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Mexico Report

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Sustainable Governance
Indicators 2018

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Executive Summary

Considering Mexico's experience with military and corporatist autocratic rule, the country has made significant progress over the last two decades with regard to electoral competition and its overall regulatory environment, including market-oriented reforms. Economic and political elites, as well as an increasing share of the middle-class, are technically qualified and have knowledge on how best to organize the political, economic and social frameworks of their society. Mexican policymakers at both the national and regional levels are well trained, internationally experienced and often equipped with high-level qualifications from Western universities. Mexico's tertiary education system is increasingly competitive internationally as are several major firms, including an increasing number in the manufacturing sector.

At the same time, Mexico suffers from structural problems that are uncommon among most other OECD countries. These challenges mainly relate to an extremely unequal distribution of social benefits and services among the population, such as security and social opportunities. The resulting cleavages between geographic regions, rural and urban areas and social classes are among the most pressing barriers to further societal progress. In addition, uneven state capacity, both geographically and across policy sectors, often undermines the effective and coherent implementation of policies.

Against this background, Mexico faced a series of major challenges in 2017. First, the security situation further deteriorated, and the number of intentional homicides increased to the highest level ever recorded. In many instances, government action, which has often taken the form of increased militarization, has not only failed to be effective, but it has also made matters arguably worse. The most direct collateral damage of this violence has been to social capital, press freedom and secure property rights. Overall, Mexico is facing a status of state failure in parts of its territory.

Second, the ambitious reform process, which the administration of President Peña Nieto launched at the beginning of its term, has stalled during its final years in office. While major reforms in key sectors such as education, energy, telecommunications and anti-corruption were approved, the adoption of secondary legislation required for implementation has fallen behind. As approval ratings for President Peña Nieto have dropped to unprecedented

lows, it seems unlikely that the current government will be able to get the reform process back on track in the time remaining before the federal elections of 2018. Throughout 2017, a series of high-level corruption scandals, some of them directly involving close presidential allies, contributed to growing social discontent, so that the government's political capital is extremely limited.

Third, Mexico has faced an increasingly adverse political and economic environment internationally. This has included lower oil prices, weak international trade growth and a deteriorating relationship with its Northern neighbor. Trump's administration has continued its antagonistic rhetoric toward Mexico, and the renegotiation of North American Free Trade Agreement (NAFTA) creates uncertainty for the country's economic outlook. As of 2016, 81% of Mexican exports went to the United States. Ending NAFTA would mean trading under the World Trade Organization's tariffs, which would heavily hit the competitiveness of Mexican products in the U.S. market. Trump's threat of withdrawing from NAFTA has severely depreciated the Mexican peso, partially explaining inflation levels above the central bank's target. At this point, more than ever, it is urgent for Mexico to diversify its exports market and increase the number of policy tools available for the government to buffer the impact of international economic shocks.

Finally, 2017 proved difficult for Mexicans as the country was hit by a number of natural disasters including three major earthquakes and two tropical storms. However, these crises revealed, as in 1985, the potential of Mexican citizens to organize and help each other, even in the absence of effective political leadership. A strong civil society, like the one Mexico has proven to have, is a necessary condition to face and overcome the challenges faced by the country.

Key Challenges

Within the last generation, Mexico has made much progress with regard to competitive politics and macroeconomic stability. These major achievements were accompanied by an increase in educational attainment among economic and political elites as well as segments of the middle and lower classes. However, the benefits of economic and social modernization have been unevenly distributed: high disparities between regions and social groups remain. In this context, the pace of economic development has been too slow in recent years. In addition, Mexico has experienced a serious deterioration in domestic security due to a failure in the rule of law, including systemic violence and corruption. The current government's success in addressing these

challenges has been mixed at best.

Early in its tenure, President Peña Nieto's government had considerable success in collaborating with other parties in Congress to introduce major reforms in the energy, education and telecommunications sectors that had long been on the political agenda. Moreover, the administration declared its commitment to improving transparency and combating corruption. As the term of the Nieto administration draws to a close ahead of the 2018 general elections, the results of this ambitious reform project are fairly sobering. On the one hand, major reform proposals hit significant roadblocks during the implementation phase, and the adoption of required secondary legislation has stalled. On the other hand, the government has poorly handled major societal crises, such as the forced disappearance and likely murder of 43 students and escalating violence. Its feckless response to several high-level corruption scandals has called into question the government's commitment to transparency and accountability. While the beginning of Peña Nieto's term in 2012 had been hailed as "Mexico's moment," widespread disillusionment with political elites and uncertainty about the country's future now predominate.

Domestic as well as international developments are important for Mexico's outlook for 2018 and beyond. Domestically, Mexicans will head to the polls on 1 July 2018 to elect a new president, 500 members of the Chamber of Deputies and 128 senators, together with a large number of subnational officials, including nine governors. While there are still several months to go until the formal start of the campaign, the field of presidential contenders is crowded, with as many as eight candidates and several unlikely alliances between political groups. While the full line-up might suggest robust choices for citizens, so far enthusiasm has been limited and support for major parties has declined continuously in recent years. Since Mexico does not have a run-off election for the presidency, there is a substantial risk that whoever wins in a splintered field will take power without a strong mandate. Moreover, recent polls show that more than two-thirds of citizens expect negative campaigns and contested results.

Internationally, the ongoing renegotiation of NAFTA will have profound implications not only for the future relationship between Mexico and the United States, but also for Mexico's economic outlook. While there is a debate around the net effects of NAFTA in Mexico, there is an overall consensus on the potential costs of ending the treaty now. These include a decrease in the international competitiveness of Mexican products as preferential tariffs are removed, and a general weakening of the diplomatic relationship between the United States and Mexico. Such a weakening would have direct effects in key areas where bilateral coordination is necessary: migration and security.

In the short-term, a majority of Mexicans expect the relationship between the United States and Mexico to deteriorate further. In the long-term, however, weaker ties to the United States might create opportunities for Mexico to diversify its political and economic orientation toward other Latin American countries, the Asia Pacific and Europe. For realizing such potentials, however, the country must craft a coherent strategy, but also reach a consensus among political and economic elites on how to position the country in an increasingly multipolar world.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 5

Economic and financial stability in the last decade represents a real achievement given the frequency and depth of macroeconomic crises in the 1980s and 1990s. The Finance Ministry and the central bank (Banco de México) benefit from a considerable wealth of technical expertise with many Mexican officials having internationally recognized qualifications in economics. However, inflation rates increased as the November 2017 resignation of the central bank governor, Agustín Carstens, brought uncertainty about the future of monetary policy in the country.

Investors regained confidence in the Bank as Alejandro Díaz de León, an economist with a long and reputable career at the bank, was named as Carstens's successor. Díaz is expected to continue Carstens's policies and both the private and public sectors welcomed his designation. The challenge for the new Bank's administration is to control an inflation rate that has just begun to slow down after a 6-year high. The phasing out of gasoline subsidies, and the subsequent liberalization of prices since 2016, raised concerns about inflation in 2017. From November 2016 to November 2017 the index of consumer prices increased 6.63%. This is possibly the combined effect of the exchange rate fluctuations and the increased prices of gasoline.

Mexico has the OECD's lowest tax-to-GDP ratio. For decades, low fiscal capacity was compensated for with oil revenues. The 2014 tax reform aimed to reduce the country's dependency on oil revenues by cutting expenditures and raising non-oil revenues. The public debt proposed in the reform, however, assumed an ambitious GDP growth rate that did not materialize. Furthermore, it contemplated an increase in oil prices to compensate for any revenues not collected. While this was a reasonable assumption at the time of the reform, it did not accomplish the goal of increasing fiscal autonomy from oil revenue

and contributed to increasing the debt-to-GDP ratio. This year, the government debt reached 53.3% of GDP.

The fall in international oil prices and increasing uncertainty about the future of economic relations with its northern neighbor largely explain Mexico's GDP growth deceleration in the past year as well as national and international organizations' downward revision of economic growth forecasts. Donald Trump's election motivated a renegotiation of the North American Free Trade Agreement (NAFTA). So far, the negotiation rounds have not resulted in an overall reorganization of the agreement, but there is uncertainty about particular issues. These include the U.S. government demand for increasing the participation of U.S. companies in the provision of components for manufacturing and the inclusion of an article stipulating the automatic end of the agreement. This context has further increased uncertainty among investors and workers in both the U.S. and Mexico.

Despite ongoing reforms geared toward boosting productivity, the microeconomic picture is less positive. The economy lacks competition in key domestic sectors. Mexico remains a low-skilled, export-oriented economy tied to the North American market. The uneven distribution of income is among the worst in the OECD; despite sound macroeconomic reforms, inequality was not reduced in 2017. High levels of corruption and violence are also severe impediments to inclusive economic development.

Citation:

<https://www.bloomberg.com/news/articles/2017-11-28/mexico-president-taps-diaz-de-leon-to-head-central-bank>

<https://www.eleconomista.com.mx/economia/Diaz-de-Leon-es-el-nuevo-gobernador-del-Banxico-20171129-0014.html>

<http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CF373>

<https://www.coneval.org.mx/SalaPrensa/Comunicadosprensa/Documents/Comunicado-09-Medicion-pobreza-2016.pdf>

Labor Markets

Labor Market
Policy
Score: 5

The crucial challenge for Mexico's labor economy is the division of the labor market into formal and informal sectors. The informal sector consists of companies and individuals that are not legally registered for taxation and national insurance, and that largely escape both the advantages and disadvantages of legal regulation. According to government estimations, this segment of the workforce accounts for 57% of the economically active population. By OECD standards, the size of the informal sector is very large. Moreover, Mexico is the only OECD country without a national system of unemployment insurance. Many small companies inhabit a twilight world in which they have both lawful and extra-legal features. Informality is also

heterogeneous across regions, with the southern regions of the country generally performing worse. As of last year, there were no significant changes in the overall divisions between formal and informal sector employment: six in 10 workers are employed informally in Mexico.

According to the OECD, the unemployment rate in April 2017 was 3.6%, signaling a recovery from the financial and global economic crisis of 2008. However, employed people as a share of the population was 2.2 percentage points below pre-crisis levels of 2007, and unemployment rates are significantly higher among youth and elders.

A 2012 labor reform attempted to increase market flexibility and reduce hiring costs. Although eventually watered down with regard to union transparency, supporters of the law claim that it has the potential to increase productivity, boost employment and improve competitiveness. In 2015 and 2016, unemployment was reduced even amidst a challenging international environment. The new law reforms Mexico's labor regulations and allows employers to offer workers part-time work, hourly wages and gives them the freedom to engage in outsourcing. The left-wing Party of the Democratic Revolution opposed the bill, but was not able to block it. It deplores the ease with which employers can now hire and fire workers, outsource jobs, side-step giving workers health benefits and hire part-time workers for a fraction of the pay they would otherwise receive. On the other hand, the new law contains provisions to outlaw gender-based discrimination. By lifting the ban on part-time employment, it will be easier for some, including single parents and students, to find work. Until recently, Mexican labor law was based exclusively on Article 123 of the constitution, as well as the 1931 labor law. The Mexican labor system was organized on principles that were fundamentally corporatist for insiders and exclusionary for the rest.

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

Citation:

<https://www.oecd.org/mexico/Employment-Outlook-Mexico-EN.pdf>

Tax Policy
Score: 5

Taxes

Tax policy, tax reform and the insufficiency of tax collection have been on the political agenda in Mexico for at least the past 50 years. During this long period there has been little progress either in collecting more tax revenue or making the tax system more equitable. While some may argue that the low level of taxation has been helpful for Mexico's international competitiveness, increasing taxation is necessary for improving public good provision by the Mexican government.

While some taxes are collected at the state and municipal levels, the most important tax collector is the federal government. A new tax-reform law was passed under President Peña Nieto and took effect on 1 January 2014. While well-targeted and effective within its limited scope, the reform was rather modest given the challenges that Mexico faces. The government expected the new law to increase the national government's tax revenues by around 2.5% of GDP. According to a new OECD study, the reform did indeed increase tax collection by 3% in 2015 and 2016, thus contributing to a reduction in the borrowing requirements of the public sector.

