

MANAGING ACROSS LEVELS OF GOVERNMENT

MEXICO

1. Institutions and authority**1.1 Structures***Description of levels*

The United Mexican States is a representative, democratic federal republic composed of 31 states and a Federal District (*Distrito Federal*), the seat of the federal government. It is divided into three branches: executive, legislative (bicameral) and judiciary .

The Constitution was adopted in 1917 at a convention during the final phase of the Revolution. One of its goals was the reaffirmation of the federal system which would guarantee sovereignty and freedom to its member states. Since then there has been a gradual strengthening of state governments .

The Constitution lays down the structure of the State and decrees that all states must adopt a representative, republican and popularly elected government. It establishes the powers and obligations of sub-national governments, stating that functions not expressly attributed to the federation are reserved to the states. The local constitutions and state and municipal laws must respect and adopt the general principles and basic rights provided by the federal Constitution.

Article 115 of the Constitution defines the “free municipality” as the fundamental unit of sub-national government. Municipalities are legal entities with specific attributions. Article 115 has been modified several times in order to consolidate the power of municipalities, to enlarge their competencies and reinforce their autonomy.

The total area of Mexico is 1 953 162 square kilometres and the population in 1995 was 91 458 290. There are currently 2 412 municipalities, most of which have less than 1 000 inhabitants. The Federal District is the biggest and most populated urban area in the country with a population of over eight million. In 1993 important legal reforms modified its political structures. The government of the Federal District -- which was previously an administrative agency of the federal government -- then became a local government divided into three branches. These are the legislative (Assembly of Representatives whose members are elected by direct vote), judiciary (whose magistrates are appointed by the Mayor of Mexico City with the Assembly’s approval) and executive (which will be directly elected for the first time in 1997). Some legislative powers were reserved for the federal Congress, among them, to legislate its Statute of Government. The Federal District is currently divided into 16 areas (*Delegaciones*) and at the head of the government of each is a *delegado*, appointed by the Mayor of Mexico City.

Table 1. Number and population of sub-national governments (1995)

	Number	Population
States	31	
Largest (Mexico)		11 707 964
Smallest (Baja California Sur)		375 494
Federal District	1	8 489 007
Municipalities	2 412	

Source: *Anuario Estadístico de los Estados Unidos Mexicanos*, 1995.

Central government at sub-national levels

Federal Secretariats (ministries) and decentralised (semi-public) bodies have offices (delegations) in the states. Functions originally belonging to the Federal Government have been transferred to the states, particularly in the health and education sectors. The responsibilities of the state offices of the deconcentrated federal social security bodies have been enlarged to give them technical and administrative autonomy. These changes have helped to strengthen the federal system and gave an impetus to the decentralisation efforts which took place in the 1990s.

Creation, elimination and restructuring

Due to the large number of municipalities, co-ordination procedures and regulations were established in the main metropolitan areas in the early 1990s in order to provide public services and other functions more efficiently. There remains much scope for amalgamating small municipalities into larger, more cost-effective units better able to provide a wide range of services.

Control bodies

The Federal Secretariat of Interior (*Secretaría de Gobernación*), among other functions, is responsible for the relations between the federal executive, state governments and municipal authorities, as well as relations between the federal executive, legislative and judicial powers. The Federal Attorney General's Office (*Procuraduría General de la República*) is responsible for the prosecution of federal offences and is appointed by the President with the approval of the Senate.

1.2 Powers

State Government

State governments are structured according to their own constitution and local administrative laws. The structure of state governments generally parallels that of the federal level, the exception being that all state legislatures are unicameral. The Federal Constitution requires that state government be divided into three separate branches: executive, vested in the Governor; legislative, vested in the state congress; and judicial power, vested in the local Superior Tribunal. The head of the state government is a Governor elected by direct vote for a six-year term but who cannot be re-elected. Governors must be Mexican-born and natives of the state or have lived in the state for a five-year period before voting.

The Governor nominates his most important staff. The main appointee is the State Government Secretary General (*Secretario General de Gobierno*) who:

- co-ordinates the work and activities of other offices as well as the relations between the state executive and the local legislative and judicial authorities;
- represents the Governor, if deemed convenient, before federal or municipal authorities;
- countersigns covenants and other decrees by the Governor;
- executes and monitors the implementation of decrees, by-laws, and regulations passed by the state government.

The Governor also nominates the Chief Executive Officer (*Official Mayor*) whose main task is to oversee the civil servant staff: their appointment, conditions, responsibilities and other functions set by law. He also nominates the Secretary of Finance and Budget (*Secretario de Finanzas*). The main responsibilities of the Secretariat of Finance and Budget are to collect taxes; evaluate, monitor and control the budget; and pay civil servants' wages. The number and competences of other offices or "secretariats" (*secretarías*) depends on local requirements.

