



Capital: Mexico City
 (in Distrito Federal)
 Population: 109.9 Million
 (2008 est.)

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Sources: CIA World Factbook; ESRI Ltd.;
 Times Atlas of the World

United Mexican States

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The election of an opposition candidate to the presidency of Mexico in 2000, after seventy-one years of one-party rule, was probably the climax, but not the end, of a long transition to a democratic, decentralized polity in the country. Despite many social changes and constitutional amendments during the second half of the twentieth century, subnational governments (particularly municipalities) have not yet achieved the full political autonomy required by a federal order. This chapter highlights some of the pressing issues related to local governments and metropolitan areas that have emerged during this transition period.

In addition, identifying and exploring the obstacles, challenges, and opportunities facing municipalities in changing political, economic, demographic, and social contexts are key to the ongoing development of local government in Mexico. This development was brought about by two principal factors. First, the country is experiencing a political and economic transition. In fact, an economic Pandora's box was opened when the national government, responding to recurring political and economic crises in the 1980s and 1990s, opened up the economy after signing the North American Free Trade Agreement (NAFTA) in 1993. This transition has had a profound effect on decentralization, leading to a re-emergence of the states and municipalities. Second, institutional changes involving constitutional amendments reinforced the role, and widened the functions, of local governments while also reducing their dependence on the state and national governments. Despite these amendments, local government's autonomy has not yet been fully consolidated, as both formal and informal constraints inhibit its administrative performance. Thus administrative, political, and fiscal changes are necessary to achieve a federal order in which the principle of subsidiarity is implemented and the constitutional principle of a "free municipality" (*municipio libre*) is attained.

From 1980 to 2004, Mexico doubled its gross domestic product (GDP) from US\$345.6 billion to US\$619.5 billion. At the same time, it almost quadrupled its external trade account, expanding exported and imported manufactured goods and services, mainly to and from its northern neighbour, the United States. This expansion reflects a growing and diversified economy, which was previously based almost exclusively on primary goods, such as agriculture, mining, and oil production. The economic expansion, however, has not been reflected in people's income; the country's income distribution is one of the most unequal in the world. Moreover, the per capita GDP increased by less than 20% during the same period, from US\$5,114 to US\$5,968, mainly due to population growth.

Whereas in 1980 the country's population was 67 million, by 2005 it had reached 104.9 million, almost 8% of whom belong to fifty-six ethnic groups speaking languages and dialects other than Spanish. Growth was concentrated in urban centres (areas with 15,000 or more inhabitants), and the urban population constituted more than 65% of the country's total population, with nearly 20% living in Mexico City, the capital.

Although Mexico has been politically organized as a federal republic for more than 150 years, it is still a young democracy.¹ The federal government is constitutionally organized into three branches: executive, legislative, and judicial. The country's 1,964,375 square kilometres are divided into thirty-one states and a Federal District (Distrito Federal, or DF) as well as 2,445 municipalities (as of 2006).

The present Constitution of the United Mexican States, approved on 31 January 1917 and made operational on 1 May 1917, was influenced by the United States' federal Constitution and the Spanish Constitution of Cádiz (1812).

The allocation of powers contained in the Constitution defines and limits the role of the executive vis-à-vis the legislative and judicial branches. The federal legislative branch (Congreso de la Unión) comprises two chambers: the Chamber of Deputies and the Senate. The Chamber of Deputies comprises 300 directly elected representatives from constituencies covering the country's territory (divided into 300 electoral districts) and 200 additional deputies from party lists based on proportional representation. The Senate consists of 128 senators, two for each of the thirty-one states and the Federal District, plus thirty-two elected through a first-party minority system with one for each state, and thirty-two on the principle of proportional representation from lists that parties present for national elections.²

At the apex of the judiciary is the Supreme Court of the Nation, which has exclusive jurisdiction in all but territorial disputes between the states,³ between authorities within and among state governments, and between one or more states and the federation. Individuals can enforce constitutional guarantees through a writ of relief (*juicio de amparo*).

The country's transition to democracy and decentralization began before the defeat of the Partido Revolucionario Institucional (PRI) in the 2000 presidential elections. During this period, the PRI, in power since 1929,⁴ had allowed certain local candidates from parties other than the PRI to take turns in office in certain small municipalities. But in 1989 a gubernatorial candidate from the Partido Accion Nacional (PAN) won the state of Baja California for the first time ever. This was followed by Guanajuato in 1991, Chihuahua in 1992, and Jalisco in 1995, all governed by PAN candidates. In 1997 the Partido de la Revolucion Democratica (PRD) won the first election held for the head of the Federal District's government. By the end of the decade, six states were governed by the PAN, four by the PRD (including the Federal District), and one by a PAN-PRD coalition.

In some people's eyes, the federal presidential elections of 2000 favouring the PAN represented a clean break with the past. In 2000 the electorate voted freely to end the PRI hegemony by choosing Vicente Fox, the PAN candidate, to be president of Mexico. But the PRI's monopolistic control of the Congress, the states, and most of the municipalities had begun to be eroded a few years earlier. In fact, by 1999 the PRI controlled only 57% of all municipalities, the PRD 12%, the PAN 11.5%, and other parties – including the indigenous local governments (*usos y costumbres*) in Oaxaca State – 19.4%. Most important was that the PAN controlled the municipalities in which state capitals were located, as well as the majority of those with the most important cities. The exception was Mexico City, which was in the hands of a prominent PRD party member. A fragmented political landscape emerged in which states and their capitals were governed by different parties.

In the case of state legislatures, there were none in which a single party dominated with a two-thirds majority.⁵ This condition not only triggered an interesting process of negotiation and coordination by the state legislature members but also highlighted the relative power of elected minorities.

These events also relaxed the *de facto* subservient relationship that prevailed in the federal government between the legislative and judicial branches and the executive. Other changes also stand out. It is now acknowledged that a new kind of political competition between parties has been inaugurated, civil society's options and organization have been strengthened, and there are now real possibilities of a free press and freedom of speech. Some centralist and undemocratic practices that affected individual liberties and maintained discretionary decisions and actions in the hands of federal and state authorities came to an end. At the same time, formal decentralization measures and instruments were reinforced. However, centralist practices and many political vices imbedded in the system are still present, mainly affecting local government.

The transition period has thus been complex, with new political actors emerging, particularly in local and community arenas, and with the

country's political geography totally different from what it was at the end of the twentieth century.

HISTORY, STRUCTURE, AND INSTITUTIONS OF LOCAL GOVERNMENT

In Mexico the idea of a local authority is rooted in pre-Hispanic history, as well as in the Castilian tradition of provincial and municipal tiers of government imposed during the Spanish Conquest. The first municipality was the Villa Rica de la Vera Cruz (now Veracruz), established in 1519 as soon as Hernán Cortés landed in what was later referred to as New Spain. Years later, in 1524, as the Aztec capital Tenochtitlan was destroyed, the first town council (*ayuntamiento*) in the Valley of Mexico was established by colonial rule. But it was also during the colonial period that the rights and powers of the municipalities, both colonial and indigenous, which lasted until the seventeenth century, were reduced by Spain.

At the end of the War of Independence (1810–21), a federation was introduced in the first Mexican Political Constitution of 1824, based on the idea of provincial deputies in the Spanish Constitution of Cádiz of 1812. On the basis of the latter, a federal government system was envisioned by the constitution makers, led by Ramos Arizpe, the representative of a northern province, in the midst of a tense debate in which provincial independence seemed imminent.⁶ Despite its ups and downs following monarchist efforts such as the 1836 and 1843 centralist constitutions, the liberal Constitutional Charter of 1857 recognized states as part of the federal pact but did not explicitly mention municipalities.

The federal system of government for the country was reaffirmed in the Constitution of 1917.⁷ The Constitution also stated that the *municipio libre* (free municipality) was the country's basic territorial unit and that its authorities were to be elected by direct popular vote.

Today, the municipality is a multipurpose, single-tier institution, with no intermediate entities between it and the state government. Consequently, urban areas within a municipality's territory have no autonomous or formally elected administrations.

The importance of municipalities varies politically, economically, and geographically but not legally. Legally, their governmental and political structures are consistently similar and are regulated by the Constitution. Nevertheless, for specific administrative functions, municipalities follow state constitutions and other municipal laws and rules generated locally by the *ayuntamiento*, or town council.

Municipalities in which the state capitals are located suffer from the prevailing political milieu favouring the state governor but are also recipients of public investment directed to enhance the states' capitals. In economic

terms, there are significant differences among municipalities. More than 80% of the country's GDP is concentrated in only 20% of the municipalities. Some municipalities are at an advantage due to the agglomeration of economic activities or the presence of natural endowments in their territory. Geographical attributes increase the differences between municipalities. Their relative location is important; for example, some northern border municipalities adjacent to US cities take advantage of their population's disposable income and purchasing power. Size differs widely: Baja California Sur with its almost 75,000 square kilometres is divided into only 3 municipalities, whereas the State of Puebla, with roughly 34,000 square kilometres, has 218.⁸ Their population density also shows considerable variance; some jurisdictions in the Federal District have more than 6,000 inhabitants per square kilometre, whereas in Quintana Roo there are only 5 per square kilometre.