Nonetheless, according to observers, Mexican tax collection remains between six and eight percentage points of GDP short of where it should be given the country's current level of development. Tax evasion and tax avoidance in the formal sector is one cause, as is the large size of the informal sector, which is notoriously tax resistant. Most Mexicans distrust their government and do not believe that money paid in taxation will be spent wisely. Additionally, the market-reforming economists who have run Mexico over the past 30 years have not prioritized raising revenue, putting more emphasis on controlling government spending in order to decrease the size of government. Many also assert that as an oil-exporting country, Mexico should earn a significant amount of public revenue by taxing oil income. However, Mexico's exportable oil surplus has declined due to falling production, a collapse in global oil prices and an increase in domestic oil consumption. Overall, further efforts are needed to better coordinate income tax collection with social security, improve the use of property taxes and broaden the overall tax base.

As of 2017, possible changes in the tax policy of the U.S. have increased pressure on Mexico's tax policy. The corporate tax advantages that the new U.S. laws might provide have raised concerns about companies and firms fleeing from Mexico – and this puts pressure on its tax policy.

Citation:
<http://www.americasquarterly.org/content/why-us-tax-reform-threatens-mexicos-financial-future>

Budgets

Budgetary Policy
Score: 6

Given the country's history of severe macroeconomic imbalances until the 1990s, fiscal stability has been a very strong policy priority for the past several administrations. Just as Germany would do anything to avoid a repetition of the hyperinflation of the 1920s, Mexico badly wants to avoid repetition of its debt crisis of 1982 or the "Tequila Crisis" of 1994. Southern Europe's recent financial difficulties have also been a cautionary tale to the Nieto administration of the dangers of fiscal profligacy. Consensus among the major political actors is significant on this matter. In fact, all the major parties in Mexico support policies of fiscal stability. In 2008, Mexico accepted a domestic recession as the necessary price to pay for avoiding inflation.

However, Mexico's fiscal stability continues to be under threat as a result of the collapse in global oil prices through 2014 and 2015. Although most oil production is consumed domestically, oil exports are a significant source of public revenue given the state-owned structure of Mexico's oil industry. The recent fall of oil prices have motivated tax changes and the reduction of energy subsidies. This has been partially relieved with financial instruments that guarantee a minimum price. This strategy was applied in 2017 and will continue in 2018, with a minimum price of \$46 per barrel, though prices have increased slowly. Around 56% of debt has been allocated to long-term investment. The current government started with 80% in 2012.

One key shortcoming of the current administration is the lack of consistency between planning and implementation. In 2015, the government announced a spending cut but actual spending increased 5% in real terms. There are few reasons to believe that spending cuts for the coming years will be implemented: according to Mexican researchers, public spending has increased more than 4% every year in real terms since 2012. Even when the goal has been to maintain a primary surplus at the beginning of the year, the trend is reversed by the end of the same year. That is, spending surpasses revenues even before interest payments.

Government debt has increased more than 10% during the Peña Nieto administration. Moreover, not all debt is clearly accounted for: there are items classified as "non-oil revenues," non-tax revenues, and "returns" (aprovechamientos), ambiguous categories that include worker pensions and Pemex assets. These spending patterns along with growth deceleration have increased the value of sovereign debt as a share of GDP. Rating agencies lowered Mexico's sovereign credit outlook from stable to negative in 2016,

which will further increase the country's interest payments. In 2017, Mexico paid more toward debt interest payments than toward capital.

A second key shortcoming of Mexican budgetary policy is the opacity surrounding spending decisions. More than half of spending increases have gone to subsidies and transfers, surpassing the amount approved by Congress by more than 10%. Of this increase, around 40% was spent in programs without monitoring, audits or impact evaluations. This opacity allows for the political use of resources, which may partly explain state-level variations on per-capita spending that seem to be associated with changes in the party holding the executive office. Opacity in public spending was partially addressed in 2016 with the creation of the National Anticorruption System, a set of laws that constrains federal and local authorities to prosecute and punish acts of corruption. In 2017, the Ley General de Responsabilidades Administrativas (General Law of Administrative Responsibilities) was published, and it increases sanctions and oversight on private actors that participate in public biddings. However, it remains to be seen if public officials will adequately enforce this law in the coming years, especially as next year's election campaigns will further reduce the transparency around public budget allocations.

Citation:

<http://mexicocomovamos.mx/new/md-multimedia/1476288726-748.pdf>

<https://www.economista.com.mx/economia/Para-el-2018-tambien-se-tendran-coberturas-petroleras-Hacienda-20171016-0118.html>

<http://www.cnbc.com/2016/08/23/sp-lowers-mexicos-sovereign-credit-outlook-to-negative.html>

<http://mexicoevalua.org/2016/11/15/las-dos-caras-de-tu-moneda/>

<http://mexicoevalua.org/2014/04/14/descifrando-la-caja-negra-del-gasto/>

<http://mexicoevalua.org/2017/09/14/por-cada-peso-en-deuda-solo-0-56-centavos-van-a-inversion/>

Research and Innovation

R&I Policy
Score: 3

Overall, national spending on research and development (R&D) continues to be very low in comparison with other OECD countries and is inadequate for an economy the size of Mexico. While public spending on R&D has increased in recent years, private sector spending on R&D has not, mostly relying on large companies across a small number of sectors. A very large number of “micro” firms have little or no institutionalized access to state R&D spending, while large and efficient firms undertake their own R&D spending. There is growing awareness of this problem within Mexico itself, but it still ranks below most OECD member countries on indices relating to R&D. The OECD has stated that R&D spending in Mexico is quantitatively and qualitatively inadequate.

In 2017, Mexico was ranked 49th out of 190 countries on the World Bank's Ease of Doing Business index, featuring low performance in components such

as paying taxes, registering property, getting credit and having access to electricity. These conditions play against the attractiveness to create and fund startups in the new economy.

The 2016 election of Donald Trump and his anti-immigration policies motivated speculation about increased opportunities in Mexico for starting innovative businesses in the IT sector, offering the economic and political environment to attract startups and human capital. Though the number of venture capital institutions and other organizations have generally increased (especially in Guadalajara and Monterrey), most of the country has yet to see the potential benefits of IT investments.

Citation:

<http://www.doingbusiness.org/data/exploreeconomies/mexico>

<https://www.ft.com/content/7fe8f64c-4c74-11e7-a3f4-c742b9791d43>

Global Financial System

Stabilizing
Global Financial
Markets
Score: 6

Given its experience with severe financial crises, Mexican governments over the last two decades have been keen to improve the regulation of the domestic financial sector. As a consequence, domestic financial regulation improved substantially, though it remains far from optimal. Mexican governments have also embraced an international effort to halt financial flows related to illegal drug production and trafficking. As part of its anti-drug smuggling policies, for example, money laundering has become more difficult. Yet as the prevalence of destabilizing domestic drug-related conflicts shows, the government is far from achieving its internal goals related to drug production and money laundering.

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

The government has also more actively participated in international trade negotiations in an attempt to diversify the Mexican economy and reduce its dependence on the United States. While the government has had some success in this respect, the Mexican economy remains heavily dependent on its northern neighbor, an issue that is seen as increasingly problematic due to the Trump administration's threats to withdraw from NAFTA.

II. Social Policies

Education

Education Policy
Score: 5

Mexico's education system is relatively weak despite significant public investment in the sector. According to the 2017 OECD's Overview of the Education System, education spending in Mexico in 2014 (last year with available data) was 5.4% of the country's GDP. While this is slightly over the OECD's average of 5.2%, it is below other Latin American countries like Argentina, Chile and Colombia. Moreover, the per student expenditure of Mexico (,703) is the lowest of all OECD countries. This can explain to a great extent why student performance is lower than in most other OECD countries, including Chile (the other Latin American OECD member). Also, there are strong regional differences in education and some states (e.g., Guerrero) are continuously failing to cope with national minimum standards in education at the primary and secondary levels.

The problem, therefore, appears to be related to resource allocation rather than funding per se. Too much is spent on salaries in contrast to capital spending and an excessive share of the budget is spent in an unaccounted for fashion. Aiming to mitigate the strong political influence of the teachers' union on the Education Ministry, the government's recent reforms aimed at facilitating a meritocracy in the teaching profession. However, the reform still lags behind expectations. It created a national organization that would implement periodic evaluations on teacher performances. This is definitely a step in the right direction as it renders teachers and the union accountable for the quality of their teaching. It has also has faced severe criticism in several areas. The most relevant is related to evaluation instruments that fail to account for the obstacles faced by teachers in the most rural and deprived areas of the country.

Some critics argue that the reform's goal is to undermine teachers' unions across the country and increase the centralized control of education. On the other hand, some criticism has been addressed to the remaining power of the teachers' union to control the allocation of positions among teachers. Until she was jailed on corruption charges, teachers' union leader Elba Esther Gordillo was considered politically untouchable as she controlled many votes. However, she was recently released to continue her sentence in home confinement. The same day she was released, the PRI formalized a coalition with Panal (New Alliance Party), which was close to Gordillo and the SNTE union.

There is evidence of the union collecting salaries for nonexistent teachers. One of the provisions of the new reform requires the National Statistics Institute to ascertain how many teachers are actually employed by the Mexican state. Another creates a National Institute for Education Evaluation, which will take on the functions of an inspectorate – tasks for which the union was previously responsible. Private education is generally of much higher quality in Mexico. At every level, privately educated students typically outperform students enrolled in public schools. The private-education sector accounts for 1.4% of GDP in comparison to the state's 5.4%, much of this being spent at the secondary or university level.

While the overall scenario is not positive, there have been improvements worth mentioning in the past couple of years, including an increase in the percentage of students pursuing STEM degrees, an increase in the share of four-year-olds enrolled in preschool education and slight but steady increases in teachers' wages.

Citation:

<http://gpseducation.oecd.org/CountryProfile?primaryCountry=MEX&treshold=10&topic=EO>

<https://www.theguardian.com/world/2017/dec/21/release-of-mexican-union-boss-a-sign-of-the-times-for-pena-nieto>

Social Inclusion

Social Inclusion
Policy
Score: 4

Mexico is a socially hierarchical society along a number of dimensions: educational, racial and financial. While democratization has somewhat reduced the most flagrant social divisions, Mexican governments have not been capable or willing to bring substantial change. Moreover, the Mexican state is too weak to carry out major social reforms and there is strong resistance against wealth redistribution. Among OECD countries Mexico has one of the highest income concentration indexes, with a Gini coefficient of 0.49.

Nevertheless, there is some evidence that public policy has improved the distribution of income in Mexico during the last decade. The Gini coefficient has come down slightly. In addition, social and political processes have become more open. In 2016, the current government faced several challenges, including streamlining social programs, rolling out the new Prospera program, implementing unemployment insurance and improving health care provision.

Since 2012 the current government designed a policy to address extreme poverty and lack of adequate sources of food, called the Cruzada Nacional Contra el Hambre with its Food Support Program. It planned to reach more

than seven million people. The design has been praised as effective. It created a database of beneficiaries who were not receiving cash transfers through other government agencies. However, so far there are only evaluations of its policy design, but not of its effects on reducing extreme poverty. CONEVAL estimates that by 2016, extreme poverty affected 7.6% of Mexicans, a lower figure than in previous years. However, poverty is highly concentrated among indigenous and rural populations, showing another layer of inequality in Mexico.