Legislative power is vested in the state Congress (Chamber of Representatives). Representatives are elected by direct vote for a three-year term. The number of representatives in state congresses is fixed by the federal Constitution. A state with up to 400 000 inhabitants must have at least 7 representatives, those with up to 800 000 inhabitants must have at least 9 representatives, and those with over 800 000 inhabitants must have 11 representatives. Representatives are not eligible for immediate re-election. Local electoral laws regulate proportional representation.

The main functions executed by state congresses are to:

- examine and approve the state's public accounts of the previous year;
- approve the state budget and determine taxes;
- approve the Municipal Councils' Income Law and control their public accounts;
- legislate in areas relating to state government;
- introduce regulatory decrees and by-laws;
- approve or reject the nomination of magistrates of the local Superior Tribunal;
- resolve conflicts between municipalities;
- if necessary suspend the municipal council or remove members, according to state law;
- declare the validity of state governor elections;
- reform the state Constitution when approved by at least half the municipalities of the state;
- create new municipalities.

Judicial power is vested in the Superior Tribunal established by state constitutions. Local laws establish formalities for nominating magistrates and their training (*Ley Orgánica del Poder Judicial*). Requirements to become a state magistrate are the same as those to become a Superior Court magistrate, for instance: they must be Mexican-born and have at least ten years of experience as practising lawyers.

Since 1934 and until very recently, state Governors, who are elected by direct vote, belonged to the majority party i.e. the Institutional Revolutionary Party (PRI) since 1946. This is due to the fact that all political disputes amongst the revolutionary factions took place within the bounds of this party. In 1989, for the first time, an opposition party candidate was elected as Governor in the State of Baja California; in 1991, the Guanajuato State Congress appointed a National Action Party (PAN) member as acting Governor; and in 1992, the PAN won the state election in Chihuahua. Since President Zedillo took office at the beginning of 1995 three governors belonging to the PAN have been elected -- in the states of Jalisco, Guanajuato and, once again, Baja California. However, it is at the municipal level that opposition parties have been most successful.

Municipalities

Municipalities are the basic administrative units of state governments as provided in the Constitution. Article 115 defines them as legal entities with limited regulatory powers. The municipal president and municipal council (*ayuntamiento*) are elected by direct vote for a three-year period and they are not eligible for immediate re-election. The municipal council is composed of the municipal president; a "public trustee" (*síndico*); and councillors (*regidores*).

In municipal elections citizens vote for a municipal president of a particular party and a "slate" (*planilla*) of councillors who make up the town council (*cabildo*). In all cases, seats on the council are proportionally allocated in accordance with the votes each party received, thus ensuring that main opposition parties are represented.

The municipal council's main functions are to:

- organise the structure and functions of the municipal administration;
- present its public accounts to its state congress;
- make agreements with state or federal agencies for the construction of infrastructure or public works and for the supply of public services;
- approve urban development plans and programmes and make agreements with other municipalities in order to implement co-ordinated metropolitan policies;
- implement laws and decrees by the state congress concerning municipal matters;
- analyse and approve the budget and the municipality's draft "Incomes Law".

The municipal president's main functions are to:

- publish an annual review of the municipal administration's accounts;
- remove and appoint those employees and civil servants appointed exclusively by the council;
- supervise the implementation of municipal and state development plans and programmes.

The public trustees (*síndicos*) defend the municipal interests and legally represent the council in any lawsuits in which it is involved. They are also responsible for supervising the municipal treasury administration. The main functions of the public trustees are to:

- monitor municipal finances;
- keep an up-to-date inventory of all goods belonging to the municipality;

- review and sign the municipal treasury's bank statements and send them to the audit office of the state congress;
- ensure that the public account is presented in time for its annual review by the state congress as well as the monthly financial and accounting statements;
- supervise the implementation of the municipal budget.

The councillors' (*regidores*) main functions are to:

- supervise the committees of the municipal administration;
- present draft municipal regulations for organising and administering the municipality and the functioning of its services;
- propose "agreements" for improving the administration's various sectors and services;
- substitute for the municipal president in his temporary absences.

The *Cabildo* (town council) brings together the members of the city council in order to exercise its responsibilities. Ordinary sessions are held each month to inform members of the city council of work in progress. Extraordinary sessions are held when requested by the municipal president or a majority of councillors to deal with urgent issues.

The committees distribute responsibility for the functioning of the municipal administration amongst the councillors. The main committees are:

- Municipal Treasury;
- Ruling and government;
- Public safety and transport;
- Public health and social security;
- Public services and public works;
- Education and recreation;
- Commerce, markets and slaughterhouses;
- Urban development and environment.