Since the 1960s, urban areas have expanded physically and demographically while incorporating several municipalities. This urbanization process experienced during the second half of the twentieth century has concentrated more than 50% of the total population in fifty-five officially classified metropolitan areas comprising 309 municipalities. Despite this number, there have been only a few initiatives for consolidating municipalities, and when intermunicipal cooperation does occur, it is based on, and maintained by, ad hoc voluntary efforts by the participating local authorities.

The largest metropolitan areas (Mexico City, Guadalajara, Monterrey, and Puebla) incorporate nearly eighty municipalities and sixteen *delegaciones* (the basic local subdivisions in the Federal District) and account for over one-quarter of the country's population. Twenty-one per cent of urban dwellers live in medium-sized cities of between 100,000 and 499,999 people, with another 21% inhabiting towns and cities of between 5,000 and 49,999 people. The rest of the population is considered rural, living in more than 180,000 scattered rural settlements, comprising the majority of the country's municipalities.

Mexico City is located in the Federal District. The DF houses less than half the population of the Mexico City Metropolitan Area (MCMA), which now totals more than 18 million inhabitants.

A constitutional reform in 1928 eliminated the municipal subdivision in the DF, creating the Federal District Department, the head of which was nominated and removed from office by the president.⁹ The DF was subdivided into an area comprising Mexico City and twelve *delegaciones*. By 1970 Mexico City proper had been divided into another four *delegaciones*, as a result of which the DF comprised a total of sixteen *delegaciones*. In 1987 the DF's political status was changed by the creation of a representative body comprising forty directly elected representatives and another twenty-six elected by proportional representation. This Assembly of Representatives

(Asamblea de Representantes) acted as a local legislative body able to enact ordinances and rules as well as to approve the nomination of judges and submit initiatives to the federal legislature on local matters. Following the 1993 constitutional reform of Article 122.VI, the president could still nominate the head of the DF but now had to choose a candidate from the elected majority in the assembly. In 1994, at the end of a lengthy attempt to democratize the DF government, the Federal District, through its Organic Law, was given the status of a state, and in 1997, for the first time ever, its citizens elected their head of government by universal, direct vote.

Municipalities with a significant indigenous population have the right to elect their authorities based on traditional indigenous practices (*usos y costumbres*). In 1990 this right was incorporated into Article 39 of the Oaxaca State Constitution: “the Law will respect democratic electoral practices of indigenous communities and will protect their traditions.” This article neither mentioned municipalities nor specified democratic electoral practices. But in 1995, another amendment, this time to Article 25.II, stated: “The Law will protect those indigenous communities that have so far used traditions and democratic practices for electing their local authorities.” The State Electoral Institute (Commission) was then charged with the tasks of deciding which municipalities might elect their authorities through this consuetudinary system, acknowledging electoral results, and declaring the validity of elections. Article 29 of the Oaxaca State Constitution accepts that these authorities are elected as a result of their traditions and “democratic practices” yet stipulates that their period in office should not exceed the three years the Mexican Constitution dictates for all local governments.¹⁰ In 2006, 421 of the 570 municipalities in Oaxaca were governed by local authorities elected according to traditional indigenous practices.

CONSTITUTIONAL RECOGNITION OF MUNICIPALITIES

According to the Constitution, the federation consists of the union and the states. Article 40 thus proclaims that Mexico is “a representative, democratic federal Republic composed of free and sovereign States in all that concerns their internal affairs.” In the Fifth Title, devoted to states and the Federal District, municipalities are posited as the basis of the states’ territorial divisions, placing their regulations firmly under state control but within a broad framework prescribed by the Constitution. The key provision is Article 115, which has undergone various reforms and amendments (1933, 1947, 1976, 1977, 1983, 1992, and 1999) incorporating, reflecting, and acknowledging the evolution of social and political life during the twentieth century.¹¹

Article 115 reads: “The states shall adopt for their internal rule the republican, representative, and popular form of government, with the ‘Free

Municipality' (*Municipio Libre*) as the basis of their territorial division and political and administrative organizations." Article 115 then provides a set of principles to be implemented by the states.¹²

The first principle establishes not only the democratic nature of municipalities but also the fact that there will be no other intermediate authority between them and the states.¹³ Limitations are placed on the tenure of office bearers, and a council may dissolve itself, in which event the state legislature may appoint a substitute council. Article 115.II establishes the principle that the administration of municipalities takes place in terms of state laws, which have to deal with a number of issues, such as the requirement of a two-thirds majority in the council when the council concludes certain contracts as well as the fact that a state may intervene by assuming a municipal function or service that a municipality is unable to perform. State legislatures should also regulate the settlement of any disputes arising either between municipalities or between the latter and the state government.

Article 115.III provides a list of functions and public services for which municipalities are responsible, including water, public lighting, sanitation and waste disposal, and public security. However, having listed the functions, Article 115.III, paragraph 2, asserts the pre-eminence of other orders of government: "Without prejudice to their constitutional competences, in the discharge of their functions and providing services that are their responsibility, municipalities must observe provisions of federal and state laws."

In terms of Article 115.III, paragraph 3, local authorities may also establish intermunicipal agreements in order "to deliver public services more efficiently or to ensure the most professional exercise of the functions." Where such an agreement involves municipalities in different states, the consent of the states must be obtained. This provision offers an initial solution for cases where two or more municipalities from two or more states, as in the case of the MCMA, face spillover effects and other spatial phenomena requiring economies of scale. However, only with the respective state legislature's approval can a municipality associate with other municipalities inside or outside its state. Therefore, in the context of a metropolitan region, intermunicipal cooperation cannot occur on the initiative of municipalities only, but must involve the state and the federal governments.

Article 115.IV further establishes the important principle that "[m]unicipalities shall freely administer their finances." This principle, based on the 1983 and 1999 amendments, was probably the basis for administrative decentralization, understood as an effort to strengthen the local bases of the federal government in the country. It also opened the Pandora's box of democratization, representative government, and citizen participation that have taken place over the past three decades. The "free administration of finances," however, takes place within a legislative framework provided by

the states. The taxes and rates municipalities may collect are established by the states, a power that federal laws may not limit. In the case of property taxes, councils must propose to their state legislature the fees and tariffs applicable to taxes, licences, building permits, and the valuation of land. In general, states must establish the tax laws of municipalities¹⁴ and scrutinize their financial accounts.¹⁵ However, municipalities approve the way resources are to be spent, according to their available income.

Although Article 115.V establishes the scope of municipalities' powers in respect of land-use planning and urban development, this must take place according to federal and state laws. Land-use planning is an important competence of local authorities, but here the legal gap that exists between what the law says and what is done to implement it is particularly obvious to any observer of Mexico's chaotic landscape, both urban and rural, which reflects an absence of planning. Article 115.VI emphasizes the associative needs municipalities face as regards urban centres in their territories, which tend to form a continuous area of population. In these cases, "the Federation, the federated entities, and their respective municipalities, within the limits of their competences, shall plan and regulate the development of these centers in a joint and co-ordinated manner, in keeping with federal law." Article 115.VII deals with regulations related to the municipal police and with cases in which the state governor may take control and intervene with additional forces to restore public order.¹⁶ Lastly, Article 115.VIII institutes the principle of proportional representation in the election of the councils of all municipalities.

Although the dual nature of the Mexican federation is paramount and the dominant position of states over municipalities is clearly established, there is still indirect acknowledgment of the fact that municipalities form the third sphere of government, with their own set of competences that may overlap with those of the union and the states. In the outline of the powers of the Congress in Article 73, a number of provisions recognize the need for cooperation between the three spheres. Article 73 establishes the power of the Congress to enact laws to coordinate the actions of the federal government, the Federal District, and the states and municipalities in relation to public security, education, human settlements, and ecology.

Article 122 expansively regulates the Federal District government regarding the organization and responsibilities of its local organs. However, the structure and functions of the *Asamblea de Representantes* (the DF's legislative body) and the power of the Mexican president to appoint the head of the police, after the proposal of three candidates by the head of government of the Federal District, are based on the Federal District's government statutes.

Prior to the 1983 and 1999 amendments to Article 115, municipalities had few administrative responsibilities. With the 1983 amendment,¹⁷ the

municipalities were given relative autonomy to govern their communities and to strengthen their finances. With the second amendment, the *municipio* became an order of government in the federal system, and just like the federation and the states, it acquired juridical autonomy, allowing municipalities to organize local public administration, regulate all matters related to the provision of public services, and assure citizens' participation at the neighbourhood level.

It should now be evident that municipalities are constitutionally free but not yet politically autonomous. Self-government, as understood in the United States, has not been incorporated into any of the twelve or so amendments to Article 115. Instead, efforts have been aimed at improving or consolidating financial and administrative autonomy. State legislatures have an enormous amount of power over municipal life, passing legislation on behalf of municipalities. State legislatures are able not only to suspend or remove from office the *ayuntamiento* (town council) as a whole, or any of its members, including the mayor, but also to delimit their territories and create or abolish them.

