidential system, with its directing authority at the center of the administration, also allows the country to make swift changes. Presidential initiatives can make a real difference. Third, Mexico is one of the few countries that shares a degree of inter-dependency with the United States and has, however reluctantly, learned much about policy from the U.S. However, while adaptability of the Mexican government is comparatively high in formal terms, implementation of new approaches and policies is often much weaker, particularly when it involves subnational entities or heavily unionized sectors.

International
Coordination
Score: 5

The Mexican government is increasingly confident of its role in the broader world. Mexico has traditionally been supportive of international initiatives, in the hope of reducing the bilateralism imposed by Mexico’s close and asymmetrical relationship with the United States.

Mexico plays an active role in the OECD and in other intergovernmental agencies. It also remains an enthusiastic participant in multilateral organizations, including international financial organizations such as the World Bank, the Organization of American States (OAS) and the Inter-American Development Bank. Numerous policy and organizational recommendations made by international bodies have been adopted in the Mexican policymaking process. Thus, it has a supportive role in many international attempts oriented toward the provision of global public goods. Yet, whether this engagement in international affairs is sufficient to shape international efforts is questionable given the country’s low level of international leverage in economic and security affairs.

Organizational Reform

Self-monitoring
Score: 7

In general terms, Mexico has historically found ways of dealing with the so-called agency problem, which explains why institutional arrangements need constant monitoring, but at the price of a degree of authoritarianism. Now, Mexico is much more democratic, but administration is much more complex. Policymakers are more aware than they once were, at least at the central level of government. In contrast, the situation is more heterogeneous at the state and

local levels, where one can more often find perverse incentives or overly mechanistic interpretations of what the situation requires.

The quality of self-monitoring has depended strongly on the personality of the president. Calderón was a professional politician and administrative reformer who took substantial interest in the structure of his own government. He reorganized the structure of his cabinet and abolished several ministries in 2009. Over a longer period of time, Mexican policymakers have tended to engage quite frequently in administrative reorganization, possibly to excess. Peña Nieto has been a dramatically ambitious reformer, and there is some question as to whether he has tried to reform excessively. However, as of the time of writing, the pace of reform had begun to slow with the approach of the 2015 congressional elections.

Institutional Reform
Score: 8

The Mexican national government has been a quick learner, as can be seen by the different ways successive presidents have organized their cabinets over the last generation. In fact, it has sometimes over-improvised and over-experimented, for example by using the navy as part of its so-called war against crime. If anything, the Mexican authorities have been over-receptive to new ideas; they cannot be accused of being set in their ways.

The current president has innovated quite effectively in organizational terms. His administration created the “Pact for Mexico,” which was signed by the heads of the main political parties very shortly after Peña Nieto took office, and followed intense negotiations during the previous month. Peña Nieto has shown an affinity for a model characterized by independent agencies entrusted with decision-making powers, as opposed to the kind of negotiated checks and balances that can degenerate into “partidocracy.”

II. Executive Accountability

Citizens’ Participatory Competence

Policy Knowledge
Score: 6

Socioeconomically, Mexico is a very internally divided, which translates into uneven policy knowledge across the population. Due in part to its poverty levels, Mexico has the lowest performing students in the OECD and up to a third of the population has little more than primary education. However, at the other end of the scale, literally millions of Mexicans attend universities, and hundreds of thousands of Mexicans have attended foreign universities. There is, therefore, a marked split between a highly educated “developed” Mexico, which is concerned with the finer details of politics and policy, and a less

politically and intellectually sophisticated Mexico composed of people who are mostly trying to get by. That being said, most Mexicans do at least share a distrust of government and political authority. As a trend, the level of information sharing is certainly growing, with policy knowledge becoming better and better. Moreover, there are a lot of independent media outlets, which make it possible for citizens to get informed by other sources than the government. The trend, albeit a slow one, seems to be toward a gradual increase in the public’s policy knowledge due to the long-term effects of democratization and the increasingly open political atmosphere.

Legislative Actors’ Resources

Parliamentary
Resources
Score: 5

Mexico has had an unusual electoral system, in that all members of Congress were until recently prohibited from running for reelection. This system was intended to bring legislators closer to civil society, but it had unanticipated consequences. Mainly, it has weakened the legislative role and increased the power of party bosses. The most senior members of the largest political parties largely control Congress. They tend to control the careers of more junior congressional members because the effect of Mexico’s strong no re-election rule prevents members of Congress from using their constituency as a political base. In turn, members tended to lack resources and legislative scrutiny was often perfunctory. Similarly, members have had little incentive to take a deep interest in lawmaking, because their term as incumbents was so short. Moreover, good legislative performance, when it happened, often went unrewarded.

However, beginning in 2015, legislators will be allowed reelection up to an overall maximum of 12 years. While it is impossible to foresee all consequences to this change, the intention is to increase legislators’ independence. The PAN, which is now the main opposition, was highly supportive of the reform, which it believes will strengthen democratic accountability and congressional autonomy.