Federal District (Mexico City)

As a result of important political reforms to the Federal District's structure in 1993, the local legislative body is now the Assembly of Representatives composed of 66 members, of which 40 are elected by direct vote for a three-year term. The others are selected on the basis of proportional representation through party lists. In August 1996 the Federal Government and the main political parties reached an agreement to amend the Constitution to the effect that the Mayor of Mexico City will be directly elected in the 1997 elections.

The Federal District Assembly of Representatives has similar functions to those described above for state congresses; but it has limited legislative powers.

Advisory Citizens' Councils are bodies made up of non-partisan citizens elected by direct vote for a three-year term. Their main functions are to supervise the administration and to advise, evaluate and, sometimes, approve programmes concerning each of the 16 areas (*Delegaciones*) of the Federal District. As from the year 2000, the heads of the *Delegaciones* will also be elected by direct vote.

1.3 Responsibilities

The Federal Constitution prohibits certain activities by state governments in order to preserve the federal system, and for some specific issues, subjects them to Congressional approval. These activities include, entering into agreements with foreign countries; printing money; setting local taxes on merchandise or on people travelling through the state; and obtaining loans from foreign states or foreign private corporations. The Constitution also determines that only the Federal Congress has the power to legislate matters concerning certain strategic economic areas, such as petroleum; mines; commerce, banking and financial services; nuclear and electric power; and cinemas.

According to the Constitution (article 124) all competences which are not explicitly attributed to the Federation or the municipalities are the responsibility of the states. Other articles define several important areas of joint responsibility. These include health and education (shared between the federal and state levels). The states have no exclusive responsibilities, but are involved in providing infrastructure which goes beyond municipal boundaries. Much of the problem in the division of responsibilities between levels of government, however, lies in the limited capacity of lower levels to carry out the functions in terms of the necessary financial and/or human resources.

In 1992, through the National Covenant for the Modernisation of Basic Education, the federal government transferred to the states the operation of educational services. The Secretariat of Public Education transferred responsibility for teaching establishments, budgets, human resources, moveable property and equipment to the states. The main role of the Secretariat became to promote the harmonious development of education across the country.

Article 115 of the Constitution was significantly modified in 1983 to give new competences to the municipalities. These reforms included:

- reinforcing their legal authority by conferring some regulatory powers without prior agreement from the state congress;
- fixing minimum fiscal responsibilities; granting exclusive authority for real estate tax; and granting the right to partake of public revenue;
- setting minimum public service fees.

During the 1989-1994 administration the National Development Plan established as one of its priorities the strengthening of the "free municipality". As a result, steps to consolidate the free municipalities were taken, including:

- redistributing decision-making in social, economic and cultural areas;
- finding solutions to municipal problems using own resources;
- decentralisation programme;
- training of local civil servants.

Municipal functions were enlarged after the 1989-94 reforms, especially concerning:

- approval and administration of urban development plans and metropolitan co-ordination programmes;
- legalisation of land holding;
- granting of construction permits and administration of ecological reserves;
- passing decrees, by-laws and other administrative regulations in their jurisdiction;
- providing public services such as water, electricity, sewer and police;
- administering their incomes;
- approving the budget.

The 1995-2000 National Development Plan put forward strategies for the “plural integration” of municipal councils; and for promoting citizens' participation in public affairs -- particularly in the definition and prioritisation of municipal social programmes. New formulae will be sought to strengthen the role of municipalities, as a basis for sound state government, especially through the preparation of sectoral and regional development plans. It is also intended to strengthen the representation and participation of indigenous peoples and communities by mechanisms which respect their forms of organisation and decision-making procedures.

The distribution of responsibilities is currently evolving very rapidly (see also 3.). A process for strengthening the federal system -- New Federalism -- aims at more decentralisation and an enlargement of state and municipal responsibilities and powers. It has been promoted by the central government through sweeping economic liberalisation measures and the democratic process itself since the end of 1994.

2. Management functions

2.1 Policy-making and co-ordination

Federal level

The National Development Plan and the co-ordination agreements between federal and state governments are important instruments for implementing federal programmes in the three tiers of government. The Executive is responsible for the preparation and implementation of the Plan, through which objectives are fixed, resources assigned, responsibilities and time frames defined and an evaluation system set up.

State and municipal participation in the preparation of this plan is important especially as its objectives include to promote regional development and to strengthen municipalities.

The Planning Law provides that the Secretariat of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) co-ordinates regional planning with the states and municipalities and develops special programmes designed by the Federal Executive. Agreements between the Federal Executive and state governments are used to co-ordinate participation of local governments in the

preparation and implementation of the National Development Plan, and ensure its consistency with regional plans.

One of the most important strategies for strengthening the municipalities between 1988-94 was the National Programme of Solidarity (PRONASOL). This aimed to fight poverty through co-ordination of the three government levels with municipalities considered as the nucleus, acting as co-ordinators of institutional efforts. During the first years of PRONASOL the state governments and municipalities designed joint welfare programmes which were then included in Single Development Agreements (*Convenio Unico de Desarrollo*, CUD).