Citation:

[https://www.eleconomista.com.mx/economia/El-43.6-de-los-mexicanos-vive-en-situacion-de-pobreza-](https://www.eleconomista.com.mx/economia/El-43.6-de-los-mexicanos-vive-en-situacion-de-pobreza-Coneval-20170830-0151.html)

[Coneval-20170830-0151.html](https://www.eleconomista.com.mx/economia/El-43.6-de-los-mexicanos-vive-en-situacion-de-pobreza-Coneval-20170830-0151.html)

<https://data.oecd.org/inequality/income-inequality.htm>

Health

Health Policy
Score: 5

Overall, public spending on health care is comparatively high but the quality of health care varies widely across Mexico, with different regions showing broad variation in the quality and variety of services available. Some U.S. citizens come to Mexico as health tourists, taking advantage of cheaper health care south of the border. Private, self-financed health care is largely limited to middle-class and upper-class Mexicans, who encompass roughly 15% of the total population, but receive about one-third of all hospital beds. Around one-third of the population (most of whom work in the formal sector) can access health care through state-run occupational and contributory insurance schemes such as the Mexican Social Security Institute (Instituto Mexicano del Seguro Social, IMSS) and the State Employees' Social Security and Social Services Institute (Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, ISSSTE). These are based on automatic contributions for workers in the formal sector and, in practice, work reasonably well, although with some variation across different parts of the country. The system has been decentralized to the states. In 2016, a National Agreement Toward Health Service Universalization was signed, which aims to ensure portability across providers.

Public health issues are aggravated by the lack of access to quality health services. Though most Mexicans are affiliated with the different sources of health care providers, including public and private, there are still issues of quality that negatively affect public health. For example, with some 13 million Mexicans suffering from diabetes, the country has one of the highest rates of diabetes among all OECD countries. The lack of sufficient health care and infrastructure means that diabetes patients suffer from several complications.

The government has been attempting to make health care more affordable and extend it to more people outside the formal sector. In order to extend the insurance principle, the government has set up the so-called Popular Insurance (Seguro Popular) program, which is open to contributors on a voluntary basis, with means-tested contributions from citizens supplemented by substantial government subsidies in order to encourage membership. While not yet able to offer universal health care, the state is subsidizing the private system. With a disproportionately young population, Mexico currently has a demographic advantage. As a result, health care spending accounts for a relatively small share of GDP. However, large-scale migration is placing increasing pressure on public services.

Citation:

<http://www.oecd.org/mexico/Health-Policy-in-Mexico-February-2016.pdf>

<http://www.who.int/bulletin/volumes/95/6/17-020617/en/>

Families

Family Policy
Score: 4

As in most other areas of Mexican social policy, social divisions are pronounced in the area of family policy. On the one hand, educated and urban Mexicans are broadly supportive of women's rights, as is the political class. Recent political reforms require registered political parties to have a quota of women included as a part of their election slates. In addition, educated women are increasingly participating in the labor market and quite a large number of professionals are women. However, women are strongly underrepresented in top business positions. Less than 10% of seats on boards are held by women, a low level compared to other OECD countries, providing a strong argument in favor of at least temporary gender quotas.

With regard to the poorer segments of the population, gender equality is progressing even slower. Poorer Mexicans tend to have larger families and face fewer opportunities for women in the labor market. Also, old-fashioned "macho" and conservative Catholic attitudes from the past make it harder for lower-class women to progress. In addition, many labor-based institutions tend to be based for traditional reasons around the concept of the workingman. Moreover, lower-class women are more active in family businesses and in the informal economy, where incomes tend to be lower, and where it is hard for them to access state benefits. The main problems facing working class women have to do with dysfunctions in public services including health, education and transportation. There is a huge demand for expanding early childcare and preschool coverage and extending the length of paternity and maternity leaves. In 2014, Congress approved a bill reforming the Federal Law of State Workers, giving state employees a 5-day paternity leave. While this reform

aimed to promote gender equality, it has not been welcomed by Mexican feminist organizations, as it is far from the number of days currently afforded for maternity leave (60 days). Moreover, paternity leave policies are more an exception than a rule in Mexico and still regarded as unnecessary by most businesses and organizations. This reinforces a gender bias in child rearing and discrimination of women in the workplace.

In the early 2000s, SEDESOL created a program aimed at early childhood development that provide child care for children of men and women in poverty five days a week. Though the program is not universal, there is some evidence that it provides advantages to children enrolled. This has become the closest to a child care policy for families without a formal job or a formal enrollment in one of the different social protection systems in Mexico providing child care services. Overall, the government needs to improve the enforcement of constitutional provisions against gender discrimination.

According to official records, more than 60% of women 15 years and older have experienced some type of violence in their lifetime. On average, seven women were killed in Mexico every day between 2013 and 2015. This is almost twice the average seen between 2001 and 2006. The exceptionally high number of disappeared women in the northern state of Chihuahua and the central state of Estado de Mexico, many of whom are presumed to have been murdered, has led to the international use of the term “femicide” to describe this form of disappearance. Many of these disappeared women were likely the victims of sex crimes, but many more have been victims of family honor killings.

Citation:

http://www.inegi.org.mx/saladeprensa/aproposito/2016/violencia2016_0.pdf

<http://www.animalpolitico.com/2014/03/permiso-de-paternidad-en-mexico-unas-mini-vacaciones-pagadas-de-5-dias/>

https://ac.els-cdn.com/S1665114616301617/1-s2.0-S1665114616301617-main.pdf?_tid=be22bb40-e2cf-11e7-ae06-0000aabb0f27&acdnat=1513476933_1b3cb11d76a482e57d9c4f638c2232f8

Pensions

Pension Policy
Score: 5

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

public sector. At the other end of the demographic balance, Mexico still has a relatively low proportion of old people. As a result, Mexico's dependent population is fairly low. This happy position will eventually change for the worse. Conscious of this, Mexican governments have been continuously attempting to reform the pension system to increase coverage and quality. Overall, however, these modernization attempts have not been very successful. For instance, a universal pension reform was foreseen as an integral part of the 2012 Pacto. Unfortunately, it was partially approved in the lower chamber and has been facing a blockade in the Senate since 2014. Thus, more reforms will be needed as the population ages. The current system – while improving – will not be robust enough in the future to cope with the growing population of elderly. Historically, Mexico's pensions policy has been based on the principle of contributions, which has not provided adequate, or any, safety net for the elderly poor. However, some parts of Mexico, notably the capital district, now have a limited old-age pension system based on a universal entitlement.

One of the key problems with the current pension system in Mexico is its low coverage: in 2016, only 27% of the working age population had a pension account, a rate below that of countries like Chile, Costa Rica and Uruguay. Moreover, increasing mandatory contributions is not a viable solution in the Mexican context, as it would further incentivize informal employment. An increase in mandatory contribution would have to be accompanied by more comprehensive measures that account for the complexity of the Mexican labor market and the government's fiscal capacity.

Citation:

<http://www.elfinanciero.com.mx/economia/urge-poner-en-agenda-reforma-de-pensiones.html>

Integration

Integration Policy
Score: 3

Mexican integration policy remains weak to nonexistent. The dominant cultural narrative in Mexico tends to assume that migration means emigration. Mexico was and remains a major source of emigration, but has not effectively addressed problems related to immigration that have been steadily increasing during the last 15 to 20 years. There is no problem with “middle-class” European and U.S. migration to Mexico. Indeed immigration of this kind is broadly welcomed and has been increasing – albeit from a very low level. A number of wealthy U.S. citizens retire in secure areas in Mexico where the climate is better and health services are cheaper. However, there are serious problems related to migrants entering Mexico from Central America, especially Guatemala, with most seeking entry to the United States and a minority wanting to stay in Mexico. Few are able to acquire formal documentation. In their desperation, such people are often preyed upon by

criminals or even recruited into local drug gangs. Homicide rates are also high among this group. The Mexican authorities mostly do not welcome this kind of immigration and do their best to discourage it. However, there is no effective integration, transit or migration policy to deal with these issues. Mexican authorities also downplay the incidence of criminal attacks on Central American immigrants, although the international media has cast a spotlight on this population's predicament.

Additionally, since 2016 a wave of Haitian immigrants increased pressure on northern cities to guarantee their safety while they waited to cross the border to the U.S. In 2017, many of those immigrants remained in Mexico as the U.S. stopped granting them immigration hearings. Many stayed in Mexico's northern cities, supported by non-governmental organizations that maintain shelters. These organizations have also advocated for the respect of human rights and for the government to follow due process. However, this has not changed the securitized perspective the federal government holds on the issue.

More efforts are also needed in the integration of young "returnees:" young Mexican nationals or children of Mexican nationals who come to Mexico after living in the United States, either voluntarily or through deportation. This issue becomes particularly relevant as the Trump administration decided to terminate DACA. Many of these students are not fluent in Spanish and have problems integrating into Mexican schools since they have studied under a different school system utilizing different teaching and evaluation methodologies. The Mexican education system is not ready to provide sufficient resources to improve these students' language skills and their sense of belonging. As the Trump administration tightens migration policies, Mexico can expect an increase in young returnees. It must be ready to successfully integrate them in the education system through specialized programs and resources.

Citation:

<https://www.nytimes.com/es/2017/01/30/la-situacion-de-los-migrantes-en-la-frontera-norte-de-mexico-podria-convertirse-en-una-crisis-humanitaria/>

Safe Living

Mexico has been among the most dangerous countries in the world and 2016 showed no substantial improvements. The main reason for this high homicide rate is that Mexico has become a major center for the transit of illegal drugs to the United States. In brutal competition with one another, Mexico's criminal gangs, or cartels, have carried out horrific acts and killed thousands. Moreover, violence has become increasingly intertwined with local, regional and national

Safe Living
Conditions
Score: 2

politics. From a regional perspective, Mexico has only a slightly lower homicide rate than Honduras and Venezuela.

Although the then-incoming National Action Party President Calderon made the so-called war on drugs a policy priority in 2006, the murder rate continues to increase. The reasons for this increase are complex and cannot all be blamed on the government, but Calderon's anti-drug policy clearly did not succeed. President Peña Nieto initially criticized the Calderon government for relying too much on force in dealing with the drug problem, but it is far from clear whether the current administration is doing any better. Mexico has improved the bureaucratic efficiency of some of its crime-fighting operations, but there are still huge problems. These problems include a lack of bureaucratic cooperation, rampant corruption within the security apparatus, the immense scale of criminal activity in Mexico and the infiltration of law enforcement agencies by organized crime. Thus, one can say that internal security policy does not effectively protect citizens. This explains the proliferation of self-defense groups throughout the country and a lack of trust in the authorities, which are – especially at the local level – frequently infiltrated by organized crime.

More worrying still, the judicial system is not designed to convict powerful and wealthy criminals. It is too difficult to convict criminal suspects in Mexico who can afford wealthy lawyers. Additionally, Mexico has suffered several public scandals which have further damaged public confidence in the authorities. These scandals include prison escapes by high-profile criminals and unexplained massacres in rural areas. In at least part of its territory, Mexico is a failed state.

In an attempt to decriminalize marijuana and after intense domestic debate, Mexico's senate voted in late 2016 in favor of a more liberal use of cannabis. This, together with liberalization policies in some U.S. states, may have some impact on the activity of drug gangs but will not put an end to drug-trafficking-related violence. The first half of 2017 showed a steep increase in violence and homicides, and reliable information on the increasing problem of disappearances and kidnappings is lacking.

Citation:

http://secretariadoejecutivo.gob.mx/docs/pdfs/cifras%20de%20homicidio%20doloso%20secuestro%20etc/HDSECEXTRV_062017.pdf

<https://www.nytimes.com/es/2017/08/04/violencia-mexico-homicidios-tecoman/>

Global Inequalities

Global Social Policy
Score: 6

Regarding free trade, Mexico is supportive of open trade agreements and actively seeks good relations with any country that might counterbalance its heavy economic dependence on the United States. Mexico has also been active in financing international development, providing modest levels of foreign aid. Moreover, foreign policy continues to embrace the topic of south-south-cooperation and supports regional development projects. The Mexican government has also been a supporter of the U.N. Global Goals (Sustainable Development Goals) and Agenda 2030, launched in 2015.

