



Mexico Report

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Sustainable Governance
Indicators 2017

Executive Summary

Mexico has made tremendous progress over the last two decades on democratization and its overall regulatory environment, including through 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 the national level and increasingly at the regional level 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 major firms, including an increasing number in the manufacturing sector.

At the same time, Mexico suffers from structural problems that are uncommon among most OECD countries. These challenges mainly relate to an extremely unequal distribution of collective goods – such as security and social opportunities – among the population. The resulting cleavages between geographic regions, rural and urban areas, and social classes are among the most pressing barriers to further societal progress. This extreme inequality comes along with a high level of corruption and clientelism, though the magnitude varies by region and policy sector. In addition, Mexico continues to suffer from a serious domestic security crisis, originating in violence from organized crime.

Against this background, Mexico faced three major challenges in 2016. First, the failure of the national and state governments to provide physical security (a basic collective good) in several regions of the country rocked by widespread violence. In many instances, government action has not only failed to be effective, it has arguably made matters worse. The most direct collateral damage of this violence has been to social capital, press freedom and secure property rights. Second, the urgent need for social and economic reforms as well as closing the gap between formal regulation and implementation. Third, the adverse political and economic environment internationally (lower oil prices, weak international trade growth, etc.)

The current government under President Enrique Peña Nieto has tried to deal with all three challenges. Perhaps most visibly, it has tried to overcome

legislative deadlock by initiating reform initiatives to overcome regulatory barriers in several key areas: education, energy, telecommunications and anticorruption. However, since 1997, no president has controlled a majority in both houses of Congress, which has made it difficult for the government to bring its initiatives through the legislature. This continuing challenge also constrained the current government. Thus, while the aforementioned issues are key for increasing economic competitiveness and welfare, the government's success at overcoming reform blockades in 2016 was mixed. In addition, the president's approval rating has continued to decline, reaching unprecedented depths in late 2016. A notable success, however, has been the anticorruption law, which came into effect in August 2016. The Peña Nieto government has also been successful at preserving macroeconomic stability and a modest economic growth rate (2.3% in 2016, slightly lower than in 2015)

In contrast to the continuing preservation of macroeconomic stability, the security situation continues to paint a grim picture of the country. As exorbitant levels of violence have remained and threatened the physical security of Mexican citizens, the most direct collateral damages of this situation have been to social capital, a free press and secure property rights . In a nutshell, in 2016 the Mexican state continued to exhibit serious symptoms of state failure.

Key Challenges

Within the last generation, Mexico has made much progress on democratization and successfully established 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 government's success in overcoming these challenges has been mixed. The ongoing security crisis has led to growing public disillusionment with the state. The previous two general elections (in 2006 and 2012) revealed an undercurrent of disillusionment. This was further aggravated in the 2015 midterm elections and is currently observable in the unprecedentedly low approval rating of the government.

The government of President Peña Nieto has had considerable success in introducing reforms. Even so, progress in modernizing the state has been slow because of three key factors: the legislature's frequent modification of reform bills, conflicts among powerful state and private interest groups, and an ongoing implementation gap. This implementation gap is particularly prominent at the lower levels of government. Even though there are structural pressures for regulatory reforms and a high demand for security and anticorruption measures, this political deadlock will likely remain for years to come.

Unfortunately, this difficult domestic policy environment is currently compounded by the deterioration in relations with Mexico's northern neighbor.

Upon assuming office on January 20, 2017 newly elected President Donald Trump has not stepped back from his campaign promises to restrict migration from the south, build a wall along the border financed by Mexico and renegotiate the North American Free Trade Agreement (NAFTA) in favor of United States economic interests. Not surprisingly, the political agenda of the Trump administration has led to a strong rebuke by the Mexican government and people (and provoked a diplomatic crisis between the two countries in early 2017). Against this backdrop, there is growing uncertainty about the future economic and political relationship between the two countries. This could easily affect foreign direct investment flows into Mexico and, in the medium term, also export flows to the United States.

