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Less political and more pro-poor?

The evolution of social welfare spending in Mexico in a context of democratisation and decentralisation[1]

This paper analyses the evolution of social welfare spending in Mexico since the late 1980s in a context of growing democratisation and decentralisation.[2] It argues that pressures brought about by increased electoral competition at the subnational and ultimately the national levels have led to an important restructuring of poverty alleviation efforts. Growing perceptions that, under the hegemonic rule of the *Partido Revolucionario Institucional* (PRI)[3], federal welfare spending was politicised to generate votes for the PRI have led to significant reforms. Thus, poverty alleviation funds and programmes that had traditionally been under the control of the Executive have been substantially reduced and resources decentralised to the state and municipal levels.

But has the shift toward a more electorally competitive and more decentralised political system led to a distribution of social welfare benefits that is less subject to political manipulation and more responsive to the needs of the poor? This paper addresses this question by looking at social welfare spending at both the federal and the subnational levels. In particular, at the federal level, it examines the largest poverty-alleviation programmes that have been launched since the 1990s – including *Programa Nacional de Solidaridad* (Pronasol) and Progresa, which was renamed Oportunidades in 2002. At the decentralised level, the paper analyses the *Fondo de Aportaciones para la Infraestructura Social* (Fund of Contributions to Social Infrastructure – FAIS), a fund that is now available to regional and local governments directly through the national budget under *Ramo 33* (Budget Item 33).

My analysis suggests that, while there has been progress in the quality and impact of social welfare spending in Mexico, such progress has not been uniform, and the lessons drawn from the Mexican case point to important limitations in current development practice favouring decentralisation to promote more effective, responsive, and accountable government.[4] On the one hand, my research indicates that, over time, the funds that are still controlled by the federal government have become considerably more responsive to poverty criteria and less overtly politicised. On the other hand, based on preliminary findings from field research conducted on FAIS in Mexico,[5] it appears that the decentralisation of financial resources has not in itself been able to produce developmental outcomes that are more pro-poor and that adequately respond to the needs of the community at the local level. Ironically, then, it is the much-downsized federal programme Progresa/Oportunidades that has made a difference in the lives of many poor people, especially in rural areas, while decentralised funds under *Ramo 33* suffer from a substantial lack of capacity at the local level and have thus far failed to live up to expectations that they would address the needs of the poor more effectively and in a more accountable manner.

This article is divided in five sections. The first analyses Pronasol, the major anti-poverty initiative undertaken by President Carlos Salinas de Gortari during his administration (1988-1994). The second section looks at the changing political landscape in Mexico by the time President Ernesto Zedillo (1994-2000) came to power, and at the reforms he was forced to carry out under his *'Nuevo Federalismo'* ('New Federalism') agenda, especially in terms of social welfare provision. The third section analyses the evolution of the largest federal poverty-alleviation programme under Zedillo (Progresa) and the current administration of Vicente Fox (Oportunidades) to assess whether it has become less political and more pro-poor. The fourth section focuses on the decentralisation of social welfare funds from 1998 onward, and asks whether such decentralisation has proved more effective, responsive, and transparent in tackling poverty at the local level. I use FAIS as a case study and I present some of the preliminary findings of my research. I conclude the article by highlighting some of the main lessons that emerge from the Mexican experience with federal and decentralised social welfare spending.

1 Social welfare provision in an era of neoliberal economic restructuring: Salinas de Gortari and Pronasol (1988-94)

President Salinas de Gortari came to power in November 1988 under a cloud of unprecedented suspicion and distrust through an election that was widely considered 'stolen' from Cuauhtémoc Cárdenas, the candidate from the left-leaning *Partido de la Revolución Democrática* (PRD)[6]. In an attempt to regain the legitimacy of the regime, which had long been dominated by hegemonic party rule under the PRI, Salinas made poverty alleviation a cornerstone

of his administration. Created in 1989, Pronasol became the principal presidential initiative in the area of social policy.