GOVERNANCE ROLE OF LOCAL GOVERNMENT

In terms of Article 115.III, municipalities are responsible for the following public services:

- drinking water, drainage, sewage, and wastewater treatment
- street lighting
- cleaning, collection, transfer, treatment, and final disposal of waste
- markets and supply centres
- cemeteries
- public walkways
- streets, parks, and gardens and their maintenance
- public security, municipal preventive policing, and traffic¹⁸

Despite the fact that these powers are listed in the Constitution, they must nevertheless be enacted through state legislation. Although Article 115 of the Constitution is fairly unequivocal about the powers and responsibilities of the municipalities, the implementation of these powers in state constitutions is done in a variety of ways. In some state constitutions, such as that of Chihuahua, the conferral of powers is conceptualized as a bottom-up approach: "those powers not expressly given to the municipalities are understood as being reserved for the state."¹⁹ In Yucatan the approach is a top-down one, giving municipalities only residual powers: "those powers not granted explicitly to the federal authorities or established in this constitution as exclusive of the state are understood to be exercised by the municipalities."²⁰

Article 115.V also grants municipalities a number of functions and powers that must be exercised in terms of relevant state and federal laws, but which in practice depend on their own financial capacity. They include:

- formulating, approving, and administering urban development plans in their territory
- participating in creating and administering territorial reserves
- participating in federal and state regional development plans
- authorizing, controlling, and monitoring land use within their jurisdiction
- intervening – with the federal authorities – in the regulation of urban land ownership
- granting construction licences and permits
- participating in creating and administering ecological reserves (i.e., protected natural areas)
- intervening in the formulation and implementation of public transport programs within their jurisdiction
- concluding agreements for the administration and protection of federal zones

In exercising these powers, municipalities may enact regulations and administrative rules where necessary.²¹ It should be noted, however, that the status of a “law” is reserved only for the statutory instruments of the Congress and the state legislatures; the municipalities’ legislative capacity is restricted to administrative regulations.²²

Municipalities vary greatly in their income and, therefore, in their capacity to respond to their population’s needs and to all the mentioned mandates placed on them by the federal and state governments. Central municipalities in most metropolitan regions are able to spend a larger proportion of their income on public works, but in most small, poor, peripheral municipalities, public expenditure is largely used to pay for administrative costs and to cover the salaries and wages of their limited staff and operational personnel in public utilities and services. According to the 12th General Population Census of 2000, the federal, state, and municipal governments, collectively, employed 1.4 million people, with approximately 800,000 coming from municipalities.²³

States’ expenditure is almost one-third that of the federal government. Although the municipalities’ share of public expenditure has grown, and even more than doubled over the past few years, it is still a fairly insignificant proportion of the total, accounting for no more than 6% to 7% of total public expenditure on average (table 7.1).

Municipalities increased their expenditures from 1996 to 2005. But at the same time, local governments have been given increasing mandates and responsibilities by the federal and state governments, without a corresponding increase in fiscal autonomy.²⁴

Table 7.1

Mexico: Percentage distribution of expenditure by order of government, 1996–2005

Year	Federal	State	Municipal*
1996	85.4	12.2	2.4
2000	71.2	23.7	5.1
2005	65.4	27.8	6.8

* Based on total revenues, including subsidies and federal and state transfers.

Source: International Monetary Fund (IMF), *Government Finance Statistics, 2002*; and Instituto Nacional de Estadística, Geografía e Informática (INEGI), *El Ingreso y el Gasto Público en México, 2007*, <http://www.inegi.gob.mx> (viewed 30 January 2008).

Covering administrative costs is the main public expenditure of local governments. The percentage of investment in public works and social infrastructure was less than 30% of the total expenditure of all municipalities over the past five years. Little variation is observed in this trend. In 2000 all municipalities spent nearly 23%, in 2003 just over 25%, and in 2005 a little over 23%. It is worth mentioning that during this period, municipalities outside of the metropolitan areas spent more than the latter on this item. Local governments in metropolitan areas bear a heavier administrative burden than the rest due to, among other things, a population that is more exposed to public security risks and that demands more amenities.

In addition to the provision of public services, the other main function of local governments is development planning. Within the framework described above, the rights and powers of municipalities are constrained by a lack of both political and economic autonomy. In an urban context, this lack of a “modern” administrative system has allowed development to spin out of control. Good examples of this are the squatter areas found on the periphery of many cities.

Long-range planning is the responsibility of each municipality’s planning department. Recently, however, in some municipalities with large and medium-sized cities, the long-range planning function was transferred to a relatively autonomous agency called the Instituto Municipal de Planeación (Municipal Planning Institute, or IMPLAN) or the Instituto de Investigación para la Planeación (Institute of Planning Research, or INIP). IMPLAN operates as a relatively independent local body, whose director is appointed by, and directly answerable to, the mayor yet is separate from the local government sectors in charge of economic development, public works, parks and recreation, urban administration, and transportation, thereby jeopardizing effective administrative and planning performance. In some cases, such as in the northern border municipality of Tijuana, IMPLAN has been incorporated as a department within the municipality’s administrative structure and made financially dependent on its budget. In

general, these institutes focus only on internal issues within the municipal jurisdiction; they have nothing to do with the state or other municipal authorities. In some cases, when it is able to mobilize civil society and incorporate local stakeholders, IMPLAN can operate and make decisions on long-term projects with their support.

Institutions of Power

In Article 115.I the Constitution prescribes the broad framework for the governance of municipalities as follows: “Each Municipality will be governed by a town council (*ayuntamiento*, also called *cabildo*) elected [for three years] by direct popular vote and comprising a mayor (*presidente municipal*) and a number of councillors (*regidores*) and trustees (*síndicos*) determined by law.”

The article further provides that the mayor and all council members may not be re-elected for the immediately following term. In local elections, *síndico* or *regidor* candidates are included in a list attached to the name of a party’s mayoral candidate. Thus, when voting, citizens are choosing a head of the municipality together with his or her team. The number of councillors the mayor can include in his or her government is proportional to the votes he or she obtained. The remaining councillors come from competing parties’ lists according to the proportion of the votes.

The mayor is the representative and executive officer of the municipality. The *síndico* (usually one but sometimes two, depending on each state’s constitution and local municipal laws) is a member of a commission in charge of the municipal treasury. He or she helps to draw up the budget, and thus audits local public expenditure, and is also the legal representative of the municipality. The *regidores* are in charge of one or more portfolios (commissions) concerned with the welfare and economic development of their municipality. Their number varies from eight to twelve according to the size of the municipality’s population and its economy. The different officials within the municipality, such as the council’s secretary, treasurer, and other heads of department (e.g., police, street lighting, public works, slaughterhouse, and parks) are simply administrative authorities.

When the *regidores* and *síndicos*, presided over by the mayor, meet for a working session, the *cabildo* is officially constituted.²⁵ The *cabildo*, equivalent to a legislative body, is the centre of political life in the municipality. It can approve policies, plans, programs, and projects as well as the budget. The *cabildo* can also enact regulations, make administrative decisions, and implement measures for the provision of public services. The *cabildo* meets at least once a month in sessions open to the public. For it to make valid decisions, at least half of its members must be present. In the absence of the mayor, the *síndico* presides over the *cabildo*. All members have full voting rights, but the

mayor, who has no veto power, can cast a vote in case of a tied vote. Still, the *cabildo* acts as a counterweight to the mayor and to the administrative employees, appointed by the mayor, who are in charge of departments.

The quality of administration varies considerably between municipalities. Some municipalities with a population of several million in their jurisdiction, with formally educated policymakers and a highly sophisticated administrative infrastructure, contrast sharply with administrations in rural areas. Fewer than 40% of all municipalities have budget planning and evaluation units, computerized accounts, internal administrative codes, or regulations based on updated geographic information.²⁶ The well-known fact of the unequal administrative condition limits the ability of municipalities to “run at the same pace.” The lack of these attributes means that there is no guarantee of proper administration or planning across the country.

Relying on the 2000 National Survey of Municipal Institutional Development, Enrique Cabrero argues that the most important issue facing local authorities is perhaps the modernization of administrative procedures and keeping their geographic information systems updated.²⁷ Without these attributes, there is no basis for proposing planning rules, regulating investment in public works, or designing development plans. Without an updated property register, it would be impossible to charge property tax directly, which results in levying far less than what could be levied.

Municipalities’ administrative capacities are, to say the least, weak. But these capacities vary with size and also within an urban-rural divide. Although in 100% of metropolitan municipalities the most important financial administrative decisions are made by university graduates, the proportion varies in small urban municipalities from 60% to 80% and is less than 20% in rural municipalities. In fact, it is not possible for half of these municipalities (four out of ten) to even supervise and/or evaluate expenditure or to ensure that their budgeted income equals their needs. In certain instances, municipalities even lack the skills to use their available financial resources. One contributing factor is that one-sixth of municipalities do not use computers for bookkeeping or office duties.

An additional complexity concerning municipal administration is the relationship with citizens. It seems that a stable relationship is possible only when a local government is identified with a political party that has won successive elections. In these cases, the results have been, first, the emphasis on participatory mechanisms to involve the citizenry in decision-making processes; and second, the employment of an increasing number of party members in the local administration (so-called *partidización*, or the control of local politics and policy decisions by one party from within the municipal administration).²⁸

The experience of urban and metropolitan local governments shows that, in the first case, the opportunities for citizens to intervene in the budget

allocation process increased, together with their say in what kind of investments are necessary and/or desirable.²⁹ Conversely, *partidización* tends to inhibit the administrative modernization and professionalization of personnel, thereby reducing the efficiency and efficacy of the local system's management and administrative performance. Two examples will suffice. The PAN won successive elections in the municipality of Tijuana, the largest urban centre on Mexico's northern border. In an attempt to break the PRI's clientelistic tradition, the mayor eliminated the traditional participatory channels and embarked on a strategy of replacing local bureaucrats with his own party members (*partidización*). It is obviously the mayor's prerogative to open the administration to public participation and to decide on the scope and modalities of such participation. However, the efforts to control politics and policy decisions through *partidización* have led to the elimination of a "loyal opposition"; in some notorious cases, as much as 80% to 90% of the electorate have abstained from voting, which afforded the winning candidate no legitimacy.