If the Trump administration continues to pursue conflictive policies against Mexico, which appears likely, the Mexican government may attempt to increase the country's political and economic diversification by shifting greater emphasis toward Latin America, Asia Pacific and Europe. This could offer an opportunity in the long term. Overall, worsening relations with the United States puts another difficult agenda item on the Mexican government's long list of policy priorities. One worrying scenario is that this additional challenge will overload the government's capacities, given the already challenging domestic environment. The other – less probable scenario – is that the external threat of an erratic and hostile United States increases the political will for collective action among Mexican elites. This would not be the first time that external challenges have increased a government's capacity to tackle longstanding domestic issues.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 5

The quality of macroeconomic management in Mexico is good. 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, the central bank's governor announced he is leaving his post this year to run the Bank for International Settlements. This further weakened the peso amidst a general climate of uncertainty about the Trump administration's impact on the Mexican economy.

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.

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. The peso's rapid depreciation after elections in the United States, along with tax increases on gasoline, account for most of the increase in inflation rates in the past year (from 2.82% in February 2016 to 4.86% in February 2017).

Despite ongoing reforms geared towards 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 2016. High levels of corruption and violence are also severe impediments to inclusive economic development.

Labor Markets

Labor Market
Policy
Score: 6

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, these 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.

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 in the context of 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. Opposing, but not being able to block the bill, the left-wing Party of the Democratic Revolution deplores the ease with which employers can now hire and fire workers, outsource jobs, sidestep giving workers health benefits and hire part-time workers for a fraction of the pay they would otherwise receive. On the other hand, the new law contains provisions to outlaw gender-based discrimination, and by lifting the ban on part-time employment, it will be easier for some, including single parents and students, to find work. Until recently, Mexican labor law was based exclusively on Article 123 of the constitution, as well as the 1931 labor law. The Mexican labor system was organized on principles that were fundamentally corporatist for insiders and exclusionary for the rest. The corporatist system declined as the economy became more oriented to market principles, the Cold War ended, and labor militancy became less of a threat.

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

Taxes

Tax Policy
Score: 5

Tax policy, tax reform and the insufficiency of tax collection have been on the political agenda in Mexico for at least the past fifty years. During this long period there has been little progress either in collecting more tax revenue or making the tax system more equitable. 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.

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 President Peña Nieto government of the dangers of fiscal profligacy. Consensus among the major political actors is significant on this matter. In fact, all the major parties in Mexico support policies of fiscal stability. In 2008, Mexico accepted a domestic recession as the necessary price to pay for avoiding inflation.

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. Consequently, there is a direct relationship between global oil prices and public revenue. In this environment of international constraints, the government continued to put high priority on fiscal stability in 2016, prioritizing budgetary discipline at the cost of domestic growth. Even so, increasing tax revenue in 2015 and 2016 allowed for a growth in public spending. Public borrowing requirements were reduced to 3% of GDP.

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 will pay 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.

Citation:

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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.

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 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 because of the rhetoric of the incoming Trump administration.

II. Social Policies

Education

Education Policy
Score: 4

Mexico's education system is relatively weak despite significant public investment in the sector. Education spending in Mexico between 2012 and 2013 was not far short of 7% of GDP and has been on a sharp upward trend since the 1980s. Teachers' salaries have also been steadily rising. While Mexico's GDP is relatively low by OECD standards, this does not fully explain the weak outcomes. Indeed, in absolute terms, Mexican education spending is comparable to that of South Korea, but Mexican students are performing far worse according to an international cross-sectional comparison. 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, in 2015, the government agreed to water down some of the most contentious reforms. It is significant that this announcement was made public a few days before the 2015 elections.

In 2013, Congress passed a significant education-reform bill. Its main aim was to weaken the powerful teachers' union – whose leader was arrested in 2013 and charged with embezzlement – and to create a meritocracy within the teaching profession. Nobody doubts that the union has been profoundly corrupt, but it will take many years before it is evident whether the recent reform has succeeded in improving the situation or not. Although the government has invested much political capital in this reform, this will not in itself guarantee the reform's success as a result of ongoing resistance from the teachers' union, one of the most powerful independent bodies in Mexico.