1.1 Pronasol: A new model of social assistance linking state and society?

Within a context of neoliberal economic restructuring, which among other things entailed a significant reduction in the size of the state and increased reliance on market forces, Pronasol represented a move from universal protection to targeted, more selective assistance. The programme was designed to channel funds for public works to impoverished rural and urban communities that were particularly hard-hit by the dislocations associated with market-oriented reforms. More specifically, Pronasol aimed at

> "developing health, education, nutrition, housing, employment, infrastructure, and other productive projects that would benefit the 17 million Mexicans who live in extreme poverty" (Dresser 1994: 196).

Pronasol was also presented by Salinas as a new model of social assistance linking state and society. The programme ostensibly represented a move away from the corporatist forms of organisation that had traditionally characterised the Mexican political system toward new patterns of interaction that would be 'pluralist', 'democratic', and 'autonomous' in nature. This was to be done through weakening the representative capacity of traditional (party-affiliated) corporatist organisations and encouraging citizen involvement and participation in development projects. Specifically, in an attempt to strengthen community-based organisations, and, in Salinas's words, "eliminate all vestiges of paternalism, populism [and] clientilism" (Cornelius, Craig, and Fox 1994: 7), Pronasol fully involved community members in all aspects of the programme, from identifying community needs and setting priorities to assuming joint responsibility for financing and implementing projects.

1.2 Pronasol and the promise that wasn't

In the end, however, Pronasol fell far short of the promise to redefine state-society relations and reach those who were most in need of welfare assistance. As Denise Dresser has put it, Pronasol represented 'Salinistroika' (i.e. economic restructuring) without 'Prisnost' (i.e. political opening). While the programme may have bypassed corporatist political party structures at the local, regional, and national levels in favour of a development model based on the community, by establishing a direct link between the President and programme beneficiaries, Pronasol also proved to be extremely centralised, highly discretionary, and, not surprisingly, quite clientilisitc in its own way.

More than a welfare provision programme, Pronasol served as an effective political tool to build support for the president and generate support for the PRI. Through Pronasol, Salinas made a conscious effort to create, in the words of Barbara Geddes, "a political organization with strong loyalties to [the president] personally" (1994: 132). 'PRInasol', as the programme came to be known in popular usage, lacked any kind of pre-established and systematic formula to identify beneficiaries, and funds frequently seemed to be dispensed on a selective basis, allocating resources not to the communities that needed them most but rather to communities where the opposition, especially the PRD, threatened the hegemony of the PRI. In 1992, for example, approximately 12 percent of the entire Pronasol budget went to the relatively small state of Michoacán, where the PRD enjoyed strong electoral support (Ward 1994: 60).

Beyond such anecdotal evidence, Juan Molinar and Jeffrey Weldon (1994) developed a statistical model designed to identify the factors determining Pronasol expenditures, and their study provides systematic empirical evidence that shows that the allocation of resources was electorally driven. In their model, Molinar and Weldon used Pronasol expenditure per capita at the state level in Mexico's thirty-one states (this excludes Mexico City, itself not a state but rather considered the Federal District) in 1990 as their dependent variable – they were not able to analyse the distribution of resources below the state level because of a lack of detailed data on Pronasol expenditures. They chose to study 1990 data because they considered it an important year in the run-up of the 1991 mid-term elections. Molinar and Weldon selected both poverty and political criteria as their independent variables. The former included illiteracy rates, the proportion of a state's population that is indigenous (ethnicity and poverty are highly correlated in the Mexican context), the proportion of the economically active population earning less than the official minimum wage, the proportion of a state's population living in communities of less than 2,500 inhabitants, and the proportion of a state's population living in metropolitan areas of 100,000 inhabitants or more. Political variables sought to capture the distribution of electoral support among the three major political parties in the country: the PRI, the PRD, and the *Partido Acción Nacional* (PAN), a right-of-centre party created in 1939 that had acquired significant support over time among the middle and professional classes, especially in the north of the country. The electoral schedule of states holding gubernatorial elections in 2001 was also taken into account – assuming that the PRI had a strong stake in maintaining its rule in states it already controlled and in recovering the leadership in states that had gone to the PRD in the 1988 election.