The second example is an innovative experiment carried out by the local authorities in Nezahualcóyotl, a densely populated metropolitan municipality in Mexico City governed by the PRD. This party, in office since 1996, has opened a number of participatory channels and practices, the three main ones being: (1) the creation of citizens' committees; (2) the election of neighbourhood representatives to participate in decisions for allocating funds assigned to alleviate poverty; and (3) encouraging residents to work on local betterment schemes.

These participatory mechanisms seem to balance the lack of more developed ones in which citizens are directly involved in building agreements to establish programs and in setting government goals. These are not easy tasks in Mexico, which has had only a brief pluralistic experience and, in addition, where there is limited opportunity for political diversity within the *cabildo*. If the elected mayor is very popular, the *cabildo* will be dominated by his "men" and will, therefore, be able to dictate local policies and politics.

FINANCING LOCAL GOVERNMENT

Since the mid-1990s, Mexico has abandoned the tendency to centralize its fiscal system. Borrowing and spending decisions have been decentralized. The landmark in terms of decentralization is perhaps the 1983 amendment to Article 115 of the Constitution, which was consolidated in 1999. Article 115.IV sets out three main sources of municipal income: (1) the exclusive collection of property taxes; (2) fees derived from the provision of public services; and (3) the right to share in the revenues raised by the federal government (*participaciones*). Equally important, the article asserts that "[m]unicipalities shall freely administer their finances" derived from the revenue they obtain from

taxes and other sources. In line with the dominant position of the states, the power to levy taxes and charge fees is mediated through state laws. Municipal councils are thus obliged to propose the fees and tariffs applicable to taxes, licences, building permits, and rates for property taxes to state legislatures. These legislatures, therefore, must pass laws establishing the revenue laws of the municipalities. The pre-eminence of the states is clear; Article 115.IV, paragraph 2, provides that federal laws may not limit the power of states to establish taxes or regulate the collection of service fees.

The main reason for the recent acceleration of fiscal decentralization might well be the broadening of political participation and the opportunities afforded by the electoral system for opposition parties to effectively compete and win elections, not only in local and state contests but also in federal elections.

Municipal income is classified in Mexico as ordinary (own direct revenues, such as local taxes, service charges, products, fees, and nonconditional federal and state transfers, or *participaciones*) and extraordinary (citizens' contributions for specific benefits, loans, and earmarked grants and subsidies from the federal or state governments).³⁰

Payroll taxes are the most important municipal tax, but they are levied in only twenty-three of the thirty-two states. Some urban local governments are able to collect local taxes amounting to perhaps half of their total income (as in the case of the Federal District). Municipalities on average are slightly less dependent than states on revenue sharing and transfers, although this varies considerably across and within states. The larger municipalities benefit from having access to additional local sources of revenue – other than the property tax (which contributes on average 10% of total revenues) – to which rural municipalities do not even have access. They also benefit from improved incentives for responsible fiscal autonomy.

Local governments have no authority to change tax rates, create new taxes, or influence the tax base as a means to increase their revenues from local sources. As a result, they see themselves as being locked in a vicious cycle that limits their possibilities of improving administrative efficiency and effectiveness. What they do seem to have, in some cases, is exceptional leadership, which enables them to improve the management of local resources and the provision of public goods and services.

The Constitution does not allow local governments to borrow from foreign financial institutions. State legislatures must approve any loans that states and municipalities acquire from commercial banks or national development banks, such as BANOBRA, which manages development funds of foreign origin, such as World Bank loans. The existing data suggest an enormous increase in the amount of debt incurred by commercial banks from 1995 onward, replacing loans acquired from development banks that were used mainly to cover income deficits rather than to finance large

public works. Until 2000 borrowing by states and municipalities – generally on a very small scale – was guaranteed by federal transfers as collateral, which meant that the federal government was the only stakeholder to be concerned about the creditworthiness of the states, whereas the latter had no incentive to control costs or increase their revenue.³¹

Transfers, the main source of revenue for states and municipalities, fall into two categories: unconditional grants and conditional grants. Instances of unconditional revenue sharing with the federation, a source created in 1980 and known as *participaciones*, “were originally revenues from states and municipalities [the] collection of which was delegated to the federal level in the Fiscal Pact³² for tax efficiency reasons. In practice, the federal government writes the formula for distributing these funds and increases them from federal sources such as oil revenue, so that they are different from tax sharing (revenues collected in a state that are kept there) and are more like a transfer program of a revenue-sharing type.”³³

The second category of transfers consists of conditional grants and subsidies, known as *aportaciones*. Created in 1997 as Ramo 33, a section of the federal budget meant to resolve differences in the provision of public services and to support financial capabilities of the municipalities, they were “conceived as federal money earmarked to pay for federal commitments transferred to the states and municipalities.”³⁴

Ramo 33, comprised of seven funds targeting education, health, and infrastructure, amounts to US\$22 billion and accounts for 26% of the Federal Revenue Sharing Pool (as of 2002). The main funds are the Basic Education Fund (62% of the total), the Health Services Fund (11.6%), the Municipal Social Infrastructure Fund (9.7%, of which 90% goes to municipalities), and the Municipal Strengthening Fund (9.2%, all of which is allocated to municipalities). The latter accounts for almost 3% of the Federal Revenue Sharing Pool. It is sent directly to municipalities via the states every month and is apportioned according to the population size of each municipality. In the case of the Municipal Social Infrastructure Fund, the federal Ministry of Social Development (SEDESOL) is in charge of distributing funds to the states, whose legislative bodies, in turn, determine the allocation among their municipalities based on a number of variables.

The National System of Fiscal Coordination (SNCF) guides the distribution of resources between orders of government.³⁵ It is a contract between the federal government and the states, but the Law of Fiscal Coordination (LCF) incorporates the municipalities into this agreement by mandating that states should transfer at least 20% of their share of federal revenue to their municipalities. A state’s own Law of Fiscal Coordination specifies the way that it must allocate these funds to municipalities. Certain allocations, however, are compulsory, such as a distribution of 20% of the share of general revenue or of the participation fund, 100% of the municipal promotion fund, 20% of the

participation fund based on new-vehicle taxes, and 20% of the state revenues from a special tax on production and services. The criteria for distributing these funds to municipalities vary among states but involve the population size and the municipalities' efforts to raise direct revenues, plus a compensatory element in inverse proportion to the previous components.

Federal transfers are supposed to: (1) reduce the discrepancy between the expenditure needs and revenue capacity of subnational governments; (2) provide fiscal federalism with the social and political dimensions of a federal pact, thereby helping the process of decentralization; and (3) reduce regional disparities by channelling resources to ensure equal opportunities for citizens in different geographical areas (states).

These objectives have not been fully accomplished. On the one hand, federal transfers have inhibited municipalities' fiscal efforts,³⁶ and conditional grants have affected their fiscal behaviour, corroborating the fiscal-substitution hypothesis.³⁷ On the other hand, as far as reducing regional disparities is concerned, *participaciones* directed to the Federal District were reduced between 1980 and 2000 from 23.4% to 12% of the total amount distributed, but this reduction favoured mostly those states with consolidated urban markets as opposed to those with a predominantly agricultural economic base,³⁸ increasing the gap between the two.

The standard of living in Mexico is dependent not only on the socio-economic attributes of the population but also on the area in which the population lives. Thus the differences between rural and urban and between urban and metropolitan local governments produce a sharp bias in terms of available infrastructure and accessibility to public goods and services. Investment funds for physical infrastructure in poor marginal municipalities are provided by the federal government through the state governments. Many of these funds are allocated via the Fondo de Aportaciones para la Infraestructura Social (Social Infrastructure Transfer Fund, or FAIS), which enables marginal rural and urban areas to improve their infrastructure.

The strength of this fiscal adjustment is based not only on the FAIS but also on the decentralization of funds for basic education and health, technical and adult education, and other areas, such as funds for state and municipal social infrastructure, supporting local government, a multiple transfer fund, and a public security fund.

In practice, municipalities generate a minimal proportion of the tax revenue of the country, and even the states have no constitutional provision to control any source of income but do generate some taxes. Therefore, it is the federal government that has the power to handle tax revenues and to redistribute income through federal transfers that are meant to balance the country's regional development differences.

Table 7.2 shows the contributions of the various sources to municipal revenue.