Until she was jailed on corruption charges, the teachers' union leader was considered politically untouchable, as she controlled many votes. It was quite common for the teachers union to collect salaries for non-existent teachers. One of the provisions of the 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.

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.

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.

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 Towards Health Service Universalization was signed, which aims to ensure portability across providers. The government has been attempting to make health care more affordable and extend it to more people outside the formal sector. In order to extend the insurance principle, the government has set up the so-called Popular Insurance (Seguro Popular) program, which is open to contributors on a voluntary basis, with means-tested contributions from citizens supplemented by substantial government subsidies in order to encourage membership. While not yet able to offer universal health care, the state is subsidizing the private system. Mexico currently enjoys a degree of demographic advantage, since the population is disproportionately young. Thus, health care spending accounts for a relatively small proportion of GDP. However, large-scale migration also increases the demand on public services.

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 professional people 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 pre-school 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. Overall, the government needs to improve the enforcement of constitutional provisions against gender discrimination, particularly in the workplace, in boardrooms and credit markets.

According to official records, more than 60% of women 15 years and older have experienced some type of violence in their lifetime. On average, 7 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:

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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.

Integration

Integration Policy
Score: 3

Mexican integration policy remains weak to non-existent. 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.

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. Many 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.

Safe Living

Safe Living
Conditions
Score: 2

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 each other, Mexico's criminal gangs, or cartels, have carried out horrific acts and killed thousands. Moreover, violence has become more and more intertwined with local, regional and national politics. From a regional perspective, Mexico has only a slightly lower homicide rate than Honduras and Venezuela.

In 2006, then-incoming National Action Party President Calderon made the so-called war on drugs a policy priority. However, the murder rate has increased since 2006. The reasons for this increase are complex and cannot all be blamed on the government. But Calderon's anti-drug policy clearly did not succeed. 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 that 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 lack of trust in the authorities, which are especially at the local level sometimes deeply 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. It is probably too early to evaluate President Peña Nieto's performance on internal security-related issues, but the murder rate remains high and several public scandals have 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.

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 to 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 sincere 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.

Global
Environmental
Policy
Score: 6

Global Environmental Protection

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.

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. On the other hand, 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 are 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 the 2015 state governorship elections, several independent candidates won remarkable electoral victories, including in the northern state of Nuevo Leon.

Close linkages between some candidates and organized crime, especially at the local level, undermine the integrity of the political system. This may be one of the reasons why the issue of violence and security has not played a prominent role in electoral campaigns thus far.

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.

Media Access
Score: 6

The electoral process in Mexico is subject to a comparatively high degree of regulation. This is in response electoral fraud and rampant clientelism during the authoritarian regime, when the playing field was tilted in favor of the hegemonic PRI. During the transition to democracy, electoral laws were revised to ensure more equitable conditions for the main opposition parties.

Currently, all 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 equality. Nevertheless, outside the tightly regulated political campaigns, news coverage is often biased, especially on television. For example, the current Peña Nieto administration is very close to major broadcasting networks, especially Televisa.

Mexico is one of the world's most dangerous countries for journalists. Journalists are routinely harassed, kidnapped and even murdered. 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 has generally failed 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 can safely report on.

Citation:

<https://www.article19.org/resources.php?tagid=275>

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.

Party Financing
Score: 6

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 formalized 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.

Measured against official reporting, the party-financing system works well. However, organized crime and corruption 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. Municipal officials are especially vulnerable to pressure from criminal groups. Thus, while INE's bureaucracy is by and large efficient and impartial, weak rule of law and ineffective criminal courts impact elections.

Popular Decision-Making
Score: 3

There are no provisions for legally binding referenda or popular initiatives in Mexico. Recently, the left-leaning opposition attempted to subject the government's oil reforms to some kind of direct vote, but failed because there is no constitutional provision for such a vote. Citizens are therefore much more likely to influence public policy through demonstrations or the formal legal process.