The Secretariat of Social Development (SEDESOL) was created in 1992 and took over PRONASOL activities. Among its main functions are the shaping and co-ordination of federal executive action with state and municipal authorities. The Single Development Agreements were replaced by Social Development Agreements (CDS) which are now considered one of the main instruments for promoting decentralisation in social development. Through this instrument the Federation, states and municipalities define priorities and programmes of common interest. However it is the states and municipalities which play the most important role in choosing priority objectives and in formulating new demands.

In June 1995, the PRONASOL programme was replaced by the National Welfare Alliance (*Alianza Nacional para el Bienestar*). This new programme aims at transferring to local governments the administration of the budget assigned to PRONASOL.

In order to promote regional development and decentralisation, SEDESOL has created a new agency, the General Co-ordination for Decentralisation. Through it, financial resources will be transferred to states around the end of 1997. A follow-up commission will then be set up in SEDESOL to control this transfer and its implementation. This will make states and municipalities responsible for the execution of social development policy (see also 2.2).

State level

The State Planning Law (*Ley de Planeación*) establishes the states' planning principles. It defines the state executive's functions; his power to fix the nature of democratic consultation in preparing the State Development Plan; and the criteria to formulate, implement, control and evaluate the plan and its development programmes. This law also determines the bodies responsible for the planning process and the basis on which the state executive can co-ordinate actions, through agreements with the municipalities, and work together with the social and private sectors to prepare and execute the plan.

Another important instrument for co-ordinating federal, state and municipal activities is the Planning Committee for State Development (*Comite de Planeación para el Desarrollo Estatal*, COPLADE). This is a decentralised body of each state government with legal personality and its own budget. Its main functions are to:

- co-ordinate planning measures between the federal, state and municipal governments;
- prepare and keep up to date the State Development Plan;
- propose to federal and state governments an annual investment programme for the state and the municipalities;
- evaluate the programmes and actions agreed upon by the Federation and the states.

COPLADE is made up of:

- a president, who is the State Governor;
- a co-ordinator who is a state civil servant nominated by the Governor, and generally head of the unit in charge of the planning and finances of the state;
- a Technical Secretariat;
- an Assembly;
- a Permanent Commission made up of civil servants at the head of state departments and the heads of the representations of the federal administration, as well as municipal presidents and representatives of the social and private sectors;
- regional and special sub-committees.

The Social Development Agreements are another important mechanism for co-ordination. They contain different programmes through which the Federation transfers to states and municipalities the resources needed to achieve goals fixed in plans and programmes. Some of the most important programmes are the Programme of State Investment; the Programme for Co-ordination and Execution of Regional Policies; and the Programme for Rural Development.

Municipal level

The legal bases for municipal development are the:

- Federal Constitution;
- Federal Planning Law;
- State Constitution;
- State Planning Law;
- Municipal Organic Law.

The Municipal Organic Law determines the ability of the municipalities to participate in the approval and execution of plans and programmes concerning health, education, urban development and housing.

The Planning Committee for Municipal Development (*Comite de Planeación para el Desarrollo Municipal*, COPLADEM) is a decentralised body with legal personality and its own budget. It is created by decree by the state Governor or by the state congress. Its task is to promote and co-ordinate the formulation, implementation and evaluation of the Municipal Development Plan in co-ordination with actions taken at the municipal level by the state and federal governments.

Municipal Development Agreements (*Convenio de Desarrollo Municipal*, CUDEM) are agreements through which state governments transfer resources to the municipalities and encourage joint municipal and state development. The Municipal President and the Treasury Committee are members of the Validation and Follow-up Committee which inform inhabitants about the implementation of Development Agreements. Special Solidarity Committees have also been created recently to co-ordinate projects and community needs.

2.2 *Financial management*

Sources of revenue

In the period up to 1980, fiscal relations among the three tiers of government were rather complex. State and municipal governments were heavily dependant on subsidies from the federal administration as most tax revenues were generated by the federal government.

During the 1982-88 administration a new fiscal co-ordination system was established in order to strengthen state revenues. Arrangements for the states improved but the Federal District's incomes were reduced.

From 1988 to 1994 significant reforms to the Law of Fiscal Co-ordination (*Ley de Coordinación Fiscal*) introduced new fiscal policy between federal and sub-national governments. Three important objectives were achieved: increase the bases of federal contributions, change the distribution formula of VAT and provide a new and better equalisation system based on the levels of development and population size in each state. The Municipal Promotion Fund was created in order to help those local bodies with lowest levels of development, by providing them with an income directly from the federal government. Similarly the Municipal Solidarity Fund currently constitutes the central plank of federal social welfare programmes implemented at the state and municipal levels.