Table 7.2
Mexico: Percentage distribution of total municipal public income by source, 2000–2005

	2000	2003	2005
Total municipal income	85,349 million pesos ¹ (US\$9,021 million) ²	135,875 million pesos ¹ (US\$12,604 million) ²	163,841 million pesos ¹ (US\$15,017 million) ²
Property tax	9.4	9.8	10.8
Other local own revenue (payroll taxes, service fees, licences, rent, fines, etc.)	21.9	22.3	23.2
Federal transfers (<i>participaciones</i>)	43.9	36.5	36.5
State transfers	6.8	1.8	1.0
Other sources (mostly conditional grants)	18.0	29.6	28.5

¹ Current pesos

² Exchange rate for US dollars (yearly average) was \$9.46 in 2000; \$10.78 in 2003; and \$10.91 in 2005.

Source: For 2000, see Instituto Nacional de Estadística, Geografía e Informática (INEGI), *El Ingreso y Gasto Público en México, 2006* (Aguascalientes, Mexico: INEGI, 2006), [http://www.inegi.gob.mx/prod_serv/contenidos/espanol/bvinegi/productos/integracion/sociodemografico/igpm/2006/IGPM2006.pdf](http://www.inegi.gob.mx/prod_serv/contenidos/espanol/bvinegi/productos/integracion/sociodel/bvinegi/productos/integracion/sociodemografico/igpm/2006/IGPM2006.pdf) (viewed 12 January 2009); for 2003 and 2005, see Instituto Nacional de Estadística, Geografía e Informática (INEGI), *El Ingreso y Gasto Público en México, 2007* (Aguascalientes, Mexico: INEGI, 2007), http://www.inegi.gob.mx/prod_serv/contenidos/espanol/cajanuary2009).

Revenue from local property taxes covers only a small fraction of what municipalities spend. The bulk of local revenue comes from payroll taxes, service fees, licences and permits, rent and sale of property, interest, and fines. Whereas federal transfers of *participaciones* have diminished, the conditional grants have almost doubled since 2000. Federal and state transfers of unconditional grants accounted for almost 50% of total local revenues until 2000, but by 2005 they represented only 37%, whereas local sources had increased slightly, from 30% in 2000 to 35% in 2005. At the same time, income from extraordinary sources – mainly conditional grants – almost doubled during the same period. The highest decrease can be observed in state transfers (*participaciones*), which fell from almost 7% in 2000 to 1% in 2005 as the federal government, through social-oriented policies and programs, directed transfers to municipalities.³⁹ Some authors, however, argue that the top-down flow of taxes is designed only to maintain a centralized system in which efficiency and equity are not necessarily the distribution criteria. Despite this

highly centralized scheme, recent data show that there is a tendency to slightly reduce the dependency on federal transfers. This might lead one to think that states and municipalities have improved their tax-collection systems. In 1987 municipalities obtained 83% of their income from federal transfers, yet by 1992 this figure had fallen to 70%. By 2000 it was 61%, and in 2005 the figure was down to 58%.

These figures obscure the variation among municipalities. The income from federal transfers in 2005 was 33% of total income in metropolitan areas, 30% in the larger metropolitan areas, and only 26% in the Metropolitan Area of Ciudad Juárez, a northern border city, which was the least dependent thereon. Although property taxes during the period accounted for just above 6% of total revenue, the figure was around 9% in the larger metropolitan areas.

As for direct ordinary taxes, metropolitan municipalities collect property taxes in 91% of cases (81% being the national average). Figures taken from Steven Webb show that metropolitan municipalities obtain an average of 35% of their total income from local revenues, with medium-sized municipalities securing almost 25% and small urban municipalities less than 15%, yet those classified as performing best in the three categories attain 45% or more. In rural or semi-rural municipalities, direct local income amounts to less than 5% of the total income, whereas double this amount is achieved by the best performing ones.⁴⁰

According to Laura Sour, however, it is the diversity of conditions, rather than size, that explains performance and that seems to be the main variable in the tax efforts of local governments.⁴¹ She reaches this conclusion in her analysis of the way that 155 urban municipalities have responded to federal transfers. Furthermore, she has found that small and medium-sized municipalities make the most fiscal effort to get the highest possible direct revenues from their own sources vis-à-vis their economic importance in view of the disincentives produced by federal transfers.⁴² In fact, the ten worst performing municipalities in terms of fiscal effort are all large metropolitan municipalities in the Mexico City Metropolitan Area (MCMA), in the State of Mexico, each with approximately one million inhabitants.

Almost every municipality within the seven largest metropolitan areas (except for Tijuana) has a higher income from property tax revenues than the national average. At the same time, these metropolitan municipalities are less dependent on federal transfers and, in some cases, have stopped receiving state transfers, as happened with Ciudad Juárez in 2005.

Improved administrative skills on the part of local authorities have undoubtedly been instrumental in this tendency. The fact that the mayor and the councillors remain in office for only one term of three years, with no possibility of re-election, is a disadvantage when trying to consolidate and assimilate these improvements.

Although the responsibilities for some sectors (e.g., health and education) have been assigned to the states, whereas the maintenance of local streets and sanitation belongs to municipalities, the process was, and still is, limited. First, services such as education, health, and social assistance are concurrent federal and state competences, yet no government assumes full responsibility for functions such as maintenance, regulation, and inspection. Second, the federal government earmarks most transfers to states and municipalities and establishes how states should fulfil their obligations. Third, earmarked transfers are based on historical costs and actual input rather than on indicators of the scope of a state's spending obligations. Fourth, municipalities are assigned relatively few responsibilities. This is paradoxical because smaller municipalities have received increased transfers with no changes in their responsibilities since the late 1990s, whereas larger municipalities, without extra financial resources, have faced political pressure to take over certain critical tasks in response to population growth and industrial decentralization.

For some experts, the decentralization process is a long way from matching the political changes the country has experienced in recent years.⁴³ Decentralization is an ongoing process and a matter not just of changing rules but also of creating a culture of devolution.⁴⁴

SUPERVISION OF LOCAL GOVERNMENT

Local government administration is permanently subjected to both internal and external evaluation and control. This task is accomplished by an internal audit and, externally, by state governments and federal authorities. Although the Constitution provides an overall framework for supervision, the details are filled in by the state legislatures. In terms of Article 115.IV, paragraphs 3 and 4, of the Constitution, municipal councils submit their draft budgets, which list the expenditure and income streams, including tariffs, to the state legislatures. The legislatures must approve the budgets and subsequently review the municipal councils' public accounts. Significant variations in supervision occur among the states according to the formulation of local laws and codes as well as due to informal compliance with the laws and codes. For instance, in the case of Aguascalientes, a small state in central Mexico, both a Comprehensive Legal Code Governing Municipalities and the Urban Development (and Planning) Law are part of the regulatory framework governing intergovernmental relations.

The Constitution further enables the state legislatures, by a two-thirds majority vote, to suspend municipal governments, declare that they have been dissolved, and suspend or revoke the office of any of their members for any serious violations that state law may stipulate. This intervention, however, must give the municipality a sufficient right of reply.⁴⁵ Where a

council has been dissolved, the state legislature nominates a new council to conclude the current term.

Although the legal framework is set by the state legislatures, the institutional responsibilities and enforcement of compliance depend on the relative strength of the governor (and the mayors). These are also influenced by party political considerations. In the case of Puebla, for example, the formula for the distribution of revenue-sharing funds to the municipalities was recast by the PRI governor in an attempt to penalize larger and better funded urban municipalities in the hands of opposition parties, mainly the PAN.

It is a truism that local government has traditionally been the weakest order of Mexican government, subject to the control of the states. But it is also true that these traditions began to change within the context of political reform and the decentralization initiatives expressed in the 1983 amendment, and consolidated in the 1999 amendment, to Article 115. The paradox was that even though federal funds were allocated to municipalities through the state government, it was the governor and other state authorities involved who decided which municipality would receive funding and how much. In fact, it was common for local projects to be decided by the federal executive but for the governor to decide who would be given the funds and how and where they would be spent. Thus, "from the perspective of the municipalities, domestic power is constituted by the state rather than the central government in Mexico City."⁴⁶

Politically, the municipalities' weakness was revealed in the late 1990s when President Ernesto Zedillo declared his unwillingness to meddle in matters relating to the sovereignty of states and their legislatures and, for that matter, the municipalities. It used to be the case that the president directly appointed the "candidate" for state governor, who, in turn, would nominate municipal presidents and officials in higher positions. The selection of each municipal president occurred within the higher echelons of the PRI and state government. This form of patronage, where mayors were chosen by the incumbent governor or by outside party leaders, created a source of conflict within the municipalities because these mayors were often unpopular with the general public, local politicians, and members of the municipal council. However, the appointment of municipal officers, who constitute the executive wing of the council, was one way that local leaders sought to control the externally appointed mayor. In this respect, the council became an increasingly important institution, monitoring the mayor, who had to negotiate his or her policy agenda with opposition councillors.

Although it is formally the state legislatures that have the power to dissolve a municipal council, as well as to physically create new municipalities by consolidating territories from different municipal jurisdictions, it is informally the governor who exercises these powers. However, in the final

instance, it is the federal executive (including all departments) that has the power to apply checks and balances to local government's administrative performance through control of the purse strings.