Access to Information

Media Freedom
Score: 5

Officially, the media is independent from the government, though subtle forms of influence are in play, not least because of the financial advantages of media ownership. Mexico is one of the most dangerous countries in the world for journalists; 11 journalists were murdered in 2016 alone. The government fails to protect journalists and, when journalists are murdered, there is broad impunity for their killers.

Journalists working for local news outlets are the most vulnerable to threats of violence. However, even the prominent national journalist Carmen Aristegui lost her radio show after reporting critically on a corruption scandal involving the wife of President Peña Nieto. Topics such as corruption or collusion between organized crime and public officials cannot be covered without fear of reprisal. Mexican journalists often find themselves on the front line of the war on drugs and many have given up these investigations. Thus, although the media are formally independent, the Mexican state has not been capable of guaranteeing journalists' safety and this has de facto restricted press freedom.

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.

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. Notwithstanding, since digital media are largely used by the younger and more educated segment of the population, there is a generational and educational divide in access to media sources. 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.

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 full 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 local authorities and security forces played in their disappearance, is a case in point.

Civil Rights and Political Liberties

Civil Rights
Score: 3

In principle, Mexico guarantees most civil rights via its legal and constitutional systems. The Supreme Court is effective, reliable and increasingly assertive. It is becoming increasingly legitimate over time. The administration of the courts is quite centralized. The Supreme Court regulates the lower courts, which has raised standards across the system. Nevertheless, access to the court system and protection against violations is highly unequal. Overall, the rule of law is weak and this undermines the effectiveness of formally guaranteed rights.

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. Police corruption is also a very serious problem; it is not rare for police officers to extort money from members of the public. In some parts of the country, local police forces collude with armed criminal gangs. Against the background of increasing violence, it has generally been impossible to effectively hold the security forces to account for abuses. The government's failure to provide security has led to the formation of self-defense forces in some parts of the country, which are themselves associated with human rights violations.

Political Liberties
Score: 4

Political liberties are guaranteed by law, and public debate and political competition are meaningful. If political rights are violated, citizens have access to electoral courts which are generally professional and effective. However, in many parts of the country, the ineffective rule of law and threat of physical violence leads to considerable self-censoring. Public officials, especially at the local level, are kidnapped, harassed and even murdered. In several regions, extremely high levels of violence seriously constrain political liberties.

Furthermore, the state security services, including the military and police, enjoy almost total impunity. A culture of omerta and widespread corruption prevents organizations and individuals from being prosecuted. The vast majority of disappearances and unexplained deaths remain uninvestigated, let alone prosecuted.

Non-discrimination
Score: 4

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. Social discrimination varies by region and setting. In urban centers, there is growing awareness around issues of sex and gender, but this is not the case in rural and poorer regions of the country where there remains a degree of social authoritarianism. The courts are aware of these gender issues and becoming increasingly assertive. However, while there is generally more awareness of discrimination than there once was, insufficient attention is paid to indigenous rights and other forms of social stigmatization. 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. Same-sex marriages were first legalized in Mexico City in 2009 and by 2016 around 10 states had followed. However, the government's proposed legislation failed in Congress.

Rule of Law

Legal Certainty
Score: 4

Regarding the rule of law, Mexico faces continuous impediments due to violence and corruption. In this context, the adoption of a new National Anti-Corruption System in July 2016 has been seen by many observers as a major formal step towards 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). The new legislation applies to public officials and the private sector, including companies and their directors, officers, and employees. Despite this legislative progress, it remains to be seen whether these legal improvements have a major impact. One reason to remain skeptical is the austerity budget proposed by the current administration, which essentially leaves the system underfunded from the start.

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. The courts are much more powerful than they were in the past, but the criminal courts lack transparency. The security problems caused by organized crime have led to a high degree of impunity, which seriously undermines the effectiveness of the rule of law and citizens' trust in the legal system.

Judicial Review
Score: 5

The Supreme Court, having for years acted as a servant of the executive, has in recent years become much more independent, more legitimate and somewhat more assertive. Court decisions are less independent at the lower level, however. 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 US-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 public security crisis remains to be seen.