Molinar and Weldon's statistical findings reveal that the federal government used Pronasol allocations strategically in an attempt to bolster the electoral fortunes of the PRI and undermine the opposition. In particular, the strategy pursued sought to i) reward PRI loyalists by directing more Pronasol resources per capita to states where the PRI was

strong than would be warranted by considering poverty indicators alone; ii) (re)convert PRD supporters also by allocating a more generous allocation of funds to states where the PRD was dominant and a mid-term election was going to be held; and finally iii) punish states where the PAN was strong by disbursing less resources than would be warranted by looking exclusively at poverty criteria (Molinar and Weldon 1994). Regarding the PAN, the strategy of seeking to punish rather than convert PAN voters by withholding federal social welfare funds seems consistent with the logic that

> "PANistas are not as easily converted as *Cardenistas* [PRD sympathisers], … since many of the latter had once voted for the PRI, while the former have long voted for the opposition. It [seemed] much more efficient to try to reconvert to the official party those who were recently lost" (Molinar and Weldon 1994).

If the social welfare benefits of Pronasol remained ambiguous at best during the five years that the programme was in operation under the Salinas administration, its political use as a neo-clientilistic tool to generate support for the PRI seemed to have paid off. Indeed, by the 1991 mid-term elections, the PRI recovered much of the electoral territory it had lost to the PRD in 1988, while the PRD appeared to have lost considerable momentum. Moreover, the PRI, with Ernesto Zedillo as its presidential candidate, easily won the 1994 elections, and, in sharp contrast to 1988, the vast majority of the population accepted the results. In the final analysis, as Peter Ward (1994: 61) put it, Pronasol proved to be "a key source of potential patronage with which to win friends and influence people".

2 Zedillo and democratisation pressures: 'Nuevo Federalismo' (1994-2000)

During his administration (1994-2000) President Zedillo undertook a thorough restructuring of social welfare provision in Mexico. Among the most far-reaching changes he carried out, the details of which will be analysed in greater depth later on in this article, were the dismantling of Pronasol and its substitution with a new, much curtailed federal poverty alleviation programme called Progresa, and the creation of *Ramo 33*, or Budget Item 33 Contributions, which decentralised most of the welfare funds previously assigned to Pronasol and other federal programmes. These reforms were part of a project of political decentralisation launched by Zedillo under the banner of 'Nuevo Federalismo' with the stated intention of divesting power, resources, and authority away from the President in an attempt to strengthen governmental structures at the state and municipal levels and to establish a more balanced relationship between the executive, legislative, and judicial branches of the federal government (Rodríguez 1998).

2.1 Why such restructuring of social welfare spending under Zedillo?

To understand what led Zedillo to pursue this agenda of New Federalism with the political transformations it promised to bring about, it is essential to look at two key factors. The first was the need for Zedillo to acquire political legitimacy, and the second were the pressures brought about by increased electoral competition at the subnational level.

While, as mentioned in the section above, Zedillo came to power after winning an election that was widely regarded as 'free and fair', he nevertheless also began his term confronting serious challenges to his political authority. To begin with, Zedillo did not enjoy strong backing from his party,[7] and by late 1994 Mexico was in the throes of political turmoil, as witnessed by a number of high profile kidnappings and assassinations, including that of Luis Donaldo Colosio, President Salina's handpicked candidate for president, as well as by growing corruption and violence associated with drug-trafficking. In addition, shortly after Zedillo's inauguration in December of that year, the Mexican peso crashed, triggering one of the most severe economic crises the country had ever experienced.