INTERGOVERNMENTAL RELATIONS

Although there are no official organizations to represent the interests of municipalities in the state and federal arenas, there are three major voluntary associations representing the needs and aspirations of local government, and each is loosely affiliated with one of the three important national political parties.⁴⁷ The associations – the Association of Local Authorities (AALMAC), the Association of Mexican Municipalities (AMMAC), and the National Federation of Mexican Municipalities (FENAMM) – have been able to unite municipalities around some common agendas and to further their negotiations with the other orders of government. They also have agreed to pool their resources with the formation of the National Conference of Mexican Municipalities (Conferencia nacional de municipios de Mexico).⁴⁸ Allison Rowland notes that although these associations have become important in defining the agenda for improvements in municipal governance, they do not yet exercise a notable influence on the state and federal governments.⁴⁹

At a bureaucratic level, there are the official organs, such as the National Institute for Federalism and Municipal Development (INAFED) and its state counterparts; their focus is on information gathering and training rather than on representing the interests of municipalities.⁵⁰ Other intergovernmental institutions include the State Development Planning Committees (COPLADES), which were created in 1981 to combine planning efforts by the three orders of government in order to formulate the state development plan and to provide a space for societal participation.⁵¹ Participants in these committees are representatives of federal, state, and municipal governments, social organizations, and the private sector. In each state, these institutions are chaired by the governor, and their activities are coordinated by his or her designated official. The COPLADE is a permanent consultation forum and a decision-making organ to support state planning. It has the technical and organizational capacity to harmonize the participation of municipalities as entities within the framework of the National System for Democratic Planning.

Municipalities have the right, but not the obligation, to create a Municipal Planning Committee (COPLAMUN). Such a committee is supposed to coordinate state and municipal development plans and programs, and to function it must comprise both state and federal entities.

Local government's primary relationship is with the states. In practice, states act as political and fiscal intermediaries between their municipalities

and the federal government.⁵² The major exceptions are the conditional grants from Ramo 33, discussed above, which are directly allocated in full to the municipalities without the states' intervention. Examples include Solidaridad in the 1990s, the Oportunidades social program during the Fox administration, and recently, the Habitat poverty-relief program with its multiple social projects, all of which are managed on a sectoral basis by the federal Ministry of Social Development (SEDESOL).

Intergovernmental fiscal relations are also increasingly being influenced by the emerging pluralistic politics. In terms of unique fiscal relations with the Federal District and the MCMA, an individual living in the federal capital receives more earmarked funds than an average person living anywhere else in the country, whereas someone living in a metropolitan municipality in the MCMA receives less than the national average.⁵³ This special treatment by the federal government in favour of the Federal District has changed drastically over the past few years because the PRD has governed the Federal District since 1997, together with nearly all its sixteen *delegaciones*. The federal government, now controlled by the PAN, is not necessarily inclined to maintain such a pattern. At the same time, formal, as well as informal, relations between these two orders of government have become distinctly, if not overtly, conflictual. Political tension reaches its peak at either the change of local authorities or when state government is in the hands of one political party and the municipality (or the *delegaciones* in the DF) is in the hands of another. It is especially the state government that approves the municipalities' development plans, particularly so in the case of the Federal District, which controls the *delegaciones'* budgets.

An important aspect of intergovernmental relations has been the governance of metropolitan regions. Federal government efforts to manage metropolitan areas date from the 1970s when commissions were created to control urban growth and other essential administrative coordination on an interstate basis. By the mid-1990s, to manage urban sprawl in the Valley of Mexico, the DF and the State of Mexico signed an agreement with SEDESOL to create the Metropolitan Human Settlements Commission. In 1998 a bilateral agreement to create the multipurpose Executive Commission for Metropolitan Coordination replaced the previous commission as a more comprehensive framework for coordinating, evaluating, and monitoring plans, programs, and actions within the metropolitan territory of the Valley of Mexico.

These efforts have not been unique, but the models are different. In the case of the Guadalajara Metropolitan Area (GMA), Mexico's second largest metropolitan region, the metropolitan council's structure is based on single-purpose operating agencies and includes eight municipalities and the State of Jalisco's government.

POLITICAL CULTURE OF LOCAL GOVERNANCE

Throughout the twentieth century, local politics were dominated by the centre, and during the PRI era internal party politics were paramount. The party's internal structure was dominated by the incumbent president; he could use his power to nominate candidates for state and municipal elections. This was also the case in the states. Powerful governors could control the party's machinery and thus politics within their state, strongly affecting all stakeholders in their local arenas. They could even remove mayors and dissolve town councils. These practices, however, have begun to change since 2000, and constitutional provisions have established legal procedures that must now be followed. With the PRI now an opposition party, intra-party politics have also decentralized, and local decisions are no longer dominated by that party's central committee. Each party obviously follows its own rules, but the three largest ones (PRI, PAN, and PRD), too, have expressed their commitment to a more democratic way of functioning.

Still, it is acknowledged that little change has been wrought in the highly centralized nature of the Mexican political system.⁵⁴ Most decisions concerning local government are made either within the federal government or in the state capitals. One reason for these persistent conditions is the opportunities for politicians outside the local governments to maintain clientelistic relations with their local constituencies. This is gradually changing, as an increasing number of elected local authorities have been drawn from opposition parties. This clientelistic system has also affected the distribution of federal transfers to states and municipalities because, in many instances, these funds have been allocated in a discretionary manner through the "special projects" section in the federal budget.

During the PRI's hegemony, the role played by local political chiefs proved crucial to keeping the electoral machinery rolling in its favour. On their shoulders rested the effective support of urban workers and rural labourers who were controlled on the basis of personal favours they would "generously" provide. This patronage system was one of the pillars of the PRI era.⁵⁵

Although the system is gradually disappearing, with political space being occupied by other actors, local authorities still have to work closely with political masters in the state and federal governments. This is the case in most small, rural municipalities. But in the new governance model, most authorities have opened up their political space to the participation of the local communities and to the multiple stakeholders that play diverse, yet increasingly relevant, roles.

The necessary economic and political reforms explicitly accepted under NAFTA in 1994 forced the federal government to comply with the

political preferences of the electorate. The presidential victory of Vicente Fox of the PAN in 2000 was followed by that of Felipe Calderón, again a PAN candidate, in 2006, with a very high participation of the electorate. Despite Calderón's extremely small margin of victory over his popular (and populist) PRD competitor, the 2006 electoral results consolidated both parties' territorial presence, changing the old political map of the country and reflecting the political plurality of governance in the states.

Locally, the picture has been even more impressive. Of course, very few of the more than 2,400 municipalities in the country had previously experienced an opposition party victory. But in 2000 the landslide that accompanied Fox's election brought hundreds of local candidates from opposition parties into office in the majority of municipalities in fifteen states and the Federal District, as well as in 421 municipalities in Oaxaca that are ruled by traditional indigenous practices (*usos y costumbres*). Citizens in most medium-sized and large cities were given the opportunity to choose their local authorities from parties other than the PRI.

Although spaces have opened up locally, local politics still function in the shadow of national political parties. Elections take place only in terms of political parties; nonaffiliated candidates are not permitted. Because the formation of new regional and local parties is very difficult, local aspiring candidates must join existing political parties.⁵⁶ With only one three-year term possible, mayors and councillors with political ambition will also use their positions as stepping stones to run for their state legislature, and in some cases a mayor from an important municipality will try to become his or her party's candidate for governor.

Despite the emerging regional and local political pluralism, public participation is declining. In the 2007 elections to choose state representatives and mayors, results were discouraging. For example, nearly 70% of the voters abstained from voting in the municipality of Juárez. Newspapers reported a generally weak presence of voters in Durango and in Zacatecas, where a PRD governor was in office. The electorate's rejection is a cause of concern; both the private sector and the church in the person of the Bishop of Durango voiced concern over the fact that 60% of the electorate in that state stayed away from the local polls.

The elections also did not achieve a gender balance. The main political parties have agreed to promote gender balance, but even when this does occur, electoral lists are still dominated by men. Fewer than 4% of mayors were female in 2004, a percentage that was even lower in 2005 and 2006. However, the proportion increases slightly if one looks at local authorities (25% of *regidores* in 2004 were women) and state legislatures (17% were women).

LOCAL GOVERNMENT AND
THE EVOLUTION OF THE FEDERAL SYSTEM

Most experts in Mexico argue that the problems faced by local government would be addressed if municipalities enjoyed real political autonomy. To most, this constitutes a *sine qua non* for improving the financial and administrative capacities of local government. Others argue that before the sub-national orders of government receive attention, the Constitution should be reviewed because of the recent political changes in favour of a more democratic state and the many constitutional amendments over the years that have given rise to numerous contradictions.⁵⁷ But everyone agrees that a review of Article 115 of the Constitution is required to reinforce the basic provisions that enable municipalities to respond effectively to the challenges they face. There is agreement that fiscal, financial, and administrative transformations must go hand in hand with this constitutional amendment in order to implement real local political autonomy. This approach is also theoretically sound,⁵⁸ as decentralization is justified to achieve the goals of efficiency, equity, and stabilization.⁵⁹

Metropolitan regions pose some of the most difficult challenges for local government, given the current social and spatial differences in metropolitan municipalities. Is the creation of a single metropolitan government, amalgamating various local governments, the solution? The MCMA, for example, involves metropolitan municipalities in the State of Mexico, Hidalgo, and the Federal District. Many argue against this solution.⁶⁰ It would entail a conflict of sovereignty and would be rejected by the wealthier municipalities (*delegaciones*) in the Federal District. Such a mega-municipality would need technical solutions that are as yet unavailable. Moreover, it would move government farther away from the people, ending the advantage of fragmented governance structures that allow for differentiated preferences, more responsive local authorities, and a variety of solutions. Furthermore, any delimitation of the metropolitan region would entail problems of defining its hinterland. Centralizing expenditure – despite certain advantages, such as the possibility of the uniform provision of services for all – would jeopardize the process of decentralization, as well as the efforts to support and consolidate local governments in their diversity.