However, Mexico could do more to promote and advance social inclusion beyond its borders. The treatment of Central American immigrants, and more recently, Haitians, needs to be greatly improved. Diplomatic relations between Mexico and its southern neighbors are very good, but there is room for improvement in trade treaties in the region and Mexico could lead efforts to increase the economic integration and global competitiveness of Latin America. An excessive dependence on trade with the United States has prevented Mexico from looking south.

III. Environmental Policies

Environment

Environmental Policy
Score: 5

Mexico is a signatory to the Kyoto Protocol and has shown every sign of taking environment policy seriously. However, it continues to face several very serious environmental challenges. The provision of clean water to Mexico City, air pollution in the capital and other major cities, deforestation and erosion in rural Mexico are some of the most pressing problems. While a marked decrease in population growth is relieving some environmental pressure, policies aiming to conserve the environment and reduce pollution should remain a top priority for ensuring sustainable development. While environmental policy has become more sophisticated, particularly in Mexico City and other major cities, the enforcement of environmental standards and regulations is often lacking. It is worth noting the substantial variation between government levels and across issues; the federal government is much more capable, with better and more efficient regulations and monitoring. This is not the case at the local level, where funds, human capital, and administrative resources are scarce; in particular, in the most ecologically rich but poorest regions of the country. In terms of environmental issues, Mexico has very

strong air quality regulations and made significant progress over the last two decades. In contrast, norms regulating water consumption and pollution are far less advanced.

From a comparative perspective, the government's recent economic reforms were more diluted and slower to pass than its environment legislation, but implementation of policies and regulations remains a major challenge. Many companies do not comply with existing regulations and the high degree of informality in the economy is further aggravating the challenge of non-compliance. Despite an increasing awareness of environmental challenges among the broader population, particularly among the young, public pressure and support for environmental NGOs remains weak when compared to many other OECD countries. Business interest groups are much more powerful than their environmental counterparts. It is worthwhile noting that the Mexican Green Party is not as "green" as its name might imply in other countries; environmental interests are still weakly nested in the major political parties.

In addition to liberalizing energy prices for gasoline and natural gas, the energy reform of 2013, established provisions for an increasing participation of renewables in the energy mix in Mexico. Private power generators are now able to sell electricity, but the new regulations also provide incentives for the use of renewables and the reduction green house gas emissions by constraining the biggest consumers to get a proportion of their power from clean energy sources. Implementation of these provisions began in 2016 and are expected to increase the participation of renewable energy in the power generation industry.

Global Environmental Protection

Global
Environmental
Policy
Score: 6

On the one hand, Mexico is interested in raising its international profile as a promotor of multilateralism by supporting the Kyoto Protocol and other multilateral environmental agreements. On the other hand, Mexico's own economy still relies to a significant extent on the export of oil and gas, so that important legal initiatives (e.g., climate-change law) face serious implementation problems.

Mexico relishes having an international profile that shows independence from the United States. International environmental protection contributes to such a profile. Mexico is a leading international actor on environmental policy within the region, even if its domestic policies are inconsistent: Mexico is still the second-biggest emitter of greenhouse gases in Latin America. Firewood remains the primary fuel used by poor Mexican families. Moreover, the importance of the oil industry for the Mexican economy creates substantial

barriers to credible domestic action even as it seeks to position itself as a pioneer in international environmental protection.

Mexican authorities and the public are at least much more aware of environmental issues and their resulting problems than they were a generation ago. The country's climate-change law went into effect in October 2012, drawing international praise. There is an underfunded Climate Change Fund, created to finance adaptation and greenhouse-gas emissions-reduction initiatives. Its operating rules have apparently been completed, but have not yet been published. Additional challenges associated with implementing the law relate to the creation of a national climate-change information system, the effective reduction of greenhouse gases, and producing assessments of adaptation and mitigation measures. Mexico is also one of the main recipients of clean development mechanisms in Latin America. It has advocated for the continuation of this development and environmental cooperation mechanism in several environmental policy forums.

Overall, Mexico was one of the first countries in the world to pass a specific law on climate change. The law set an obligatory target of reducing national greenhouse-gas emissions by 30% by 2020. The country also has a National Climate Change Strategy, which is intended to guide policymaking over the next 40 years. However, only about half of the Mexican states had drawn up a state plan on climate change, just seven had passed their own laws and only 11 had begun measuring their CO₂ emissions. Thus, on the one hand, Mexico has been very active in the preparation of the U.N. Global Goals (Sustainable Development Goals) agenda, reflecting the country's traditional multilateral approach to foreign policymaking. Mexico has been an active participant in climate-change talks involving international organizations. During the most recent COP23 meeting in 2017, it was praised for its innovative policies on gathering data about electricity consumption in central Mexico. However, this proactive approach to environmental policymaking at the international level is not matched by a commitment to domestic environmental policymaking.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 8

While in principle the process for registering political parties is open and transparent, high registration requirements as well as a bureaucratic and lengthy registration process create a strong status quo bias. To meet the requirements for registering a new national political party, organizations must demonstrate a minimum of 3,000 members, representation in at least 20 of the 32 states, and a minimum of 300 members in at least 200 electoral districts. Historically, the high barriers for party formation have served to discourage new and small political groups from challenging the established parties.

Since 2015, independent candidates have been allowed to run for office in national elections. This may increase the choices available to voters, but how this plays out in practice and whether independent candidacies can be translated into meaningful political and policy alternatives remains to be seen. In anticipation of the 2018 federal elections, several independent candidates seek to challenge the extremely unpopular incumbent PRI for the presidency. To appear on the ballot, independent candidates for the presidency must collect more than 850,000 signatures nationally and obtain the support of at least 1% of registered voters in 17 states. As of early November 2017, even the top five independent candidates had a long way to go before clearing this hurdle.

Close linkages between some candidates and organized crime, especially at the subnational level, continue to undermine the integrity of the political system.

Citation:

Harbers, Imke and Matthew C. Ingram “On the engineerability of political parties: evidence from Mexico.” In: I. van Biezen, and H. M. ten Napel. *Regulating political parties: European democracies in comparative perspective* (2014): 253-277.

Vázquez del Mercado, Salvador “As angry voters reject major parties, Mexico’s 2018 presidential race grows chaotic.” *The Conversation*. Blogpost available at: <https://theconversation.com/as-angry-voters-reject-major-parties-mexicos-2018-presidential-race-grows-chaotic-86040>.

Media Access
Score: 5

The electoral process in Mexico is subject to a comparatively high degree of regulation. During the transition to democracy during the 1990s, electoral laws were revised to ensure more equitable conditions for the main political parties.

Currently, all registered political parties are eligible for public financing, the volume of which corresponds to their electoral strength. There are restrictions on the amount of money parties are allowed to raise and spend. Media access during the official campaign period is regulated to ensure a measure of equality. Nevertheless, outside the tightly regulated political campaigns, news coverage is often heavily biased in favor of incumbents. Presidents as well as governors spend exorbitant sums on advertising and pro-government propaganda. Since news outlets rely on this income for their financial survival, they can often scarcely afford to criticize sitting administrations. The Peña Nieto administration has taken this long-standing practice to new levels. According to a report compiled by the think tank Fundar based on government data, his administration spent nearly \$2 billion on advertising in the past five years, substantially more than previous administrations.

Citation:

New York Times (25 Dec 2017) "Using Billions in Government Cash, Mexico Controls News Media."

Voting and
Registrations
Rights
Score: 7

At the national level, Mexico by and large conforms to the standards of electoral democracies. The organization and administration of elections is in the hands of the National Electoral Institute (INE), an autonomous and professional agency. There is also a system of electoral courts, which are generally more professional and independent than the criminal courts. Citizens and party members can appeal to these courts if their political or electoral rights are violated. In recent years, INE oversight over state-level electoral institutions has increased.

The same electoral register is used for federal and state/local elections. The voter identification card is Mexico's de facto national ID. Contrary to many other OECD countries, citizens are not registered to vote automatically, instead they must take the initiative to register. This may serve to discourage marginalized and less educated citizens from voting.

Even though Mexicans living abroad (about 10% of the population) are now allowed to vote, turnout has been low, in part due to the difficult registration process. INE has invested in making the registration process for Mexicans abroad easier by partnering with consulates and embassies. Higher turnout for Mexicans abroad is expected in the 2018 election.

Party Financing
Score: 5

Mexico's elections are highly regulated by the state. This reflects a history of electoral fraud and rigged elections which resulted in distrust between parties and a desire to formalize rules. The National Electoral Institute (INE) is in charge of monitoring party compliance with electoral rules and regulations. It is also responsible for administering and auditing the public funding of parties.

By international comparison, public funding of political parties in Mexico is extremely generous. Political parties are mostly financed by the state and there are restrictions on the amount of fundraising permitted. INE also coordinates campaign advertisements for parties. Electoral expenditures have been similarly controlled. INE can and does impose significant sanctions on political parties if they fail to comply with funding rules. However, oversight is incomplete and INE audits have revealed illegal undisclosed funding to parties. Moreover, there is considerable evidence that the federal government provided illegal subsidies to co-partisan governors to strengthen the PRI's chances in gubernatorial elections.

There are two important challenges in the run-up to the 2018 federal elections. First, organized crime and corruption continue to represent a serious threat to the integrity of the political system. There is widespread evidence of successful attempts by organized criminal and other illicit interests in society to influence electoral processes and public officials. Thus, while INE's bureaucracy is by and large efficient and impartial, the weak rule of law and ineffective criminal courts undermine the integrity of elections. Second, public support for the lavish system of party financing is eroding quickly, as major political parties are widely distrusted and seen as self-serving. A petition to redirect the seven billion pesos that parties can use for the 2018 election to earthquake relief obtained a record number of signatures on change.org. Major parties quickly jumped onto this bandwagon and offered to partially donate their public funds and even to reform the funding system. This proposal drew skepticism, however, as it is likely to ossify the party system even further, and to restrict opportunities for new political forces.

Citation:

Latin American Regional Report: Mexico & NAFTA (October 2017) "Earthquake produces politico-electoral reform debate."

New York Times (20 Dec 2017) "Mexico Graft Inquiry Deepens With Arrest of a Presidential Ally"

Popular Decision-Making
Score: 3

There are no provisions for legally binding referenda or popular initiatives at the federal level in Mexico. Attempts by the opposition to subject government initiatives to some kind of direct vote have failed because there is no constitutional provision for this. Citizens are therefore more likely to influence public policy through demonstrations or legal action than through popular decision-making.

Media Freedom
Score: 4

Access to Information

Officially, freedom of expression is protected and the media is independent from the government. Nevertheless, in practice, substantial restrictions exist on what news outlets can cover without fear of reprisal. Topics such as corruption or collusion between organized crime and public officials are particularly dangerous territory. According to data from the Committee to Protect Journalists, Mexico is one of the most deadly places for journalists, surpassed only by Iraq and Syria with regard to the number of journalists murdered. In 2017, a record number of journalists were murdered, making Mexico the deadliest country for journalists not experiencing a civil war. Journalists are routinely harassed and kidnapped. These dangers particularly affect journalists working for subnational news outlets as well as those who report critically on corruption and linkages between politicians and organized crime. The federal government fails to act decisively to protect journalists. Thus, even though press freedom is codified in national laws, in practice there are substantial restrictions on what journalists and news outlets can report on. When journalists are murdered, there is broad impunity for their killers. Again in 2017, the murders of prominent journalists and media workers like Javier Valdez Cárdenas, Miroslava Breach Velducea and Gumaro Pérez Aguilando were particularly horrifying, all the more since the last two were gunned down in front of their children.

Through lavish spending on advertisement, the government exerts influence over the tone and type of coverage by news outlets. While it is difficult to know the true extent of biased coverage, there is concrete evidence that investigative stories about collusion and corruption are buried, and journalists and outlets pay a high price for publishing such pieces. Carmen Aristegui, a prominent journalist, lost her radio show after reporting critically on a corruption scandal involving the wife of President Peña Nieto. Her website, Aristegui Noticias, which is one of the remaining outlets for critical stories, has been attacked by hackers. Moreover, critical journalists such as Aristegui have been tracked using surveillance technology, such as “Pegasus” spyware, which had been sold to the Mexican government. Thus, although the media are formally independent, considerable obstacles exist for the effective exercise of press freedom.