Obtaining
Documents
Score: 7

Congress is a highly influential organization in Mexico, although its internal organization is rather hierarchical. As with many other things in Mexico, obtaining documents often a political question, particularly since no Mexican government has held a congressional majority since 1997. However, it is generally unwise for the executive branch to alienate members of Congress, who typically act with party support. It may be that Congress could close ranks against an outsider, but congressional committees mostly vote on party lines.

Summoning
Ministers
Score: 9

Under Article 93 of the constitution, parliamentary committees have the right to summon ministers, which happens quite a lot in practice.

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|----------------------------------|---|
| Summoning Experts Score: 9 | <p>Congressional committees frequently summon experts, including international ones, and often take their input seriously. Indeed, there is evidence that experts play a considerable role in the legislative process. This aspect of governance mostly works well.</p> |
| Task Area Congruence Score: 5 | <p>There are far more committees than members of the cabinet. This is negative from the point of view of effective monitoring. Yet there are more significant obstacles to the effectiveness of congressional committees than their official scope. The most notable limitation has been the one-term limit for legislators, which is in the process of being modified. However, the period of transition is likely to be a long one.</p> |
| Audit Office Score: 9 | <p>The federal Superior Audit Office was set up in 2001 to help the Chamber of Deputies, the lower house of the National Congress. The Supreme Court has subsequently made it clear that the audit office is to be considered an arm of Congress, and not an autonomous agency as such. In practice, the audit office shows a high degree of independence. This situation has not changed since 2010. The audit office is accountable to parliament exclusively. Over the last decade, the audit office has become stronger in technical terms.</p> |
| Ombuds Office Score: 7 | <p>Mexico established an ombudsman's office in 1992. The office is generally respected, and the ombudsman can, and sometimes does, criticize government policy. In 2007, the ombudsman publicly advised President Calderón not to use the army in counter-narcotics activities. Calderón nevertheless sent troops in, which provoked an ongoing discussion on the army's domestic tasks. More recently, the limited de facto power of the institution has become visible particularly in the field of domestic security (e.g., drug crime, human-rights abuses). In short, while Mexico has an independent and respected ombudsman's office, it is not necessarily powerful.</p> |
| <p>Media</p> | |
| Media Reporting Score: 5 | <p>The quality of the media is mixed. The quality of some Mexico City newspapers and magazines is high, but the rest of the press, particularly radio and TV, focuses mainly on entertainment. One problem is that journalists are not always well educated, and sometimes fail to understand or explain complex issues accurately. Journalists are also sometimes targeted by criminal gangs, and fear can inhibit some kinds of reporting. A televisual media reform is on the government agenda. The main reform proposed is to expand the number of TV channels provided. This change would probably be good for public revenue, but is unlikely to improve the intellectual quality of the media. On the other hand, media diversity is increasing (if one includes online media), and Mexicans do have access to high-quality offerings if they are interested.</p> |

Parties and Interest Associations

Intra-party
Democracy
Score: 6

In terms of candidate selection, it is normal for the presidential candidate for each of the three major parties to have some kind of primary election. Unusually, in 2012, the PRD agreed to choose its candidate according to the contender with the most support in the polls. Surprisingly, this seems to have worked. Because Mexico has a federal system, nomination practices vary from state to state and from municipality to municipality. As far as policy issues are concerned, practice vary between parties. The PRI, currently the governing party, tends to be rather secretive and hierarchical, while the PRD, which is the left-wing opposition, tends to be fractious and chaotic. The PAN is much more of a members' party, with a degree of internal democracy but an exclusionary attitude toward non-party members. The question of which party is in government is also crucial. Incumbent parties tend to be more internally authoritarian because of their greater patronage resources. In general, the PRI is probably the most controlled and authoritarian of the major parties, but it offsets this by being fairly open in its negotiations with other parties.

Association
Competence
(Business)
Score: 5

There are few voluntary associations and social movements in Mexico in comparison with other countries. However, the organizations' range of activities and interests is wide, and they are usually autonomous and independent from government. With regard to economic interest organizations, there is a clear asymmetry here. Trade unions are not sophisticated organizations in Mexico, while employers' associations mostly are. This is partly a matter of money and partly of education. Given these capacity restrictions, there is only a limited number of interest associations which are highly capable of formulating relevant policy proposals.

Association
Competence
(Others)
Score: 6

There has been a considerable increase in both the quantity and the sophistication of non-economic interest groups. Many talented graduates have found positions in NGOs and they are working to influence policy in Mexico. Several tertiary-education institutes (e.g., ITAM, Colmex) both teach and conduct public-policy research, and some are highly influential in the political sphere. Furthermore, there has been an increase in the number of national and international advocacy NGOs that, depending on the sector and the government in place, are also relevant in the agenda-setting process. Finally, the degree of movement of personnel between NGOs, think tanks and government is high compared to other OECD countries. Nevertheless, the capacity of most of these organizations to propose policy reforms in complex policy settings is rather restricted.

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