The solutions thus pursued in Mexico steer away from metropolitan government and toward more cooperative structures in the form of various commissions in which the federal and state governments' entities take part with the municipal authorities. For the Guadalajara Metropolitan Area, comprising eight municipalities, the Guadalajara Metropolitan Council was established in 1989 as the coordinating body for intermunicipal actions. The council was recognized in 1993 by the federal government as a conurbation zone commission. It was organized into a technical secretariat

and six single-function subcommissions in the areas of urban development, water and sanitation, transport and roads, environment, and finance. A compensatory fund has been created to finance strategic metropolitan projects involving more than one municipality. This provides opportunities for distributing benefits and burdens among jurisdictions, which are determined by the metropolitan council. This body has to establish distribution criteria, decide which strategic projects to prioritize, and monitor the evolution of the economic and social conditions of the central and peripheral metropolitan municipalities. One way to do this has been through the creation of metropolitan monitoring bodies by independent academic groups and/or municipal planning or research institutes (mentioned above) acting as technical supporters to the commission. In the context of recent financial and political differences, horizontal intergovernmental relations have not been fluent, and the role played by the council has been reduced drastically.

In the case of the MCMA, the State of Mexico's constitutional amendment in 2003 acknowledged the existence of metropolitan areas and created a fund to handle transportation and environmental issues. Already in 2000, the State of Mexico and the Federal District signed an agreement requesting the federal government to create a fund for metropolitan services and infrastructure, while agreeing to assign their own resources in a "proportional manner" toward these ends. Another move in this direction was the 2006 Environmental Trust Fund for the Valley of Mexico, following efforts to reduce the greenhouse gas emissions generated by the MCMA.

Such examples add to the idea of creating special-purpose government entities, which can deal with activities and public services that go beyond municipal boundaries (e.g., the international airport and other transportation systems, solid-waste treatment plants, and water and sanitation systems) without creating a metropolitan government. They avoid the concomitant problems, such as amalgamation and others, already mentioned above and can involve the three orders of government, as is already the case with water and sanitation.

The MCMA probably needs special treatment due to its relative complexity compared to other metropolitan areas. The difference in governance structure between a centrally structured Federal District and the autonomy of metropolitan municipalities in the State of Mexico calls for a specific administrative solution. In this regard, Uri Raich suggests that, in the Federal District, a compensatory transfer system should be created to horizontally balance the fiscal fragmentation between municipalities (*delegaciones*). Regional metropolitan funds should be created, and special districts should be identified for the provision of certain specific services.⁶¹

Although there are a number of well-managed and innovative metropolitan and urban municipalities, they are the exception. In the face of recent

government programs supported by United Nations and World Bank funds, such as Habitat (focusing on urban poverty reduction) and the Millennium Development Goals (integrating poverty with environmental actions), all municipalities in general face the following major structural and operational challenges.

First, municipalities still suffer from highly centralized political and financial control by the federal and state governments. Second, the three-year nonrenewable term of mayors has resulted in short-term administrations, hindering the ability of local authorities to plan and implement long-term projects. Third, most administrative decisions must be submitted and approved by state legislatures, including contracting with the private sector for public works, assigning the provision of public services to private operators, selling public property, and setting tax rates and tariffs. Fourth, municipal revenue is dependent on transfers from the federal government because state and municipal tax powers are severely limited, despite the fact that in recent years certain federal policies have increased the level of financial resources available to subnational governments.

These challenges to intergovernmental relations and governance influence the institutional effectiveness of municipalities.⁶² In response, a number of measures have been suggested to strengthen local authorities. First, continuity in policy design and implementation by municipalities would be enhanced by changing the three-year term of mayors and councillors and repealing the prohibition against mayors being immediately re-elected after serving one term. Second, a more differentiated approach should be followed when allocating powers and functions to municipalities, taking into account the grouping of cities by size in order to identify the key state and municipal functions they should perform in relation to urban development. Third, the role of the private sector should be defined clearly. Local government is reluctant to subcontract or outsource, but not doing so limits urban progress. Fourth, intergovernmental relations should be separated from political party links. Fifth, administrative autonomy should be consolidated to prevent state legislatures from deciding on local issues. Sixth, channels should be developed for citizens to improve their effective participation in the management of local affairs. Seventh, the financial, managerial, and technical capacities of local governments must be strengthened in order to improve their ability to recover costs for service delivery, collect property taxes, manage new resources, and determine the future of a city or an urban area in their jurisdiction. Finally, in the global arena in which Mexico is immersed, it is necessary and urgent that institutional arrangements for better governance focus on consolidating the tax base in the numerous municipalities comprising metropolitan regions. Implicit in this recommendation is the argument for a differentiated fiscal policy to reflect the vast differences between municipalities in such a region.

Metropolitan regions will lag behind in the global context if effective mechanisms for cooperation between metropolitan municipalities are not put in place to respond to negative externalities of size and to coordinate large-scale investments involving more than one jurisdiction. Large projects are not only necessary in most metropolitan regions but are also, and will be, essential – on different scales – if the country is to become competitive globally, as the National Development Plan 2007–2012 strongly argues.⁶³ Each metropolitan solution, however, will need a contextual response because there is no single solution for all.

NOTES

I thank my colleagues Horacio Sobarzo and Vicente Ugalde for clarifying relevant issues. I also thank Jose Luis González, Abraham Granados, and Marlon Santillan for their support in preparing tables and searching for references.

- 1 For a detailed description of these aspects and other constitutional and political features, see Juan Marcos Gutiérrez González, “United Mexican States,” in *Constitutional Origins, Structure, and Change in Federal Countries*, ed. John Kincaid and G. Alan Tarr, 208–38 (Montreal and Kingston: McGill-Queen’s University Press, 2005); M. González Oropeza, “United Mexican States,” in *Distribution of Powers and Responsibilities in Federal Countries*, ed. Akhtar Majeed, Ronald L. Watts, and Douglas M. Brown, 181–206 (Montreal and Kingston: McGill-Queen’s University Press, 2006); and Yemile Mizrahi, “Mexico,” in *Handbook of Federal Countries, 2002*, ed. Ann L. Griffiths, 198–209 (Montreal and Kingston: McGill-Queen’s University Press, 2005). Other recent references in English are Enrique Cabrero-Mendoza, “Mexican Local Governance in Transition: Fleeting Change or Permanent Transformation?” *American Review of Public Administration* 30, no. 4 (2000): 374–88; Carlos L. Moreno, “Fiscal Performance of Local Governments in Mexico: The Role of Federal Transfers,” working paper no. 127, CIDE, April 2003, <http://www.presupuestoygastopublico.org/documentos/descentralizacion/DT%20127.pdf> (viewed 2 December 2008); Carlos Moreno “Analyzing the Performance of Local Governments in Mexico: A Political Explanation of Municipal Budgetary Choices” (San Diego, CA: Center for US-Mexican Studies, University of California at San Diego, 2005), http://repositories.cdlib.org/usmex/moreno_carlos (viewed 24 January 2008); and an interesting perspective from the 1960s by Leonard Cardenas Jr, “Contemporary Problems of Local Government in Mexico,” *Western Political Quarterly* 18, no. 4 (1965): 858–65.
- 2 This has been the Senate’s composition since the 1996 amendment to Article 56 of the Federal Electoral Law; see *Diario Oficial de la Federacion*, 22 August 1996.
- 3 Territorial interstate disputes are resolved by the Senate as per Article 46 of the Constitution.