Citation:

New York Times (10 July 2017) “Spyware in Mexico Targeted Investigators Seeking Students.”

Guardian (19 Dec 2017) “Mexican journalist shot dead at son’s school Christmas pageant.”

New York Times (29 April 2017) “In Mexico, ‘It’s Easy to Kill a Journalist’.”

New York Times (21 Dec 2017) “Most Lethal to Journalists: 1. War Zones 2. Mexico.”

Media Pluralism
Score: 5

The Mexican media is much more diversified and politically pluralist than it was a generation ago, but ownership is still highly concentrated. Despite Peña Nieto's telecommunication reform, broadcasting continues to be characterized by oligopolistic ownership. In this area, very little has changed thus far and changes appear unlikely in the near future given the government's close ties to the broadcasting company Televisa. Lack of government support has left regulators, like the Federal Telecommunications Institute (IFT), essentially toothless.

Younger Mexicans take full advantage of internet-based media, which have grown in both size and significance and offer a wide spectrum of information. The development of online media has done much to enhance pluralism, but it has also created new challenges. There is evidence of news website being hacked and of spyware being used against journalists and activists. Moreover, broadband access and cellphone coverage are highly unequal, with rural and marginalized citizens unable to take advantage of these new sources of information. This is unlikely to change in the near future.

Citation:

Latin American Regional Report: Mexico & NAFTA (February 2017). "Telecoms Reforms fail to impress sharp-eyed viewers."

Access to
Government
Information
Score: 5

Mexico's freedom of information act became law in 2002. The law was the first in Latin America to impose obligations on the state to publicly share information and increase the level of political transparency. Mexico's freedom of information act has proved to be a considerable success in increasing publicly available information. Scholars, journalists and bureaucrats have all made use of its provisions and a lot of new information has come to light. Despite the progressive spirit of the law, however, the extent to which it is obeyed and enforced varies considerably. Powerful public and private actors can delay and obscure access to information, despite formal transparency laws. As is often the case in Mexico, there is a gap between theory and practice. The government response to the disappearance of a group of students in the state of Guerrero, and the frustrated efforts by an international committee to investigate the role federal and local authorities and security forces played in their disappearance, is a case in point.

Civil Rights and Political Liberties

Civil Rights
Score: 2

In principle, Mexico guarantees most civil rights via its legal and constitutional systems. Nevertheless, access to the court system and protection against violations are both highly unequal. Overall, the rule of law is weak and this undermines the effectiveness of formally guaranteed rights. Almost two-

thirds of Mexicans indicate that they fear torture in custody if arrested by security forces, a poll by Amnesty International shows. In 2017, in response to public pressure, Mexico adopted a new law against forced disappearances. Implementation of this law, which promises more resources for the issue and a national registry of those reported missing, will be challenging, however.

The tension between formal rights and effective guarantees plays out especially forcefully in the field of security. Since 2006, the military has taken on a more prominent role in combating organized crime and drug-trafficking organizations. However, the Mexican military and other security forces are notorious for violating human rights and the courts do not provide adequate protection to citizens victimized by the military or police. Since the beginning of the drug war in 2006, Mexico's Human Rights Commission received more than 10,000 complaints of abuse by the military, more than 2,000 of which occurred during the Peña Nieto administration. During the current administration the number of states in which the military operates has increased from six to 27 (out of Mexico's 32 states). Critics of the current system argue that a better legal framework is necessary to regulate the military's role in providing domestic security.

The security situation has deteriorated markedly in 2017 as the number of homicides, which had declined during the first years of the current administration, has increased to the highest level ever recorded since the state began keeping systematic records on crime and violence. Against the background of escalating violence, it has generally been impossible to effectively hold the security forces to account for abuses. Moreover, the government's failure to provide security has led to the formation of self-defense forces in some parts of the country, which operate outside formal legal structures and are themselves associated with human rights violations.

Citation:

New York Times (26 May 2016) "Mexican Military Runs Up Body Count in Drug War."

New York Times (16 March 2017) "While Scolding Trump, Mexico Seeks to Curtail Citizens' Rights."

Latin American Regional Report (May 2017) "Challenging abuse of authority one step at a time."

New York Times (30 Sept 2017) "The Social Contract Is Broken': Inequality Becomes Deadly in Mexico."

New York Times (20 Nov 2017) "In Mexico, Not Dead. Not Alive. Just Gone."

<https://www.hrw.org/news/2017/12/07/mexico-reject-internal-security-law>

Political Liberties
Score: 4

Political liberties are guaranteed by law, and public debate and electoral competition are meaningful. If political rights are violated, citizens have access to electoral courts which are generally professional and effective. Recently, however, the independence of the electoral justice system has been called into question. In October 2017, the prosecutor for election-related crimes was fired after an interview in which he accused the former director of the state oil company Pemex, a close ally of the president, of receiving bribes

and funneling illegal funds to the president's party as part of the Odebrecht corruption scandal that has rattled political elites across Latin America.

In many parts of the country, high levels of criminal violence undermine democracy. Public officials, especially at the local level, are kidnapped, harassed and even murdered with impunity. Journalists and activists are also targeted. While the lack of credible and capable legal investigations in such cases makes it impossible to know the true extent of the problem, there is considerable evidence that authorities are not merely inept. Rather, they are sometimes complicit in violating citizens' political liberties. The justice system has proven to be particularly ineffective in prosecuting powerful rights violators. During the past year, the failure of authorities to arrest and prosecute several (former) governors suspected of corruption, money laundering and links to organized crime illustrated this shortcoming forcefully.

Citation:

Schedler, A. (2014). The criminal subversion of Mexican democracy. *Journal of Democracy*, 25(1), 5-18.
Latin American Regional Report: Mexico & NAFTA (December 2016). "The curious case of the missing Mexican former governors."

Non-
discrimination
Score: 5

While there is a societal norm against overt racial discrimination, there is a significant correlation between race and class. Light-skinned Mexicans are over-represented among the wealthy and powerful. Recent data from the Latin American Public Opinion Project shows that they have significantly higher educational attainment and more material wealth. Social discrimination varies by region and setting. In urban centers, there is growing awareness around issues of gender and sexuality. The local constitution adopted by the Mexico City constituent assembly includes a number of liberal and progressive provisions. Nevertheless, more traditional gender roles and the political and social marginalization of women continue to be the norm, particularly in rural and less affluent areas.

The courts are increasingly assertive in taking up cases of gender equality. However, while there is generally more awareness of gender discrimination, attention to indigenous rights and other forms of social stigmatization is more limited. Moreover, as is often the case in Mexico, there is a considerable gap between formal rights and their effective guarantee and enforcement.

In an attempt to increase LGBT rights, the government presented a constitutional reform that would legalize same-sex marriages across the country and campaigned in favor of more inclusive rights for minorities. However, the government's proposed legislation failed in Congress and Mexico is considered one of the most dangerous countries in Latin America for trans individuals.

Latin American Regional Report: Mexico & NAFTA (November 2016). "Spotlight on transgender rights." Zizumbo-Colunga, D. and Iván Flores Martínez (2017). "Is Mexico a Post-Racial Country? Inequality and Skin Tone across the Americas." AmericasBarometer: Topical Brief #31, (<https://www.vanderbilt.edu/lapop/insights/ITB031en.pdf>).

Rule of Law

Legal Certainty
Score: 3

The rule of law continues to be undermined by an ineffective judicial system. This point was illustrated forcefully by Mexico's abysmal ranking in the 2017 Global Impunity Index. Mexico received the worst score of all Latin American countries included and fourth from the bottom globally.

Regarding the rule of law, Mexico faces continuous impediments due to violence and corruption. The adoption of a new National Anti-Corruption System in July 2016 was seen by many observers as a major formal step toward improving the rule of law. The objective of the new system is to improve the coordination of anti-corruption efforts of all governmental bodies (on the federal, state and municipal levels). Even though further legislation to regulate bribery by companies was approved this year, implementation of the reform has been undermined by a lack of political will. Key positions remain vacant, such as the special anti-corruption prosecutor.

Beyond the problem of corruption, the rule of law in Mexico has been seriously hampered by the increasing violence associated with the war on drugs. Even though there has been a process of judicial reform, the justice system continues to work in opaque and Kafkaesque ways. Criminal courts lack transparency, which further undermines trust and confidence in the judicial system. Overall, the system is particularly ineffective when it comes to prosecuting powerful individuals, such as former public officials. In this context, and also due to the security crisis, existing legal regulations often do not effectively constrain government and administration.

Citation:

Latin American Regional Report: Mexico & Nafta (September 2017). "Mexico retains poor position in impunity rankings."

Judicial Review
Score: 5

The Supreme Court, having for years acted as a servant of the executive, has become substantially more independent since the transition to democracy. Court decisions are less independent at the lower level, particularly at the state and local level. At the local level, corruption and lack of training for court officials are other shortcomings. These problems are of particular concern because the vast majority of crimes fall under the purview of local authorities. There is widespread impunity and effective prosecution is the exception, rather than the rule.

Mexico is currently in the process of a major reform of the justice system. Specifically, it is seeking to transition from a paper-based inquisitorial system to a U.S.-style adversarial system with oral trials. In 2016, the legal reform took a major step forward. However, implementation of the new system will most likely take a generation since it involves the retraining of law enforcement and officers of the court. So far, law enforcement has often relied on forced confessions, rather than physical evidence, to ensure the conviction of suspects. To make the new system work, the investigative and evidence-gathering capacity of the police will have to be significantly strengthened. Whether this is feasible in the context of an ongoing security crisis remains to be seen. Progress throughout 2017 has been limited, and implementation is significantly behind schedule.

Overall, the courts do a poor job of enforcing compliance with the law, especially when confronted with powerful individuals. The most prominent recent example is the inability of law enforcement to arrest several former governors wanted for corruption and money laundering.

Citation:

Angel, A. (11 July 2017) "Seis carencias que tiene el nuevo sistema penal acusatorio, según expertos" Blogpost available at <http://www.animalpolitico.com/2017/07/clave-nuevo-sistema-penal/>.

Appointment of
Justices
Score: 8

Mexican Supreme Court justices are nominated by the executive and approved by a two-thirds majority of Congress. Judicial appointments thus require a cross-party consensus since no party currently enjoys a two-thirds majority or is likely to have one in the near future. There are some accusations of judicial bias in the Supreme Court, but any bias is not flagrant and is more social than political. The system of federal electoral courts is generally respected and more independent and professional than the criminal courts.

In the case of the national anti-corruption system (SNA) a lack of cross-party consensus has led to stalemate and delayed implementation. The lack of agreement among major parties in Congress has created a situation where none of the 13 judges for the Specialized Administrative Justice Tribunal (TFJA) have been appointed. The TFJA was created to hear government corruption cases.

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Latin American Regional Report: Mexico & NAFTA (August 2017). "Anti-corruption reform fails to convince."

Corruption
Prevention
Score: 3

Throughout 2017, Mexico has been rattled by a number of high-profile corruption cases. The cases of several former governors, who embezzled and laundered exorbitant amounts of public funds and left their states with financial troubles, were particularly notorious. The revelations about rampant,

high-level corruption were all the more painful as some of these governors had been close allies of President Peña Nieto and were the public faces of his effort to re-launch the PRI in order to give the party a new start after its decades-long association with corruption and bribery. Beyond the governors, the former director of the state-owned oil company Pemex, another close Nieto ally, has also been accused of corruption in the fallout of the scandal surrounding the Brazilian engineering firm Odebrecht. The Odebrecht scandal has rattled several Latin American countries, and now also engulfs high-placed public officials in Mexico. The aftermath of the September 19th earthquake also revealed evidence of corruption and negligence at lower levels of government. For instance, an apartment made of marble and including a jacuzzi had been added to the fourth floor of a primary school that collapsed during the quake, killing 27 students and staff. The expansion was commissioned by the school's director for personal use.