Municipalities administer their own incomes, which comprise revenues from property values, real estate taxes, and revenues coming from the public services they provide. The Municipal Council approves its own budget but state legislatures determine annually the amount of federal income to be distributed to the municipalities.

In 1990 the federal level received 96.1 per cent of the National Fiscal Income, which reduced to 83.6 per cent after transfers to the state and municipal levels. The municipalities, on the other hand, initially obtained 1.8 per cent of the National Fiscal Income which increased to 4.1 per cent after receiving their share of transfers.

State congresses approve their own budgets, determine taxes and examine and approve their public accounts of the previous year. They also approve the Municipal Council's Law and control their public accounts.

In fact municipalities in general generate little revenue due to the deficiencies of administrative systems, old cadastral registers, insignificant incomes from real estate taxes (most of the small-sized municipalities are rural) and under-qualified staff. The financial survival of states and municipalities largely depends on federal transfers, which constitute the most important variable for the regional policy of the country. One form of financial control exercised over municipalities is the practice of withholding funds that have already been allocated by slowing down their delivery.

Fiscal reform took place in June 1995 with a view to decentralising some areas of taxation. Measures were also taken to reduce delays in transferring revenues to the states (see section 3).

Table 2. Gross revenues by sub-national levels of government (1980, 1985, 1993)

	TOTAL (thousands of new pesos)	Taxes	of which (percentages):		
			Grants	Public Debt	Others
States					
1980	170 739	9.05	43.28	8.81	38.86
1985	2 021 206	1.71	49.09	7.94	41.26
1993	68 140 995	2.66	43.83	10.63	42.88
Municipalities					
1980	27 532	12.24	26.31	2.40	59.04
1985	423 325	12.12	57.08	4.50	26.30
1993	15 671 486	19.66	44.37	8.04	27.93
Federal District					
1980	68 238	10.74	36.90	41.37	10.99
1985	592 416	6.46	46.89	40.46	6.19
1993	13 914 493	25.32	45.02	2.85	26.82

Source: *Anuario Estadístico de los Estados Unidos Mexicanos*, 1995, INEGI

Table 3. Expenditure by sub-national levels of government (1980, 1985, 1993)

	1980	1985	1993
States	170 739 (64.1%)	2 021 206 (65.4%)	68 140 995 (69.8%)
Municipalities	27 532 (10.3%)	423 325 (13.7%)	15 671 485 (16.0%)
Federal District	68 238 (25.6%)	646 352 (20.9%)	13 914 494 (14.2%)
TOTAL	266 509 (100.0%)	3 090 883 (100.0%)	97 726 974 (100.0%)

Sources: *Anuario Estadístico de los Estados Unidos Mexicanos*, 1995, INEGI

Balance between discretion and control

The Fiscal Co-ordination Law which came into effect on 1 January 1980 introduced a National System of Fiscal Co-ordination (*Sistema Nacional de Coordinación Fiscal*, SNCF). It is based upon two agreements, the National System of Fiscal Co-ordination and the Administrative Collaboration for Fiscal Federal Issues. The system exclusively reserves the following taxes to the federal government: income tax (on individuals and corporations), assets tax, value-added tax, special production and service tax, new automobile tax, general taxes on imports and exports and tax on vehicle ownership or use. The sources of income available to state governments vary from one state to another.

To obtain their due shares, the states have to agree to adhere to the SNCF. This agreement is reached through the Secretariat of Finance and Public Credit and must be approved by the state legislature. If there are disagreements with the declaration made by the Secretariat of Finance and Public Credit, it is possible to appeal to the Supreme Court. An important incentive to persuade states to forego their constitutional right to tax certain sources was that the state governments were guaranteed more income from the new system.

Initially state governments initially administered the new federal VAT and benefited from this arrangement in that they could keep the income from interest on short-term deposits which amounted to

considerable sums. In 1989, the administration of the VAT was recentralised and the revenue-sharing formula was modified in order to strengthen population size compared with economic production.

The most important part of the SNCF is the participation system. The states depend highly on this revenue-sharing system because they have abandoned their independent tax sources in exchange for shares as determined by a formula. The states in turn are required to pass to their municipalities, through the General Participation Fund, a minimum of 20 per cent of the funds received through revenue sharing (the state that passes on most is Nuevo Leon with 35 per cent, the states that redistribute least are Mexico, Hidalgo and Sonora, each with 20 per cent).

In 1994 an amendment was made to the fiscal co-ordination system concerning the co-ordination of fees paid for public services (*derechos*). This covers licences, public authorisations, registrations, etc. Only two states have not yet signed the agreement.