By the mid-1990s, the electoral landscape in Mexico had also undergone significant transformation as well. Elections had become increasingly competitive at the state and municipal levels, with governors and municipal heads from political parties other than the PRI governing a growing number of entities throughout the country. By 1999, for instance, 24.1 percent of all the municipalities in the country, encompassing 46.6 percent of the Mexican population living in municipalities, were being governed by opposition parties, mostly the right-leaning PAN and the PRD (Lujambio 2000: 83-84). Importantly, this figure does not even include Mexico City, which is technically not subdivided into municipalities, but which has been governed by the PRD since the first election for mayor was held there in 1997. At the regional level, by 2000, eleven out of the thirty-one states comprising the federation, alongside Mexico City, had been ruled by governors from an opposition party (Beer 2003: 11). This meant that a growing number of such leaders no longer owed their position and loyalty to the Mexican President (and through him to the PRI machine), but rather had achieved their position as a result of a contested electoral process (Diaz-Cayeros 2004).

In addition, in 1997, the PRI lost its majority in the Chambers of Deputies for the first time in the country's history. This event represented a watershed because it meant that the President and his party would have to engage in 'real' negotiations with opposition parties to get reforms passed. While until then the legislative branch had just been used to rubber-stamp the President's programmes and decisions, its shifting composition in favour of opposition parties enabled Congress to begin to exert real influence in the political process.

2.2 'Nuevo Federalismo' and social welfare spending

Against this backdrop of political and economic instability and increasing electoral competition, Zedillo had no choice but to undertake a project of state and party reform geared toward the redistribution of some power and authority. As Victoria Rodríguez has argued, "Zedillo's reality [was] … to survive by decentralising" (1997: 141). In terms of welfare spending, as was mentioned above, New Federalism eventually entailed the dismantling of Pronasol, which the Zedillo administration criticised for its centralised, (neo)populist, and politicised nature, and its replacement by a new federal programme, the Programa de Educación, Salud y Alimentación (Progresa). According to Zedillo and his team, Progresa did not suffer from the limitations widely perceived to have plagued Pronasol. Unlike Pronasol, it was claimed, the new programme was genuinely apolitical, and it was fully committed to the task of enabling those living in extreme poverty to break away from the cycle of poverty by improving the education, health, and nutrition indicators of households living under highly marginalised conditions.

To demonstrate his commitment to federalism, Zedillo also agreed to decentralise two thirds of the budget and resources that had formally been managed by Pronasol under the *Secretaría de Desarrollo Social* (Sedesol), the ministry in charge of social development, to state and municipal governments (Rocha Menocal 2001). This was mostly the result of efforts launched by PAN governors and deputies in particular, who insisted on the decentralisation of funds because they wanted to have access to resources directly and reliably rather than have to depend on the discretion of the Executive for the allocation of funds. In the eyes of the PAN, the historical record had shown that relying on a centralised (PRI) administration for funds had not worked, and that if PAN states and municipalities had any hope of getting access to resources in a fair and objective manner, the source and control of such funds had to be divested to the subnational level. It was against this backdrop that the *Ley de Coordinación Fiscal* (Fiscal Coordination Law) was reformed in December 1997, leading to the creation of *Ramo 33* (called 'Fondos de Aportaciones Federales a Entidades Federativas y Municipios').

Thus, the pressures brought about by growing democratisation, especially in terms of increasing electoral competition at the state and municipal levels as well as among the different branches of government, were instrumental in leading to a redistribution of social welfare resources away from the centre toward lower levels of government. Through the reforms undertaken under New Federalism, the President lost almost all discretionary transfers,

> "surrender[ing] to state governments key welfare resources that had been available to the federal government since the 1970s" (Kaufman and Trejo 1997: 727).

By the late 1990s, 65 percent of Sedesol's budget had been decentralised, with the ministry accounting for less than 2 percent of the federal budget, compared to 8.8 percent in 1992 (Castillo Román 1997, García-Junco Machado 2001, and Lustig 1994: 88).

But if the federal budget for poverty alleviation was significantly curtailed as a result of democratisation, did the social welfare spending that still remained under federal control also become less political and more pro-poor? And have decentralised funds also proven more effective at reaching the very poorest and overcoming the problems that had traditionally been associated with federal initiatives, most notably lack of transparency, accountability, and genuine citizen participation? This paper now turns to address these issues, looking first at Progresa under Zedillo and its renamed successor 'Oportunidades' under the current Fox administration, at the federal level, and then analysing decentralised funds.