These high-profile cases revealed the inability of the Mexican justice system to effectively deal with corruption, especially if the perpetrators are politically well connected. In the Odebrecht scandal, Mexican prosecutors only sprang into action after Brazilian media broke the story, despite previous evidence of illicit transactions between Odebrecht and Pemex. Equally painful was the revelation that the electronic surveillance software "Pegasus," purchased by the Mexican government, has been used to spy on anti-corruption activists affiliated with the Instituto Mexicano para la Competividad (Imco). Overall, these cases illustrate the pervasiveness of corruption, and the inability and unwillingness of authorities to effectively deal with the issue, despite statements to the contrary.

At the same time that corruption scandals roiled the political arena, efforts to implement the National Anti-Corruption System (SNA), which had been signed into law by President Nieto in 2016, floundered. Neither the special anti-corruption prosecutor nor the judges for the specialized administrative tribunal have been appointed. At the subnational level, not even half of Mexico's states have approved the required secondary legislation to implement the SNA. According to a May 2017 study by Corparamex, the Mexican confederation of business owners, corruption costs Mexico around 10% of its GDP. The main positive development with regard to corruption is sustained pressure from civil society for more transparency and accountability.

Latin American Regional Report: Mexico & Nafta (August 2017) "Anti-corruption reform fails to convince."

Latin American Regional Report: Mexico & Nafta (October 2017) "Evidence of corruption found amongst the rubble"

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 7

The Mexican president is required by law to produce a strategic plan in his first year in office. At a lower level, there are quite a few planning units within the Mexican government, though they do not all have decisive input in the policymaking process.

Strategic planning was most prominent in the 1960s, 70s and 80s; in the latter decade no fewer than three former planning ministers moved up to the presidency of Mexico. In more general terms, a “passion for planning” stems from the origins of the Institutional Revolutionary Party regime and its corporatist structures within a mixed economy. Mainly as a consequence of market-oriented reforms, the role of planning entities has declined since the late 1980s. This was partly the result of Mexico becoming an export-oriented economy, but also because planning itself was a failure during this period, with Mexico too bound to international economic trends to successfully implement planning decisions. The uncertainty about the future of NAFTA once again illustrates how strongly Mexico’s ability to formulate and pursue domestic policies depends on developments beyond its borders.

Planning has seen a resurgence in popularity in recent years. The major challenge to planning in Mexico, and Latin America more generally, consists in creating sufficiently tight links between the agencies responsible for planning, the implementing agencies and powerful interest groups. The implementation of several highly significant recent reforms have put Mexico’s planning skills to the test. This includes the implementation of anti-corruption laws and reforms in the social sector, as well as in energy and telecommunications. The current Mexican president has faced historically low approval ratings in the final years of his term, which will further diminish chances for successfully implementing strategic plans crafted at the beginning of his administration. Longer-term,

Mexico has committed itself to the Sustainable Development Goals (SDGs) and created a specialized technical committee involving 25 federal agencies to collect the statistical information required to monitor progress. It remains to be seen, however, to what extent Mexico will be able to plan and implement a coherent sustainability strategy with strong priorities.

Scholarly Advice
Score: 6

In the Mexican political system, barriers between the government and scholars are comparatively low. It is quite common for a cabinet to include recruits from academia, and there are also substantial informal contacts between academics and high-level public officials. By the same token, former government officials often teach at universities. The Mexican government is keen to strengthen relationships with technical experts, including economists and international relations professionals, particularly those who hold higher qualifications from outside Mexico and have worked for international organizations or U.S. think tanks. Furthermore, the government receives policy advice from international organizations, such as the World Bank and the Inter-American Development Bank. Moreover, applied research has played an increasing role throughout the last two decades in the scientifically grounded evaluation of social programs.

However, the procedures by which academic advice is sought are often not formalized, a fact that leads not only to a frequent lack of transparency on relations between academia and politics, but also to policy advice being often obtained on an ad hoc basis. Regarding the role of intellectuals in society, in general, they are held in high esteem.

Despite pressure from civil society on a number of issues, such as corruption, impunity and insecurity, consultations with civil society actors often fail to achieve concrete results. A lack of political will, rather than a lack of discussion or input from societal actors, has often stalled progress. Important reforms have been on the agenda for many years. What is clear is that President Peña Nieto's commitment to transparency is limited, and that he has adopted an opaque policy style. His motto in pursuing reform is "politics, politics, politics," thus giving preference to political activities (negotiating, campaigning, ordering, overruling policy opposition, etc.) rather than broad-based policy dialog.

Interministerial Coordination

GO Expertise
Score: 8

The presidential office offers positions of high prestige in Mexico. It is involved with the legislative process to a decisive degree. Due to the absence of a high-level career civil service, both the cabinet and the presidential office are staffed with presidential appointments. The independence of figures within the executive is thus questionable since everyone of influence in the presidential office is a political appointee. It is relevant to note that the majority of legislative proposals introduced by the executive failed in post-1997 Mexico – a

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| <p>GO Gatekeeping Score: 9</p> | <p>successful proposal submitted as part the “Pact for Mexico” during the early years of the Peña Nieto administration notwithstanding. Political roadblocks rather than any lack of policy expertise are responsible for these problems.</p> |
| <p>Line Ministries Score: 7</p> | <p>The role of the presidential office is significant in Mexico. Because Mexico does not have a prime minister, there has been no real counterweight to the power of the presidency within the executive branch of government. Much of the power thus comes from the presidential office. Whatever the legal situation might be, it makes no sense to press ahead with items to be discussed in cabinet if the presidential office opposes them. Good relations between the presidential office and an individual member of cabinet matter more to the cabinet secretary than to the presidential office.</p> |
| <p>Cabinet Committees Score: 7</p> | <p>Given Mexico’s presidential system, cabinet ministers are respectful of and even deferential to the presidential office. Moreover, cabinet ministers dismissed by the president after disagreements rarely find a way back into high-level politics, which promotes loyalty to the president and presidential staff. Accordingly, senior figures in the presidential office are very powerful, because they determine access to the president and can influence ministerial careers. President Peña Nieto has built his cabinet around two super-ministries and ministers, the finance minister and the minister of interior, and good personal relations with the president are important for cabinet members.</p> |
| <p>Ministerial Bureaucracy Score: 5</p> | <p>Mexico is unusual, because the constitution does not recognize the cabinet as a collective body. Instead, Mexico has four sub cabinets, respectively dealing with economic, social, political and security matters. As a result, Mexico in practice has a system of cabinet committees each of them normally chaired by the president. The full cabinet never or hardly ever meets. Mexico’s cabinet, as a collective, matters less than in most countries. The cabinet is not a supreme executive body as it is in, say, Britain. For one thing, there are a number of heads of executive agencies, with cabinet rank, who are not directly subject to a minister. There is a trend of governments to increase this process, partially out of the logic of depoliticizing and cementing programmatic decisions and views in social and economic policy fields. Under the current administration, cabinet reshuffles have frequently taken place, often in response to unpopular policy outcomes or political pressure.</p> |
| <p>Ministerial Bureaucracy Score: 5</p> | <p>Traditionally, there was little real distinction in Mexico between civil servants and politicians, though the relationship between them has significantly varied over time. The upper administration overly consists of presidential appointments, with only a limited number of career bureaucrats. Two exceptions are the Ministry of Finance and the Ministry of Foreign Affairs, where bureaucratic expertise has always played a major role. The reason for this is the importance of being a competent actor in multilateral arenas given the dominance of the United States and the experience of macroeconomic turmoil due to continuous political interference in economics. Traditionally, the political</p> |

system has been weighed toward presidential appointments. The cabinet today is much more heterogeneous, however, with some figures personally close to the president and others more independent. The politicization of the cabinet, which has increased under the three recent administrations, is constraining its ability to coordinate policy proposals given the centrifugal tendencies. On the other hand, the previously mentioned independent agencies are often characterized by higher levels of bureaucratic professionalism. Moreover, socioeconomic modernization has, albeit slowly, changed the administrative landscape, with technical expertise increasing in many sectors (e.g., social sectors) and the number of policy experts with an administrative background increasing in the upper administration; this trend continues in the current administration.

Informal
Coordination
Score: 5

A number of informal mechanisms for coordinating policy exist, and given the lack of “formal” coordination capabilities within the Mexican administration, informal coordination often functions as a substitute. This is normal in a presidential system where only a few cabinet secretaries have independent political bases. Ministers retain their positions, for the most part, at the will of the president. It is important to note, however, that some cabinet secretaries are more equal than others. The Finance Ministry, and Ministry of the Interior and Police have assumed hegemonic roles under President Peña Nieto. In this sense, it is significant that the finance secretary, José Antonio Meade, resigned in November 2017 to run for the presidency as candidate of the incumbent PRI. Moreover, toward the end of a presidential term, the congruence of formal and informal coordination mechanisms tends to diminish.

Evidence-based Instruments

RIA Application
Score: 8

Regulatory impact assessment (RIA) was introduced in Mexico in 1997. In 2000, RIA was implemented broadly through reform of the Federal Administrative Procedure Law. Thus, RIA in Mexico is established by law, and not by presidential or prime ministerial decree as in some other OECD countries. There is a government agency belonging to the Ministry of Economy, the Federal Commission for Regulatory Improvement (Comisión Federal de Mejora Regulatoria, COFEMER), which is responsible for performing impact assessments on new proposals if they generate compliance costs. COFEMER spot-checks existing regulations, but does not assess them systematically. Nevertheless, despite some limitations, it has been quite active since it was established at the beginning of Fox’s term in 2000, and its reputation in Mexico is good. However, opinions issued by COFEMER are not binding on other agencies and ministries. The majority of Mexico’s 32 states have also adopted RIAs for subnational regulatory projects and there are efforts to expand this further. Overall, RIA could be strengthened by involving stakeholders early on in the process.

Beyond RIA, evidence-based evaluations of several Mexican public policies in the social sector have gained international recognition and have had significant spillover effects to the international evaluation community. This is especially true for social policies, where rigorous impact assessments based on experimental and quasi-experimental analyses of education, health, and nutrition programs (Programa de Educación, Salud y Alimentación, PROGRESA) can be perceived as an international showcase on how to evaluate large-scale social programs. In this area, the National Council for the Evaluation of Social Development Policy (CONEVAL) is responsible for carrying out rigorous impact evaluations in large social-sector programs. CONEVAL is an autonomous and independent agency created by the 2007 General Law on Social Development (Ley General de Desarrollo Social).

Quality of RIA
Process
Score: 7

RIA was introduced in Mexico in 1997 and its usage has spread from the federal government to some state governments. It has established itself as a legitimate part of the policymaking process. The relevant government agency, COFEMER, is responsible to an interdepartmental committee that ultimately reports to the Ministry of Economy. COFEMER does not have a veto on new proposals, but it must be consulted and can express an opinion. Its position vis-à-vis the ministries was strengthened by an additional presidential order by Calderon in 2007. It can prevent new regulations from coming into force until the consultation process is complete. COFEMER has also been active in negotiating the streamlining of procedures with individual Mexican states. This is significant, as much regulation is generated at subnational levels. After a quiet start, COFEMER has played a significant role in Mexico’s pro-competitive policy. Its annual reports are publicly available and provide critical assessments on regulatory projects.