Overall, the courts do a poor job of enforcing compliance with the law, especially when confronted with powerful politicians. The most prominent recent example is the inability of law enforcement to arrest three governors wanted for corruption charges. While one turned himself in, the other two are in hiding and – despite their prominence – officials have been unable to locate them and bring them to trial.

Appointment of
Justices
Score: 8

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

Interestingly, there is not the same suggestion of judicial bias in Mexico's constitutional courts. The system of federal electoral courts is generally respected and more independent and professional than the criminal courts.

Corruption
Prevention
Score: 3

Despite many attempts to deal with the issue, there are severe and persistent corruption problems in Mexico. In the years after the Revolution, social peace was bought largely through a series of semi-official payoffs. This carried through to the 1970s and beyond. Bribery remains widespread in Mexico, and although official data indicates that the level of corruption has decreased, the cost of bribery has remained high. A case in point was a prominent politician, Carlos Hank Gonzalez, who famously stated, "a politician who is poor is a poor politician." The culture has changed somewhat in that those who enrich themselves from public office are, at least officially, no longer admired.

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

However, 2016 also saw a major step forward in the fight against corruption as President Peña Nieto signed into law Mexico's new National Anti-Corruption System. The extent to which this new system is effective at fighting corruption remains to be seen.

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 7

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

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 a market 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. However, as in several other countries in Latin America, since the 2000s planning has once again become more popular. The current PRI government is no exception to this trend, although it does not foresee major systemic changes as was the case in Venezuela, Bolivia and Ecuador during the last decade. 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. In this regard, it could be argued that conditions for planning within the existing Mexican economic system have been reasonably favorable in the recent past because no major policy transformations were underway. By contrast, the implementation of several highly significant recent reforms will put Mexico’s planning skills to the test. This includes the implementation of anti-corruption laws and reforms in the social sector. Moreover, in 2016, the Mexican president

Scholarly Advice
Score: 6

faced comparatively low approval ratings, which will further diminish the chances for successfully implementing strategic plans.

In the Mexican political system, barriers between the government and scholars are comparatively low. It is quite common for a cabinet to include recruits from academia, and there are also substantial informal contacts between academics and public officials. By the same token, former government officials often teach at universities. The Mexican government is keen to strengthen relationships with 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 and have every chance of influencing policy and public opinion. Indeed, the current legislative agenda features many reform ideas that were initially presented by public intellectuals.

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. An exception to this is the anti-corruption reform, which included substantial consultations with civil society groups. Generally, however, 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 dialogue.

Interministerial Coordination

GO Expertise
Score: 8

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

legislative proposals introduced by the executive failed in post-1997 Mexico; however, this has shown a distinct turnaround in the last two years, with proposals succeeding at what might be comparatively viewed as a radical level. Political roadblocks rather than any lack of policy expertise were responsible for the earlier problems.

GO Gatekeeping
Score: 9

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

Line Ministries
Score: 7

Given Mexico's presidential system, cabinet ministers are respectful of and even deferential to the presidential office. Moreover, cabinet ministers dismissed by the president 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. Yet there are problems of coordination, particularly on security related issues, where anti-drug policies were sometimes frustrated for this reason. Thus far, President Peña Nieto has built his cabinet around two super-ministries and ministers, the finance minister and the minister of interior. In this regard, even the September 2016 resignation of Finance Minister Luis Videgaray did not challenge the steering capacities of the presidency.

Cabinet
Committees
Score: 7

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. The government is in the process of increasing these. Under the current administration, cabinet reshuffles have frequently taken place, often in response to unpopular policy outcomes or political pressure.

Ministerial
Bureaucracy
Score: 5

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 play a major role. Traditionally, the political system has

been weighed toward presidential appointments. The cabinet today is much more heterogeneous, however, with some figures personally close to the president and others more independent. The politicization of the cabinet, which has increased under recent administrations, is constraining its ability to coordinate policy proposals given the centrifugal tendencies. Modernization has, however, 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: 6

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. As in previous periods, toward the end of the president’s term, competition to succeed President Peña Nieto is likely to further politicize the cabinet and constrain informal coordination. Moreover, Peña Nieto’s extremely low approval ratings make association with the administration a potential political liability.