3 From Pronasol to Progresa to Oportunidades: The evolution of a federal poverty-alleviation programme that has become more pro-poor?

3.1 Progresa under Zedillo

Though radically reduced as a federal welfare provision programme, especially compared to its predecessor Pronasol, Progresa was the largest poverty alleviation initiative undertaken by the Zedillo administration. Launched in 1997, the programme, which, as will be discussed further on in the paper, continues to operate today,[8] aims to

> "expand the opportunities and complement the income of millions of households in Mexico that live in highly marginalised conditions in order to enable them to achieve higher levels of well-being" (Poder Ejecutivo Federal 1997).

In particular, the programme seeks to allow households living in extreme poverty to meet their basic necessities in the areas of education, health, and nutrition so that household members can develop the qualifications and skills they need to break away from the cycle of poverty.

While Pronasol emphasised the importance of the community and citizen participation in development projects, Progresa is more narrowly focused on the family/household, and especially on its most vulnerable members: women and children. Progresa subsidies for education, health and nutrition are distributed directly in cash to the female head of the household. In addition to cash subsidies, Progresa also grants scholarships and school supplies for children up to five years in age and for pregnant and lactating women, and free medical consultations and preventive care in an attempt to improve public health. In order to

promote co-responsibility among programme beneficiaries, Progresa assistance is conditioned on fulfilling a set of commitments that include enrolling children in school and periodically attending the local health clinic for check-ups, among others.

Originally, the focus of the programme was on rural areas, since the most severe cases of extreme poverty and marginalisation are concentrated in rural communities. However, by mid-1999, Progresa began to provide assistance to households in marginalised urban households as well, reaching out, for example, to 67 percent of the total number of urban households considered to be living under the highest levels of marginalisation (Scott 2000: 24). Under the Zedillo administration, Progresa expanded considerably, going from a total of 404,200 benefited households in eleven states when the programme was launched in 1997 (Laurell 1994: 340) to almost 2.3 million households in all thirty-one states in 1999, excluding the Federal District (Gómez-Hermosillo Marín 2003: 357). By 1999, the programme accounted for 15 percent of the total spending budget.[9]

From the beginning, Zedillo and the rest of his team in charge of Progresa insisted that, unlike Pronasol, this new programme was genuinely committed to poverty alleviation and was devoid of a political agenda. As Santiago Levy, deputy finance secretary and Progresa's main architect, emphasised,

> "[t]he idea was to break a cycle where the emphasis was on squeezing out political juice and replace it with something that really helps the poor" (Friedland 1999).

BOX

Summary of the statistical model used to assess the politicisation of Progresa

While I cannot go into the full details of that study at length here, I provide a sketch of its basic outline and findings to be able to present data that may be of interest in the tables below (the model and the statistical choices that were made are thoroughly explained in Rocha Menocal 2001). Like Molinar and Weldon, I analysed Progresa disbursements at the state level in Mexico's 31 states (the Federal District was excluded because it was not a recipient of Progresa funds) in the year 1999, and again could not look at the district level because of lack of systematic data. I studied 1999 data because it was an important year of preparation for the state and presidential elections in 2000. Also drawing on Molinar and Weldon's model, I used poverty and political criteria as my independent variables to be able to disentangle political bias if there was any. To measure the level of poverty in each of the states, I constructed a poverty scale that combined both economic and social indicators that were closely linked to underlying poverty levels and in particular to the criteria explicitly set forth by Progresa to identify households that should benefit from the programme (households in highly marginalised rural areas with poor education, health, and nutrition indicators). To capture electoral politics, I again assessed the strength of each of Mexico's three largest parties (the PRI, the PAN, and the PRD) at the state level as they prepared for the 2000 elections, and also took into account a variable that gave weight to states where gubernatorial elections were also scheduled to take place (Rocha Menocal 2001). These variables are defined as follows:

PRIvote97: PRI votes per state, divided by total valid votes, in the elections for federal deputies by relative majority in 1997.