Sustainability
Check
Score: 6

So far, RIAs have often highlighted international benchmarking to reinforce their investigations. As one example, in a recent development, the Mexican government signaled its intention to become a world leader in sustainable tourism. Here, sustainability relates to energy efficiency, improved environmental performance and the protection of cultural heritage. The government partnered with the private firm EC3 Global to support the adoption of their trademark EarthCheck science and solutions for tourism operators and companies committed to sustainable practices and to align their performance with global benchmarks, endorsed by the World Tourism Organization. EarthCheck is an internationally recognized environmental management and certification program with more than 1,300 members in 70 countries. The program improves the operational performance of member organizations and reduces costs. However, like in many other OECD countries, RIAs in Mexico have up to now not fully embraced a multidimensional sustainability perspective as is foreseen by the Agenda 2030 for Sustainable Development. This is a particular challenge against the backdrop of the United Nation’s Global Goals (Sustainable Development Goals), which were supported by Mexico and require

a multidimensional perspective – including social, economic and ecological dimensions – in public policymaking.

Societal Consultation

Negotiating
Public Support
Score: 4

While originally perceived as a great communicator, President Peña Nieto's approval rating fell below 20% in January 2017, while disapproval soared well above 80%. In this regard, the economic situation – especially the increase in gas prices in the aftermath of Nieto's energy reform – rampant violence, the mishandling of several high-level corruption scandals and the societal crisis after the disappearance of 43 students in Guerrero have underlined the public's discontent. In this critical situation, the government has taken a more hierarchical position regarding consultation with societal actors than its predecessors. The president's approach tends to be to negotiate at the highest level of politics (i.e., with party leaders) and to rely on those involved to employ sufficient weight to enable reforms and other policy decisions to proceed. Thus, he undertakes intensive consultations with the leaders of Mexico's political parties but social actors are less involved, perhaps because they are seen as potential opponents. This is in line with the Institutional Revolutionary Party's tradition of corporatism, where participation has flowed mainly through corporatist party channels rather than through independent civil society organizations. Even though the government disputes the allegation that it used surveillance software to illegally spy on journalists and civil society actors, it has been unable to explain who else might have used the government-purchased software to keep taps on critics of the current administration. The surveillance scandal further eroded trust between the administration and civil society.

Some participatory involvement occurs at the local and state level, in the form of experiments with participatory budgeting, roundtables with stakeholder consultation, and so on. While these types of consultation processes are not as strong as in other Latin American countries, they have become more common in Mexico.

Policy Communication

Coherent
Communication
Score: 5

Communication performances under recent administrations have been mixed. Former President Fox had remarkable public-relations talent, but not much grasp of policy detail. Under former President Calderón, there was marked enhancement in the general quality of official communication, but Calderón had less feel for the news media. Even though President Peña Nieto was an effective campaigner, the current administration has generally failed to communicate the importance and implications of its far-reaching reform projects to the public, resulting in eroding public support and low approval ratings. Even though the

current administration spends exorbitant sums of money on promotional messages, their substance is more akin to pro-government propaganda than to truly informative and educational campaigns. Public relations spending appears to be intended mostly as a way to disseminate partisan messages, rather than to communicate policy.

Citation:
https://www.nytimes.com/2014/09/10/opinion/enrique-krauze-mexicos-dubious-reforms.html?ref=collection%2Ftime%2Fkrauze%2C%20Enrique&action=click&contentCollection=opinion®ion=stream&module=stream_unit&version=latest&contentPlacement=8&pgtype=collection

Implementation

Government
Efficiency
Score: 3

The government’s ability to implement policy is geographically and functionally uneven. While there are an increasing number of islands of technical expertise and competence, overall policy implementation is still severely hampered by several factors. The most significant of these have been the following four challenges: (a) the state’s lack of financial resources due to insufficient taxation capacity, (b) the organizational weakness of subnational governments and the decentralized agencies overseen by federal ministries, (c) high levels of crime and impunity, and (d) the ineffective rule of law.

The central government has been able to find the necessary financial resources for prestige projects and highly visible policy priorities. Overall, however, the state remains unable to provide basic public goods, including education, public health and security, across the territory. Mexico is a federal country, and the quality of governance by state and municipal governments varies enormously. Some municipalities are professionally organized, but others lack basic capacities to provide those public goods that fall within their local responsibility. Until recently, municipal authorities were elected for three-year terms of office with no re-election permitted. This system created negative incentives, as officeholders were not rewarded for considering long-term challenges. However, a recent constitutional reform now allows municipalities to set their own term limits with respect to re-election.

While the president has embarked on several major reform projects, all of these initiatives remain underfunded and most have stalled during the implementation phase. Given President Nieto’s historically low approval ratings, it appears unlikely that his administration will be able to get these reforms back on track during its final year in office.

Ministerial
Compliance
Score: 8

Whatever problems there may be with the Mexican system, it does deal effectively with the so-called agency problem, except during the end of the presidential term, when the lame duck phenomenon occurs. Insofar, the agency

problem has increased in 2017 and will further be a challenge during the final month of the current presidency. In contrast, at least during the first two-thirds of a presidential administration, cabinet secretaries mostly have a strong incentive to avoid incurring presidential displeasure. This is less true at the very end of the presidential term, when the cabinet becomes more politicized and some political figures may jump ship to serve the new administration. Usually the government acts as a lame duck during its last months in office, and not much is expected of it.

Monitoring
Ministries
Score: 7

The presidential office can choose who it evaluates and how. There are two caveats to this statement, however. First, Mexico is a federal system, and there are thus strong limits to the central government's power as many competencies fall, at least partially, to the states or even the local level. Second, independent agencies headed by individuals of cabinet rank have taken on an expanding role during the last two decades. Yet where the central authority has power, it uses it. Ministerial turnover is in general relatively high for a presidential system and President Peña Nieto has reshuffled his cabinet several times. However, while sanctioning ministers is a sign of the president's power, it does not necessarily reflect the output of a systematic monitoring process. In many instances, inadequate implementation is due to structural problems of capacity or a lack of political will, rather than insufficient monitoring. Personnel changes at the attorney general's office (PGR) and the public function secretariat (SFP) in the context of continuing revelations about the administration's inadequate response to corruption are cases in point. Replacing high-profile officials, without addressing underlying structural problems, is often a quick attempt to demonstrate political capacity, it is unlikely to produce better results.

Citation:

Latin American Regional Report: Mexico & NAFTA (November 2016) "Seeking to bolster PGR and SFP amid persistent corruption."

Monitoring
Agencies,
Bureaucracies
Score: 5

The process of monitoring tends to work better at the national level than at the subnational level, where the general process of accountability is more heterogeneously developed. Monitoring is considerable at particular times and places, but limited otherwise. Moreover, monitoring is selective due to uneven state capacity, which hampers greater coverage. Essentially, the commitment to monitoring depends on political constellations. Ministries can scrutinize bureaucratic agencies if they want to, but there are good reasons why they do not always do so. Decentralized agencies often try to exercise autonomy by going over the top of the governing secretariat and contacting the president directly. Pemex, the state-owned petroleum company, is notorious for such attempts, although it does not always succeed. In addition, ministers or the cabinet have mostly been unable to effectively monitor the military and the

police, and attempts to increase oversight – especially with regard to human rights violations – has been politically difficult in the context of an ongoing security crisis.

Task Funding
Score: 5

Mexico has three levels of government – central, state and municipal. In Mexican federalism, state governments are politically and economically more powerful than municipalities. The state governors’ association is a powerful lobby group that bargains effectively with the central government. In general terms, Mexico’s intergovernmental transfer system must reduce vertical imbalances and discretionary federal transfers. The latter are distributed from the center across states with political, rather than policy goals in mind and constitute a substantial share of government spending. Moreover, Mexican states need to increase their own revenues in order to become less dependent on central government transfers.

Due to government austerity, underfunded mandates and insufficient resources are a challenge for the successful completion of many government tasks and undermine the realization of the principle of subsidiarity in Mexico’s fiscal federalism.

Constitutional
Discretion
Score: 6

The Mexican constitution gives subnational entities, in particular states, considerable opportunity to influence policy. However, fiscal federalism in Mexico still relies heavily on transfers and thus gives the central government considerable leverage over states. The economic heterogeneity of states is so substantial that there is a need for a solidarity-oriented transfer system. In other words, fiscal federalism in Mexico cannot rely on the principle of market-based federalism with its focus on competition among subnational entities.

The current system is not in equilibrium between solidarity and market-based federalism. The federal government formally has substantial leverage over states, the federal government has generally refrained from reining in the illiberal practices of local elites. Considerable administrative capacity deficits and illiberal political practices therefore persist at the subnational level, and political processes in several states fall short of democratic practices. The complicity of the federal government is illustrated by its failure to intervene even in cases where governors systematically embezzled funds to the point of financially ruining their states, such as Veracruz. In the case of Mexico, federalism is therefore undermined not only by an overbearing center but also by a lack of accountability and oversight of subnational officials.

National
Standards
Score: 3

Insufficient funding, corruption and inefficiency inhibit the effective implementation of nationwide public policy standards in many sectors. Currently, this is playing out particularly visibly in the education sector, where not a single government entity seems to know how many teachers there are in the public schools, let alone how effectively they teach. Part of a recent education reform requires the statistical agency INEGI to conduct a census of

the education sector. The discrepancy in the number of teachers in official data provided by the Ministry of Education and those encountered by census-takers when they visited schools is significant. In several states, INEGI’s work was disrupted by unions, especially the CNTE, which sought to prevent census-takers from entering schools. Overall, the education reform has increased pressure for accountability and transparency but the country still has a long way to go before all schools and teachers meet national standards. So far, even trying to collect the data that would enable the monitoring of standards has been challenging. While education reform has focused mostly on schools, higher education also suffers from a lack of uniformity and insufficient monitoring of standards.

Citation:
 Latin American Regional Report: Mexico & Nafta (November 2017) “Solving higher education conundrum key to 2018 election success?”

Adaptability

Domestic
 Adaptability
 Score: 6

The Mexican governing elite have traditionally been very interested in adopting international standards and had a high degree of contact with international organizations and policy institutes. The major motivation for this is that multilateralism provides a strategic avenue for counterbalancing the country’s dependence on its northern neighbor. Moreover, many members of the policy elite have studied and/or worked abroad, mostly in English-speaking countries. Mexico’s presidential system, with its directing authority at the center of the administration, also allows the country to make swift changes. However, while adaptability of the Mexican government is comparatively high in formal terms, implementation of new approaches and policies is much weaker, particularly when it involves subnational entities, heavily unionized sectors or counters economic interests in society. In this regard, one of the most challenging tasks for the Mexican government is currently to transfer the ambitious U.N. Global Goals (Sustainable Development Goals) agenda into domestic policies, adapting them to national priorities. In addition, while Mexico has signaled commitment to human rights in international arenas, within the country the protection of human rights and respect for the rule of law remain low.

International
 Coordination
 Score: 5

The Mexican government is increasingly confident of its role in the broader world. Mexico has traditionally been supportive of international initiatives, in the hope of reducing the bilateralism imposed by Mexico’s close and asymmetrical relationship with the United States. Mexico continues to play an active role in the United Nations, OECD and other intergovernmental organizations. It also remains an enthusiastic participant in multilateral organizations, including international financial organizations such as the World Bank, the Organization of American States (OAS) and the Inter-American

Development Bank. Mexico has been playing an important role in the U.N. Global Goals (Sustainable Development Goals) process and participated in the Third International Conference on Financing for Development in 2015. In 2016, the government was also active in global demining initiatives and in the global compact for safe and orderly migration. Numerous policy and organizational recommendations made by international bodies have been adopted in the Mexican policymaking process. Thus, it has a supportive role in many international attempts oriented toward the provision of global public goods. Whether this engagement in international affairs is sufficient to shape international efforts is questionable given the country's reduced level of international leverage in economic and security affairs. However, within its capacities, Mexico has contributed to strengthening multilateralism. In this regard, governments in recent years have also attempted to take a mediating role in international forums between the interests of developed and developing countries, which is a change compared to the traditional aspirations of Mexico to become a speaker for the developing world. Against the backdrop of the unilateralism of the Trump administration, multilateralism offers important opportunities for Mexico.