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 degree as in some other OECD countries. There is a government agency belonging to the Ministry of Economy, the Federal Commission for Regulatory Improvement (Comisión Federal de Mejora Regulatoria, COFEMER), which is responsible for performing impact assessments on new proposals if they generate compliance costs. COFEMER spot-checks existing regulations, but does not assess them systematically. Nevertheless, despite some limitations, it has been quite active since it was established at the beginning of Fox’s term in 2000, and its reputation in Mexico is good. However, opinions issued by COFEMER are not binding on other agencies and ministries. More than 10 Mexican states have also adopted RIAs for subnational regulatory projects and there are efforts to expand this further.

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 randomized

control trials of the Education, Health, and Nutrition Program (Programa de Educación, Salud y Alimentación, PROGRESA) can be perceived as an international showcase on how to evaluate large-scale social programs. In this area, the National Council for the Evaluation of Social Development Policy (CONEVAL) is responsible for carrying out rigorous impact evaluations in large social-sector programs. CONEVAL is an autonomous and independent agency created by the 2007 General Law on Social Development (Ley General de Desarrollo Social). Overall, RIA could be strengthened by involving stakeholders early on in the process.

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 seems to have established itself as a legitimate part of the policymaking process. The relevant government agency, COFEMER, contains some 60 officials and is responsible to an interdepartmental committee that ultimately reports to the Ministry of Economy. COFEMER does not have a veto on new proposals, but it must be consulted and can express an opinion. Its position vis-à-vis the ministries was strengthened by an additional presidential order by Calderon in 2007. It can prevent new regulations from coming into force until the consultation process is complete. COFEMER has also been active in negotiating the streamlining of procedures with individual Mexican states. This is significant, as much regulation is generated at subnational levels. After a quiet start, COFEMER has played a significant role in Mexico's pro-competitive policy. 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. This is a particular challenge against the backdrop of the UN's Global Goals (Sustainable Development Goals), which were supported by Mexico and require a multidimensional perspective in public policymaking.

Societal Consultation

Negotiating Public
Support
Score: 4

While originally perceived as a great communicator, President Peña Nieto's approval rating declined to around 25% by late 2016. In this regard, the economic situation, rampant violence and the slow battle against corruption 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.

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. The government's lackluster approach toward the disappearance - and likely murder - of 43 university students, as well as other similar incidents, has had a negative effect on its relations with civil-society groups.

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. Too often its communication efforts have been limited to superficial promotional messages. In 2016, communication transparency and adequacy did not improve substantially but internal coherence improved.

Citation:

https://www.nytimes.com/2014/09/10/opinion/enrique-krauze-mexicos-dubious-reforms.html?ref=collection%2Ftimestopic%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 islands of technical expertise and competence, overall policy implementation is hampered by several factors. The most significant of these have been: (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 ineffective in providing basic public goods, including education, public health and security. 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 some very unconstructive incentive structures, 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 are left underfunded in the current austerity budget.

Ministerial
Compliance
Score: 8

Whatever problems there may be with the Mexican system, it does deal effectively with the so-called agency problem, except perhaps at the very end of the presidential term, when the lame duck phenomenon occurs. Cabinet secretaries mostly have a strong incentive to avoid incurring presidential displeasure. This is less true at the very end of the presidential term, when 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

There is inevitably some arbitrariness in evaluations, but the presidential office can choose who it evaluates and how. There are two caveats to this statement, however. First, Mexico is a federal system, and there are thus limits to the central government's power. If anything, decentralization is increasing. Second, independent agencies headed by individuals of cabinet rank have taken on an expanding role. Yet where the central authority has power, it uses it. Ministerial turnover is in general relatively high for a presidential system and President Peña Nieto has reshuffled his cabinet several times. However, while sanctioning

Monitoring
Agencies,
Bureaucracies
Score: 5

ministers is a sign of the president's power, it does not necessarily reflect the output of a systematic monitoring process.