PRDvote97: PRD votes per state, divided by total valid votes, in the elections for federal deputies by relative majority in 1997.

PANvote97: PAN votes per state, divided by total valid votes, in the elections for federal deputies by relative majority in 1997.

Election2000: a dummy variable that assumes a value of one in states in which elections for governor will be held in 2000, and zero otherwise.

PRI*Election: an interaction variable that is the product of PRIvote97 and election 2000. Its value is zero where there will be no gubernatorial election in 2000, and the value of PRIvote97 in states that will elect a governor.

PRD*Election: an interaction variable that is the product of PRDvote97 and election 2000. Its value is zero where there will be no gubernatorial election in 2000, and the value of PRDvote97 in states that will elect a governor.

PAN*Election: an interaction variable that is the product of PANvote97 and election 2000. Its value is zero where there will be no gubernatorial election in 2000, and the value of PANvote97 in states that will elect a governor.

Source: developed in Rocha Menocal 2001.

But did the programme in fact prove to be less political and more pro-poor?

Based on a statistical analysis I carried out of the distribution of Progresa funds in the run-up of the 2000 presidential elections that replicated the model developed by Molinar and Weldon to test the political and socio-economic determinants of Pronasol funds (see Box 1), the answer to the above question should be 'Yes and No'.[10]

On the one hand, it is undeniable that Progresa represented considerable progress over its predecessor Pronasol, especially in terms of two important aspects – the identification of programme beneficiaries and the programme's response to poverty indicators. As noted earlier, Pronasol lacked any kind of clear or impartial mechanism to identify beneficiaries, leaving most allocation decisions to the discretion of the social development ministry Sedesol and, ultimately, the executive. (Scott 2000: 14-15). With Progresa, formal rules and guidelines were established for the first time, and programme resources were therefore allocated, at least in principle, following a set of more objective, rigorous, and standardised criteria.[11] *Official Rules of Operation* for Progresa (and other federal social programmes as well) have been published in the *Official Journal of the Federation* since 1999. In addition, in an effort to promote transparency and accountability, lists of benefited households are presented to the members of each community for their information and feedback, and they become part of the public record.

The statistical study I carried out on the allocation of Progresa resources also shows that, for 1999, the year I was analysing, poverty indicators (especially in terms of health, education and nutrition, as captured by the poverty scale I created) played a key role in determining who should benefit from the programme. In particular, when looking at Progresa expenditures per household per state as the dependent variable,[12] the findings of the regression analysis show that poverty is the only factor that is statistically significant in determining the allocation of resources, and no political bias emerges (Rocha Menocal 2001). As the findings shown in Tables 1 to 3 below indicate, when running the three regressions incorporating the poverty scale and the political factors pertaining to each of the parties as the independent variables (each regression was ran using the poverty scale and the political variables of each of the three parties, hence three in total), the only variable that emerges as statistically significant in explaining Progresa allocations per household per state is the poverty scale.

However, while Progresa (unlike Pronasol) did not seem to manifest a political angle in what would appear to be the most obvious and common way – through the actual allocation of funds in a manner that took political considerations into account –my analysis did reveal a more disguised, and for that reason perhaps harder to detect, political bias. The politicisation of Progresa funds was revealed when, instead of looking at programme expenditures per household per state as the dependent variable, I focused on the **proportion of households per state benefited by Progresa**. The conclusion that emerged from my study was that, while Progresa unquestionably responded to pov-

TABLE 1

Determinants of Progresa expenditures per household per state (Ordinary least squares regression – OLS)

Dependent variable: Progresa per household

Variable	*Coefficient*	*Robust Standard Error*	*t-stat*
PRIvote97	0.143348	0.563368	0.254
Election2000	-0.557539	0.341126	-1.634
PRI97*Election	1.294528	0.769595	1.682
Poverty	0.17887*	0.038118	4.693
Intercept	0.060286	0.282000	0.214