Article 115 of the Federal Constitution guarantees the autonomy of municipalities. Nevertheless, each month municipalities have to send to the state congress all documents concerning their incomes and expenses. Congress then verifies that expenses are executed according to the Income Law (*Ley de Ingresos*) and in case of violation sends recommendations (*pliego de observaciones*) that have to be implemented. There have been regular efforts to strengthen municipal autonomy through the redistribution of functions and financial resources. Municipal taxes and the Municipal Income Law (*Ley de Hacienda Municipal*) are, however, decreed by each state's congress. In some cases the state congress enacts the same Income Law for all its municipalities or for groups of municipalities without taking into consideration the different needs and structures of each municipality.

Table 4. Transfers to states and municipalities from the federal government (1982, 1987, 1992)

(1 000 million new pesos)

	Total federal receipts	Transfers to states and municipalities (including the Federal District)	Transfers (percentages)
1982	969.1	259.3	27.1
1987	21 359.6	4 958.2	23.2
1992	132 031.3	31 828.5	24.1

Source: *Quinto Informe de Gobierno*, 1993, Mexico.

Table 5. Distribution of federal grants to the federal district and to the states and municipalities (1985, 1992)

	1985	1992
TOTAL amount (1 000 million new pesos)	1 355.2	32 134.6 ⁽¹⁾
<i>of which:</i>		
Federal District (%)	20.2	17.9
States and municipalities (%)	79.8	82.1

1. Including reserves for contingencies and compensation.

Source: Secretariat of Finance and Public Credit.

2.3 *Performance management*

Some gradual changes have taken place in the organisational culture through the Management Modernisation Programme by aiming for results in the context of an incentive-sanction scheme. There has also been some work focusing on measuring activities and performance rather than depending purely on budgetary allocations. Performance standards will continue to be developed in 1997 as a means of evaluating efficiency in public expenditure. Pilot projects will be launched in specific programmes in the areas of health, nutrition, education and labour -- each using 15-30 performance standards to measure efficiency, efficacy, quality and results.

2.4 *Human resource management*

The 1917 Constitution established that labour legislation was reserved to the states. In 1931 the Constitution was modified, labour law came under federal jurisdiction, and the Federal Labour Law was adopted.

Article 123 of the Constitution establishes the principal rights of workers. It is divided into two parts. Part A concerns any labour relationship and mainly private sector workers; and Part B deals with federal public workers, including industries falling within federal competence i.e. the textile, energy, cinema, mining and petroleum industries. States and municipalities have their own laws regulating public servants according to principles set forth by the Federal Constitution. State workers are affiliated to the Institute of Security and Social Services of State Workers (ISSSTE) and to the Institute of the National Fund for Housing for State Workers (FOVISSSTE).

The Federal Law of Public Workers (*Ley Federal de los Trabajadores al Servicio del Estado*) was adopted in the late 1940s. It deals with relations between federal workers and the federal government. However, not all workers in semi-public bodies are ruled by this law, some such as Pemex and the Federal Electricity Commission fall under Part A of Article 123 of the Constitution (i.e. are treated as private sector workers). The Law also regulates relations between the state governments and state workers “*de base*” who cannot be removed because they are necessary to ensure the smooth running of the body. Their posts (*plazas*) are listed in a catalogue authorised in the Expenses Budget (*Catálogo general de Puestos del gobierno Federal*).

The labour relationships between the state governments and state public workers, and between municipalities and municipal public workers are ruled by Local Congress Laws. An aim of the laws ruling labour relationships between a public authority and its workers is permanent employment security; and there are provisions to that effect. There have been improvements in labour conditions in areas such as length of workday, social security and fringe benefits. The head of each unit fixes the general conditions of work in his area -- but they must be authorised by the Secretariat of Finance and Public Credit. A “promotion system” (*sistema de escalafón*) operates. This is a points-based system through which the hierarchical superior makes evaluations and gives points which may lead to a higher and better-paid post if the worker complies with other conditions such as length of service, discipline, etc. An employee can contest the evaluation and bring it before the Commission of Promotion (*Comisión Mixta de Escalafón*).

The Law defines senior officials (*de confianza*) who have management, monitoring, financial or audit responsibilities, and have decision-making authority or represent the federal government, but explicitly excludes them from its provisions. These officials therefore benefit from wage protection and social security benefits only -- there are no provisions regarding permanent employment security and such

officials are not allowed to belong to unions. In fact, the Law allows the existence of only one union and strikes are allowed -- if organised according to the law.

There is a large training network and there have been several initiatives in this field. These include a document on "Training in the Public Service" by the General Civil Service Direction which contains numerous proposals. As shown in Table 6, in 1993 80 per cent of all workers in the public sector were employed at the federal level (taken to include the Federal District and semi-public bodies). However, deconcentration and decentralisation programmes initiated in 1992 in the education sector and in 1996 in the health services area, have reduced these numbers significantly by transferring their contracts to the state governments.