- 4 The political organization in power since 1929 was the Partido Nacional Revolucionario (PNR), which later became the Partido de la Revolución Mexicana (PRM), both of which are recognized forerunners of the pri, which adopted its present name in 1946.
- 5 This qualified majority is mentioned in Article 135 of the Constitution as necessary for the approval by the federal and state congresses of constitutional amendments.
- 6 Nettie Lee Benson, "Spain's Contribution to Federalism in Mexico," in *Essays in Mexican History: The Charles Wilson Hacket Memorial Volume*, ed. T. Cotner and C. Castaneda, 90–103 (Austin, TX: Institute of Latin American Studies, University of Texas, 1958).
- 7 Roberto Ortega, *Federalismo y Municipio* (Mexico City: Fondo de Cultura Económica, 1994).
- 8 The largest in size is Ensenada in Baja California State with 51,952 square kilometres and 370,730 inhabitants in 2000. The smallest is San Lorenzo Axocomanitla in Tlaxcala, a central region state, with 4.34 square kilometres and 4,368 inhabitants.
- 9 Constitution of 1917, Article 73.VI.
- 10 See <http://www.oaxaca.gob.mx/images/gobierno/leyes/constitución%20politica%20de%20estado.pdf> (viewed 16 January 2009).
- 11 Ortega, *Federalismo y Municipio*, 31.
- 12 All references to articles in the Constitution of 1917 are taken from an English translation at <http://historicaltextarchive.com/sections.php?op=viewarticle&artid=93> (viewed 1 May 2007).
- 13 Constitution, Article 115.I, para. 1.
- 14 According to Article 115 of the Constitution, the Municipalities' Income Law (Ley de Ingresos Municipales) gives the local authorities the power to collect taxes, which have to conform to the state's constitution, the municipality's fiscal code, and other current fiscal ordinances; see <http://www.e-local.gob.mx/ELOCAL/ELOC> (viewed 24 January 2008).
- 15 Constitution, Article 115.IV, para. 4.
- 16 Until the 1999 amendment to Article 115, the governors were in control of the local police in those municipalities in which a state capital was located. Now a governor will take command only in extreme cases, such as when public order is threatened. See Jorge Fernández Ruiz et al., "La Reforma Constitucional de diciembre de 1999 al Artículo 115," *Revista Mexicana de Derecho Constitucional* 4 (2001): 241–77, at 274.
- 17 See Victoria Rodríguez, *La Descentralización en México: De la Reforma Municipal a Solidaridad y el Nuevo Federalism* (Mexico: Fondo de Cultura Económica, 1999), 156–61.
- 18 Firefighting is also a local public service. Gas for domestic use is a privatized public utility, but electricity is a state monopoly.
- 19 Constitución Política del Estado Libre y Soberano de Chihuahua, Article 142; amendment published in *Periódico Oficial*, no. 79, 1 October 1994.
- 20 Constitución Política del Estado de Yucatán, Article 55.XVI; see *Diario Oficial del Gobierno del Estado*, 14 January 1918, revised and amended in 1938. See further,

- Máximo N. Gámiz, "Las Relaciones del Municipio, los Estados y el Gobierno Federal en México: Un nuevo Artículo 115 Constitucional," in *El Municipio en México y en el Mundo: Primer Congreso Internacional de Derecho Municipal*, ed. Salvador Valencia Carmona, 91–109 (Mexico: Universidad Nacional Autónoma de México, 2005), 99.
- 21 María Inés Aragón, "Autonomía Política: La Función Legislativa del Ayuntamiento en México," in *Federalismo y Regionalismo: Memorias del VII Congreso Iberoamericano de Derecho Constitucional*, ed. José María Serna de la Garza, 595–605 (Mexico: Universidad Nacional Autónoma de México, 2002).
- 22 Uri Raich, "Unequal Development, Decentralization, and Fiscal Disparities in the Metropolitan Zone of the Valley of Mexico" (PhD dissertation, Department of Urban Studies and Planning, Massachusetts Institute of Technology, February 2006), 129–30.
- 23 Instituto Nacional de Estadística, Geografía e Informática (INEGI), *XII Censo General de Población y Vivienda, 2000* (Mexico: INEGI, 2001).
- 24 Mauricio López, *Finanzas Municipales en México: En la Búsqueda de un Eficiente Comportamiento de los Egresos, Premio Gobierno y Gestión Local* (Mexico: CIDE, 2004), 5.
- 25 Centro Nacional de Estudios Municipales (CNEM), *El Municipio Mexicano* (Mexico: Secretaría de Gobernación, CNEM, 1985), 216.
- 26 Enrique Cabrero, "Capacidades Institucionales en Gobiernos Subnacionales de México: ¿Un Obstáculo para la Descentralización Fiscal?" *Gestión y Política Pública*, 13, no. 3 (2004): 753–84.
- 27 *Ibid.*, 764–9.
- 28 Eduardo García Gaspar, "Partidización y Oposición," *ContraPeso.Info*, no. 48, 15 December 2005, <http://www.contrapeso.info/&sa=X&oi=translate&resnum=1&ct=result&prev=/search%3Fq%3Dcontrapeso%26hl%3Den%26sa%3DG> (viewed 24 January 2008).
- 29 This development can be appreciated from the section "Participación Ciudadana," in Enrique Cabrero et al., *Prácticas Municipales Exitosas: Premio Gobierno y Gestión Local* (Mexico: CIDE and Ford Foundation, 2001), and subsequent editions.
- 30 At <http://www.indetec.gob.mx/e-financiero1/glosario.asp?letter=i> (viewed 24 January 2008).
- 31 Steven B. Webb, "Decentralization," in *Mexico: A Comprehensive Development Agenda for the New Era*, ed. M. Giugale, O. Lafourcade, and V. Nguyen, 709–20 (Washington, DC: World Bank, 2001), 714–15.
- 32 The Fiscal Pact is understood to be a basic agreement legitimizing the role of the states and the scope of government responsibilities in the economic and social spheres. It tries to consolidate current fiscal adjustments, improve public management productivity, offer transparency in fiscal actions, promote equity, and favour the development of democratic institutions. See Comisión Económica para América Latina y el Caribe (CEPAL), *El Pacto Fiscal: Fortalezas, Debilidades, Desafíos* (Santiago, Chile: CEPAL, 1998). Mexico's federal government established the Fiscal Pact in 1980, and a 1993 revision promoted the decentralization of public education and health services as well as a regulatory system for national debt. See Steven B.

- Webb and Christian Y. González, "Negociación de un Nuevo Pacto Fiscal en México," *Gestión y Política Pública* 13, no. 3 (2004): 689–731.
- 33 M. Giugale, V. Nguyen, F. Rojas, and S. Webb, "Overview," in *Achievements and Challenges of Fiscal Decentralization: Lessons from Mexico*, ed. M. Giugale and S. Webb, 1–38 (Washington, DC: World Bank, 2000).
- 34 Aragón, "Autonomía Política", 597.
- 35 The following description is taken from Raich, "Unequal Development," appendix 1.
- 36 Laura Sour, "El Sistema de Transferencias Federales en México: ¿Premio o Castigo para el Esfuerzo Fiscal de los Gobiernos Locales Urbanos?" *Gestión y Política Pública* 13, no. 3 (2004): 733–51.
- 37 Originally pointed out by Wallace Oates, *Federalismo Fiscal* (Madrid: Instituto de Estudios de Administración Local, 1977), 205.
- 38 Ortega, *Federalismo y Municipio*, 85.
- 39 The federal government also directed transfers to municipalities through some changes in the Fiscal Coordination Law. See José Alberto Saucedo, "El Manejo de las Finanzas Públicas en México: ¿Hacia un Desarrollo Regional?" *Gaceta Mexicana de Administración Pública y Estatal* (1999): 147–78.
- 40 Webb, "Decentralization," 772.
- 41 Sour, "El Sistema de Transferencias Federales," 736.
- 42 *Ibid.*, 746.
- 43 Fausto Hernández Trillo, "Los Dilemas de la Descentralización Fiscal en México, 1995–2000" preliminary version, n.d., <http://www.iglom.iteso.mx/Pdf/fhernandez.pdf> (viewed 24 January 2008).
- 44 Webb, "Decentralization," 717.
- 45 Constitution, Article 115.I, para. 3.
- 46 Peter M. Ward and Victoria E. Rodríguez, "New Federalism, Intra-governmental Relations, and Co-governance in México," *Journal of Latin American Studies* 31, no. 3 (1999): 673–710.
- 47 Allison Rowland, "The Interaction of Municipal and Federal Governments in Mexico: Trends, Issues, and Problems," in *Spheres of Governance: Comparative Studies of Cities in Multilevel Governance Systems*, ed. Harvey Lazar and Christian Leuprecht, 201–28 (Montreal and Kingston: McGill-Queen's University Press, 2007), 210–11.
- 48 *Ibid.*
- 49 *Ibid.*, 211.
- 50 *Ibid.*, 210.
- 51 See Mario A. Fócil Ortega, "La Planeación en la Administración Pública Estatal: La Participación de la Sociedad en los COPLADES," *Gaceta Mexicana de Administración Pública Estatal y Municipal*, no. 33 (1989): 61–3; and Eduardo Rivas Sosa, "Participación de los Municipios en los COPLADES," *Gaceta Mexicana de Administración Pública Estatal y Municipal*, no. 12 (1984): 83–8.
- 52 Rowland, "Interaction of Municipal and Federal Governments," 212.
- 53 Raich, "Unequal Development," 129–30.

- 54 Rodríguez, *La Descentralización en México*. But see Rowland, “Interaction of Municipal and Federal Governments.”
- 55 See Rodríguez, *La Descentralización en México*, 74n.
- 56 Rowland, “Interaction of Municipal and Federal Governments,” 216.
- 57 José R. Vega, “El Municipio en la Reforma del Estado Federal,” in *Las Aportaciones de las Entidades Federativas a la Reforma del Estado*, ed. Máximo N. Gámiz and José Enrique Rivera Rodríguez, 333–62 (Mexico: Universidad Nacional Autónoma de México, 2003).
- 58 Richard A. Musgrave and P.B. Musgrave, *Hacienda Pública Teórica y Aplicada* (Madrid: McGraw-Hill, 1992).
- 59 López, *Finanzas Municipales en México*, 8.
- 60 Raich, “Unequal Development,” 159.
- 61 The above and the following discussions follow proposals in *ibid.*, 199–221.
- 62 This is pointed out by Donald Kettl, *The Transformation of Governance* (Baltimore, MD: Johns Hopkins University Press, 2002), 129.
- 63 Presidencia de la República, *Plan Nacional de Desarrollo 2007–2012* (Mexico: Gobierno de los Estados Unidos Mexicanos, 2007).