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, it depends on politics. Ministries can scrutinize bureaucratic agencies if they want to, but there are good subjective reasons why they do not always do so – for example, because of political considerations. Decentralized agencies often try to exercise autonomy by going over the top of the governing secretariat and contacting the president directly. Pemex, the state-owned petroleum company, is notorious for such attempts, although it does not always succeed. In addition, ministers or the cabinet are not monitoring the military and the police effectively.

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.

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. Considerable administrative capacity deficits and illiberal political practices persist at the state and municipal levels. Political processes in several states fall short of democratic practices and the federal government has generally refrained from reining in the illiberal practices of local elites.

National Standards
Score: 4

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.

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 UN Global Goals (Sustainable Development Goals) agenda into domestic policies. 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 UN, 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 UN 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 fora 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 political changes in the United States, the Mexican government can be seen as a fervent promoter of multilateralism in a time often perceived as an international crisis for multilateralism.

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 reformer and there is some question as to whether he has tried to reform excessively.

Institutional
Reform
Score: 7

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, reforms to strengthen the rule of law. 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 implemented.

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 6

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. There is a gradual tendency toward more sophisticated public debates. Nevertheless, most Mexicans share a distrust of government and political authority. However, there are many independent media outlets, which make it possible for citizens to get informed by other sources than the government. Furthermore, the use of social media is increasing rapidly, particularly among younger Mexicans. Finally, the high level of insecurity and violence has increased public demand for political information.

Legislative Actors' Resources

Parliamentary
Resources
Score: 6

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, since 2015, legislators may be re-elected up to an overall maximum of 12 years. While it is impossible to foresee all consequences to this change, the

	intention is to increase legislators' independence and professionalization. The National Action Party, which is now the main opposition, was highly supportive of the reform, which it believes will strengthen democratic accountability and congressional autonomy.
Obtaining Documents Score: 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, but party discipline restricts this in practice. 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 Summoning Experts Score: 9	Under Article 93 of the constitution, parliamentary committees have the right to summon ministers, which happens quite a lot in practice. 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: 9	The federal Superior Audit Office was set up in 2001 to help the Chamber of Deputies, the lower house of the National Congress. The Supreme Court has subsequently made it clear that the audit office is to be considered an arm of Congress, and not an autonomous agency as such. In practice, the audit office shows a high degree of independence. This situation has not changed since 2010. The audit office is accountable to parliament exclusively. Over the last decade, the audit office has become stronger in technical terms, but remains incapable of fully covering all relevant topics.
Ombuds Office Score: 6	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: 5

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 US 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.

Citation:

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Parties and Interest Associations

Intra-party
Democracy
Score: 5

In terms of candidate selection, it is normal for the presidential candidate for each of the major parties to have 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. Surprisingly, this seems to have worked. Because Mexico has a federal system, nomination practices vary from state to state and from municipality to municipality. As far as policy issues are concerned, practices vary between parties. The Institutional Revolutionary Party (PRI), currently the governing party, tends to be rather secretive and hierarchical, while the PRD, which is part of the left-wing opposition, tends to be personalistic. The other major left-wing parties are essentially personal vehicles for their leaders, who are often the parties' founders. 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, but it offsets this by being fairly open in its negotiations with other parties.

Association
Competence
(Business)
Score: 6

This area is undergoing considerable change due to the rapid increase in the number of Mexicans with post-graduate qualifications with a large proportion having gained their qualifications abroad. Many of these graduates pursued public policy studies, which has meant that many relevant entry-level employment opportunities are poorly paid.

Until now, there were few voluntary associations and social movements in Mexico compared to other OECD countries. Nevertheless, the organizations' range of activities and interests has generally been wide, and they are usually autonomous and independent from government. With regard to economic interest organizations, there is clear asymmetry. Trade unions are not

Association
Competence
(Others)
Score: 6

sophisticated organizations in Mexico, while employers' associations mostly are. This is partly a matter of money and partly of education.

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) 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. Nevertheless, the capacity of most of these organizations to propose policy reforms in complex policy settings is rather restricted.

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