Table 6. Size and composition of the public sector, 1993

(number of effective workers)

Sector	Number of workers	percentages
Federal government	3 071 000	81.9
Central	1 480 000	39.5
Federal District	182 000	4.9
Semi-public bodies	1 409 000	37.5
State governments	454 000	12.1
Central	394 000	10.5
Semi-public bodies	60 000	1.6
Municipal governments	226 000	6.0
TOTAL	3 751 000	100.0

Source: *Size and composition of the Mexican Public Administration*, Ministry of Audit and Administrative Development.

Regional negotiations take place to take into account the different conditions and costs of living for federal employees throughout the country. To this end the Inter-secretarial Commission of the Civil Service has defined petroleum, border, coast, tourist and development zones.

Each state congress enacts the law governing the relations between the state, the municipalities and their workers according to principles set by article 123 of the Federal Constitution. Municipalities may however enact administrative decrees and rules (such as the regulation of working conditions in each municipality).

2.5 *Regulatory management and reform*

During the 1988-94 administration emphasis was placed on the transfer to states and municipalities of functions that have gone through the General Programme for Simplification of Federal Public Administrations.

Other important reforms which took place include the deconcentration to state capitals of some federal bodies and the transfer to the state and municipal offices of several ministries of decision making and review functions. For example, field offices of the Secretariat of the Environment, Natural Resources and Fisheries now have the authority to deliver fishing and hunting permits, and the right to enter into

agreements with state governments in matters concerning environmental policies, and field offices of the Secretariat of Commerce and Industrial Promotion may now grant export and import permits.

On 23 November 1995, President Zedillo issued a decree to cut unnecessary red tape and other bureaucratic obstacles that slow or inhibit business growth. The new measure -- the *Acuerdo para la Desregulación de la Actividad Empresarial* -- is the most comprehensive federal deregulation initiative in Mexico's history.

The President has also signed a Co-operative Agreement (*Acuerdos de Cooperación*) with each state in order to implement and promote similar deregulation procedures at the state and municipal level throughout the country. As at February 1996, 15 states had organised state Deregulation Councils, in association with the business community, to supervise the review process.

3. Trends in redistributing authority across levels of government

3.1 *Evolving tendencies*

During the 80s, centralisation was seen as an enormous obstacle to achieving development in Mexico. It was then that the National Democratic Planning System was incorporated into the Constitution in order to encourage economic growth and to promote public participation in the design of the Plan and its subsidiary development programmes. The National Development Plan is mandatorily followed by all bodies of the Federal public administration.

Through this planning process, goals are fixed, responsibilities and time frames are defined, and an evaluation system is set up. The President is constitutionally authorised to enter into agreement with state governments to co-ordinate efforts for the implementation of the Plan. Furthermore, the Plan provides that the Federation and the states can draw up agreements whereby the states execute functions previously carried out by federal institutions. The states were also given the authority to make agreements with municipalities in order to decentralise functions and delegate some of their powers to municipalities, thereby reinforcing their authority.

A first step towards decentralisation took place in the 1990s with the creation of semi-public bodies in order to co-ordinate federal and state competences specially in the health and education areas.

Since taking office at the beginning of 1995, one of President Zedillo's key objectives has been the implementation of a "New Federalism". This fundamental agreement aims at the redistribution of State power, the reinforcement of the autonomy of the different political communities and respect for the spheres of competence of each tier of government. A key instrument is the National Development Plan.

The National Development Plan for 1994-2000 fixes objectives for a new federalism through redistribution of responsibilities, decentralisation of functions, fiscal co-ordination, new formulae for municipal participation in development planning, representation and participation of Indian communities, reform and modernisation of the public administration and promotion of administrative decentralisation.

Since 1995, the administration of President Zedillo has promoted legal reforms and the signing of agreements with state governors that transfer resources, authority and powers to each state. The

decentralisation process started in the education sector in 1992 and has extended to health, agriculture, social development, transport and communications.

In 1996 the federal government signed a national agreement with local governments in the health area, based on a redistribution formula that takes into account the demand by states for health services, the risk of regional epidemics, and costs. In 1997, this agreement will double the amount of transfers in 1996, to reach over 10 000 million new pesos.

The Secretariat of Social Development will continue to transfer to local authorities 65 per cent of the budget for combating poverty, through the Fund for Municipal Social Development. The aim of this fund is to support the development of social infra-structure in the municipalities. These resources are also distributed using a formula based on poverty indicators.

The Secretariat of Agriculture, Cattle Raising and Rural Development (*Secretaría de Agricultura, Ganadería y Desarrollo Rural*) has started the process of decentralisation by signing agreements with state governments and by creating a special fund to promote investment and productivity in the sector. The fund is financed by resources from the federal government, states and producers.