Organizational Reform

Self-monitoring
Score: 6

Historically, Mexico has often found ways of dealing with the so-called agency problem in policy implementation, which explains why institutional arrangements need constant monitoring. Traditionally this agency problem was dealt with by a high degree of authoritarianism. In today's Mexico, democracy – even if sometimes insufficiently implemented – requires new models of overcoming this agency problem in an increasingly diversified and complex state structure. Particularly policymakers at the central level and in the more advanced states are becoming aware that effectively governing complexity requires different principles. Yet, pockets of authoritarianism, weak state capacity and widespread corruption result in uneven capacity for monitoring institutional arrangements and regulatory reforms. At the top of the political pyramid, the quality of self-monitoring still depends much on the personal engagement of the president. Mexican policymakers have tended to engage quite frequently in administrative reorganization, possibly to excess. President Peña Nieto has been an ambitious, and perhaps excessive, reformer.

Institutional
Reform
Score: 6

While Mexican policy elites are often receptive to new ideas and open to administrative reform, many of these reforms remain unimplemented and are abandoned before they can take root. This is especially true with regard to domestic security and law enforcement. Too often, the re-drawing of organizational diagrams has taken precedence over the implementation of desperately needed, but difficult structural reforms to strengthen the rule of law.

Moreover, the most important challenge currently consists of improving the effectiveness of existing institutions.

The current government, driven by strong reform pressures in the administrative, social and security sectors, has followed this general trend. The administration created the “Pact for Mexico,” which was signed by the heads of the main political parties very shortly after President Peña Nieto took office. The president has shown an affinity for a governing model characterized by independent agencies entrusted with decision-making powers. His administration has fallen short when it comes to transparency and accountability for how reform decisions are made; and overall, implementation has fallen short.

II. Executive Accountability

Citizens’ Participatory Competence

Policy
Knowledge
Score: 5

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

Most citizens are not aware of important decisions made by the government. For example, only one-third of Mexicans were aware that the federal government decided to cut spending in 2017. To a great extent, this is explained by a lack of interest in politics. According to the most recent data of the National Survey on Political Culture (ENCUP 2012), 65% of Mexicans have little to no interest in politics and 77% think of government as an instrument of manipulation that benefits only politicians and wealthy people.

Citation:

http://www.parametria.com.mx/carta_parametrica.php?cp=4904

<http://www.encup.gob.mx/>

Legislative Actors' Resources

Parliamentary Resources
Score: 5

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

However, in 2018, local representatives, city council members and mayors will be able to run for re-election. Senators and federal representatives will have to wait until 2024 and 2021, respectively, to run for a consecutive term. An important caveat to this political reform is that candidates who want to run for a second term will have to be nominated by the same party that nominated them for their first term, or run independently if they did so the first time. Some critics claim that this incentivizes elected officials to prioritize party accountability over constituent accountability. Moreover, it further increases the administrative burden to INE. Re-election is a significant regulatory challenge for the electoral authorities, and the guidelines for the 2018 (regulation for Article 134) process are still not fully defined.

Obtaining Documents
Score: 6

The constitution invests Congress with significant powers. However, until recently, the independence of Congress was undermined by legislation that blocked congressional members from being immediately re-elected. This ban made congressional members dependent on a few powerful leaders who controlled access to resources. For this political, rather than legal, reason congressional committees voted largely along party lines and legislative scrutiny was generally perfunctory. For example, congressional members are legally entitled to request and scrutinize government documentation under the Freedom of Information Act. While the ban on being immediately re-elected has been abolished, it is too early to assess the effect of this change on legislative scrutiny.

Summoning
Ministers
Score: 9

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

Regarding the resources of legislators to monitor the government, it is worth noting that – through legislative committees – they can (and frequently do) conduct hearings where they summon ministers as well as other public officials, who have an obligation to attend. It is often the case that hearings are held right after Annual Presidential Reports to go over evidence and documents supporting the president’s claims on their respective offices (similar to the State of the Union Address in the United States). While these resources are relevant and useful for monitoring, they very rarely have meaningful consequences for public officials (positive or negative).

Summoning
Experts
Score: 9

Congressional committees frequently summon experts, including international ones, and often take their input seriously. Indeed, there is evidence that experts play a considerable role in the legislative process. This aspect of governance mostly works well, because it provides a source of independent scrutiny.

Task Area
Congruence
Score: 5

There are far more committees than members of the cabinet. This is negative from the point of view of effective monitoring. Yet there are more significant obstacles to the effectiveness of congressional committees than their official scope. The most notable limitation has been the one-term limit for legislators, which has now been changed. However, it is too early to assess the effect of this change.

Audit Office
Score: 8

The federal Superior Audit Office (ASF) was set up in 2001 to help the Chamber of Deputies, the lower house of the National Congress, and it has technical and managerial autonomy. In practice, the audit office shows a high degree of independence, but little sanctioning power. The audit office is accountable to parliament exclusively. Over the last decade, the audit office has become stronger in technical terms, but remains incapable of fully covering all relevant topics.

In September 2017, the political news and aggregation website Animal Politico and the NGO Mexicans against Corruption revealed that between 2013 and 2014, 11 federal entities embezzled over \$400 million through irregular contracts with 128 fictitious companies. The government’s response was that the ASF was already aware of most of these irregular contracts and that Animal Politico’s research would not have been possible without ASF’s work and transparency. While it is true that ASF was likely aware of the embezzlement scheme, it is also true that no action was taken against the federal officials involved (neither before or after Animal Politico’s publication), and no efforts

were made to organize and disseminate the information to the public. Thus, the ASF might very well have an efficient and functional system in place, but it seems to be inconsequential. While it may be accountable to Congress, it might not be truly accountable to the interests Congress is supposed to represent in a democratic system.

<https://www.animalpolitico.com/estafa-maestra/>

<https://www.gob.mx/sfp/prensa/sobre-el-reportaje-de-animal-politico-y-mexicanos-contr-la-corrupcion-y-la-impunidad>

Ombuds Office
Score: 6

During its process of political liberalization, Mexico established an ombudsman's office in 1992. The office is generally respected, and the ombudsman can, and sometimes does, criticize government policy. In 2007, the ombudsman publicly advised President Calderón not to use the army in counter-narcotics activities. Calderón nevertheless sent troops in, which provoked an ongoing discussion on the army's domestic tasks. More recently, the limited de facto power of the institution has become visible particularly in the field of domestic security (e.g., drug crime, human-rights abuses). In short, while Mexico has an independent and respected ombudsman's office, it is not necessarily powerful, particularly against the backdrop of an unprecedented spread of violence in recent years.

Media

Media Reporting
Score: 4

The quality of the media is mixed. The quality of some Mexico City newspapers and magazines is high, but the rest of the press, particularly radio and TV, focuses mainly on entertainment. This is particularly troublesome as there is a high degree of media concentration, with only two national TV companies (Televisa and TV Azteca) controlling 94% of commercial TV frequencies. These companies have similar programming and political inclinations, and account for 76% of the political news content consumed by Mexicans. The close ties between the two major television companies and the government limits their capacity to impartially inform the public. For example, the president's wife is a former Televisa actress and model. In addition, the 2012 election created the "telebancada," a prominent caucus of 20 congressmen who have worked directly or indirectly for one of the two TV companies.

In an effort to reduce telecommunications concentration and increase transparency, the government approved a Federal Law of Telecommunications and Broadcasting in 2014. This was an important step toward dissolving the questionable ties between the presidency and TV networks: Televisa was declared a preponderant agent and the government can impose restrictions on the share of frequencies it controls. However, doubts remain as to the reach of

the telecom law. Telebancada altered some elements of the reform proposal and critics worry that TV networks' interests will prevail. To date, the effect of the restrictions and sanctions is not yet clear.

On the supply side, the quality of journalists remains a challenge as they sometimes fail to understand or explain complex issues accurately. Particularly on security related issues, increasing violence against critical and investigative journalism often results in self-censorship. Even if the telecom law is successful, it will not erase these challenges as it mainly focuses on the expansion of existing TV channels. This change will probably be good for public revenue, but is unlikely to improve the intellectual quality of news media and the safety of journalists.

At the same time, media diversity (online media) has strongly increased in the last decade and Mexicans do have access to high-quality offerings if they are interested. Moreover, information on Mexican politics is easily accessible from United States and Latin American media outlets due to technical progress. However, this diversity in content and quality will hardly have an impact on the majority of the population as only a very small minority of Mexicans use the internet and newspapers as their main sources of political information. The influence of manipulating news and social media – a topic of increasing relevance in many OECD countries – is as yet an understudied theme in Mexico, but probably will gain importance in the next national elections.

<http://www.encup.gob.mx/work/models/Encup/Resource/69/1/images/Resultados-Quinta-ENCUP-2012.pdf>

<http://www.americasquarterly.org/content/telecommunications-mexicos-new-reform>

<http://www.internationalhispanicmedia.org/the-captured-liberal-model-media-systems-journalism-and-communication-policies-in-latin-america/>

Parties and Interest Associations

In terms of candidate selection, it is normal for the presidential candidate for each of the major parties to participate in some kind of primary election. Unusually, in 2012, the Party of the Democratic Revolution (PRD) agreed to choose its candidate according to the contender with the most support in the polls. Because Mexico has a federal system, nomination practices vary from state to state and from municipality to municipality. As far as policy issues are concerned, practices vary between parties. The Institutional Revolutionary Party (PRI), currently the governing party, tends to be rather secretive and hierarchical, and Morena – the current most relevant left-wing opposition party – tends to be heavily reliant on the personality of its leadership.

Intra-party
Democracy
Score: 4

The National Action Party is much more of a members’ party, with a degree of internal democracy but an exclusionary attitude toward non-party members. The question of which party is in government is also crucial. Incumbent parties tend to be more internally authoritarian because of their greater patronage resources. In general, the PRI is probably the most controlled and authoritarian of the major parties.

In terms of candidates to both chambers of Congress, all parties are dominated by a leadership elite which makes all relevant decisions. They can operate in this exclusionary way because they are in control of the delegates’ votes. When the candidate lists are chosen, delegates will vote as their respective leaders indicate.

Association
Competence
(Business)
Score: 5

With regard to economic interest organizations, there is clear asymmetry. Trade unions are not sophisticated organizations in Mexico, while employers and business associations mostly are. However, these organizations tend to be dominated by a small group of empowered agents who guide most of their policy positions and decision-making processes. The collective interest of those supposedly represented by the association is seldom the one that prevails. A good example of this is the Employers Confederation of the Mexican (COPARMEX): it would be in their best interest to push for a tax consolidation (combined reporting) reform. However, because it is not in the interest of the most influential members of the organization (frequently owners of the largest companies in the country), this issue is almost completely out of the organization’s agenda.

Association
Competence
(Others)
Score: 6

Against the background of corporatist authoritarianism in 20th century Mexico, economic interest groups in democratic Mexico could draw on many associational experiences. Moreover, since the early 2000s, there has been a considerable increase in the quantity and the sophistication of non-economic interest groups in Mexican civil society. Many talented graduates have found positions in NGOs and they are working to influence policy in Mexico via advocacy-oriented NGOs. Several tertiary-education institutes (e.g., ITAM, Colmex, CIDE) both teach and conduct public-policy research, and some are highly influential in the political sphere as think tanks and/or advocacy institutions. Furthermore, there has been an increase in the number of national and international advocacy NGOs that, depending on the sector and the government in place, are also relevant in the agenda-setting process. Moreover, many grassroots organizations founded in the last ten years are aim to influence local and regional policymaking. Finally, the degree of movement of personnel between NGOs, think tanks and government is high compared to other OECD countries. While the capacity of most of these organizations to propose policy reforms in complex policy settings is rather restricted, it has been growing steadily and their role influencing public opinion is more relevant every year. Examples of these associations include IMCO, Mexico Evalua and Mexicanos

Primero, which have been able to affect the policy agenda of the government in the last two years on issues related to transparency, accountability and development effectiveness.

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