The Secretariat of Transport and Communications has signed agreements with eleven states, transferring resources, authority and power to local authorities. The process of decentralisation is just starting, but in 1997 the amount of resources transferred to states will be three times that in 1996 to total 272 million new pesos.

The Committee for Municipal Strengthening of the federal Chamber of Representatives is currently examining projects of reforms aimed at strengthening the autonomy of municipalities; reducing administrative difficulties of obtaining low interest-rate loans; achieving administrative simplification; enlarging the powers of municipal councils and lengthening the constitutional term of municipal councillors.

3.2 *The current debate*

The "Political Reform of the State", which took place in 1996, deals with electoral reform, the reform of political powers, federalism, social communication and citizen participation. Reforms concerning the Indian communities have still to be implemented. The section on federalism deals with relations between the federal government, states and municipalities; political reform of the Federal District; fiscal federalism; and municipal "renovation" -- i.e. their diversity, sphere of competence, and political representation.

Another current debate focuses on the implementation of new measures which will grant to states and municipalities the collection and administration of some taxes which are now with the federal administration. The Secretariat of Finance and Public Credit will present proposals to modify the Fiscal Co-ordination System. Among the federal taxes which might be granted to states and municipalities is that on the acquisition of real estate properties.

It is likely that in the short term the structures of sub-national government bodies will be modified as institutional change is needed to strengthen the capacity of state and municipal authorities to obtain further income.

As part of the 1995 State of the Nation Report, President Zedillo set forth the basis for the development of a "New Federalism". In this context he proposed to the Federal Congress the creation of a Federal Higher Audit Committee (*Auditoría Superior de la Federación*) within the sphere of competence of the Federal Chamber of Representatives, in order to enhance control over public finance.

In his statement to Congress in September 1995 the President emphasised the need to deeply restructure the tax system to obtain clear accounts, fight corruption, reinforce democracy and improve the balance between the three constitutional powers. A law will be drafted in order to ensure and strengthen the legislative controlling authority.

3.3 *Driving forces*

Two important driving forces are reshaping the functions and structures of the states. One factor is that the democratic process initiated in the early 1990's is already changing political forces. Public opinion has become aware of the importance of democratic changes and is very active in demanding this change.

Another important force has been the financial crisis and devaluation of the Mexican currency which had a very negative impact on state finances. To try to curb these negative effects, which include high interest rates, the federal government introduced a Credit Reinforcement Programme for States and Municipalities in May 1995.

This Programme was necessary due to the public and private debt of the states and municipalities and the spectacular rise of interest rates. It contains an agreement with commercial banks through which they accept debt restructuring with lower interest rates and an extension of deadlines for paying back loans. Two parallel mechanisms were established: the application of additional revenues coming from a rise in the price of petrol and VAT to cover 10 per cent and 30 per cent of private debt and fixed interest rates of 7.5 per cent and 9.5 per cent.

In mid-1995 states and municipalities owed 17 370 million new pesos to private banks and 9 600 million to state banks. This represents 48 per cent of the total contribution which they will receive in 1995. At the same time states may now enter into agreements with a state bank to help them to recover their financial capacity for social welfare services and help them restructure their debt.

The crisis has provoked new demands from states to alleviate their indebtedness, to obtain new resources and to be granted more fiscal revenues. For example, a covenant concerning resources from highways and border bridge crossings was increased in 1996 in favour of municipalities along the country's northern border.

It is important in this context to consider the imbalance that exists in regional development across the country -- something which is also taken into account in the latest National Development Plan. The south of the country is made up of regions of peasant cultivators and large Indian communities. In contrast, the Northern Region borders the United States and has developed important cities along the frontier that are strategic points for border-crossings, tourism and light-assembly plants. The economy of these cities is linked very closely to the American economy so that devaluation had particularly negative effects on many of their activities. (It is in these northern cities that the PAN opposition party has acquired its major support.)

Other special programmes have been developed to help fight the economic crisis. These include the Programme of Industrial Policy and Economic Simplification, the Special Employment Programme (which seeks to create 28 000 new jobs in rural marginal areas) and the Emerging Plan (which aims to reinvigorate production and employment by helping especially small and medium-sized enterprises).

The current economic crisis is paralleled by a crisis concerning the power of the central government and of the Executive. President Zedillo's attitude of not wanting to dominate the internal affairs of the Revolutionary Institutional Party (PRI) has reinforced regional powers and is changing the PRI's internal cohesion. Prior to President Zedillo's administration all Presidents were heads of the PRI and participated actively in party life. The comeback of "*caciquismo*" (local chiefs) in some regions, the changes which the central power is experiencing and the financial crisis are some of the principal challenges which the "New Federalism" will have to face.