Number of observations = 31
*denotes statistical significance at the 0.05 level (t-stat greater than 2 or less than –2)
R-squared = 0.5732

TABLE 2

Determinants of Progresa expenditures per household per state (OLS)

Dependent variable: Progresa per household

Variable	*Coefficient*	*Robust Standard Error*	*t-stat*
PANvote97	0.000970	0.327993	0.003
Election2000	0.096798	0.125338	0.772
PAN97*Election	-0.484895	0.350348	-1.384
Poverty	0.18802*	0.048484	3.878
Intercept	0.110439	0.152163	0.726

Number of observations = 31
*denotes statistical significance at the 0.05 level
R-squared = 0.0.5586

TABLE 3

Determinants of Progresa expenditures per household per state (OLS)

Dependent variable: Progresa per household

Variable	*Coefficient*	*Robust Standard Error*	*t-stat*
PRDvote97	0.30378	0.436591	0.696
Election2000	-0.082825	0.101995	-0.812
PRD*Election	0.159243	0.56830	0.280
Poverty	0.179855*	0.051768	3.474
Intercept	0.059088	0.064595	0.915

Number of observations = 31
*denotes statistical significance at the 0.05 level
R-squared = 0.5616

erty criteria in all cases, it was also motivated by electoral objectives – only here the size of the actual cash amount received by each beneficiary did not seem to matter, and what was really important was the number of households per state that benefited from the programme. The aim seems to have been

> "to build a broad base of support at the grassroots level by turning as many households as possible into Progresa beneficiaries to cultivate their support for the PRI" (Rocha Menocal 2001: 531).

The dynamics at work seem to have unfolded as follows. In states where the PRI received a greater amount of votes than the opposition in 1997 and where gubernatorial elections were scheduled for the year 2000, a greater number of households became Progresa beneficiaries in 1999 than would be warranted by considering socio-economic indicators alone. It thus appears that where there was an electoral contest, the Executive (through Progresa) took no chances and made sure it kept PRI supporters content (see Table 4). As for the PAN, like in the study by Molinar and Weldon, my findings suggest that the strategy was to punish states where the PAN did well in 1997 and where gubernatorial elections were scheduled for 2000 by turning a significantly smaller proportion of households into Progresa beneficiaries than would be expected based on poverty criteria (see Table 5). When testing this model using the poverty scale and the political variables for the PRD, on the other hand, electoral politics end up not having any explanatory power: neither the relative strength of the PRD in a given state in the 1997 election nor the scheduling of a gubernatorial election in a state with strong PRD presence in 2000 emerges as statistically significant (see Table 6).

The absence of a political edge to Progresa to undermine the electoral prospects of the PRD may at first seem surprising – especially given the substantial challenge that the PRD had posed the PRI since its emergence in 1987. However, as the PRI prepared for the presidential elections in July 2000, the balance of political forces in the country appeared to have shifted considerably away from the PRD. Over the past few years, the threat that Cárdenas had once posed to the PRI had been neutralised. After its heavy losses in the 1997 mid-term elections, by 1999 the PRI had bounced back, winning several gubernatorial contests that political analysts had expected the PRD to win after the significant inroads that the latter had made in the 1997 elections.[13] Several factors that I cannot get into great detail here may help explain the PRI's substantial recovery of 1999 (including the decision within the PRI to select internal candidates through primaries and the mockery that the PRD made of internal party democracy through its own electoral contest – widely considered a fiasco – to elect a new party leader). Suffice it to say that, in the run-up to the 2000 elections, the (PRI-dominated) federal government may have ceased to view the PRD as an electoral threat, and therefore opted to concentrate its resources elsewhere.

TABLE 4

Determinants of proportion of benefited households per state (OLS)

Dependent variable: Proportion of benefited households

Variable	*Coefficient*	*Robust Standard Error*	*t-stat*
PRIvote97	0.142757	0.142125	1.004
Election2000	-0.154453*	0.059043	-2.616
PRI*Election	0.388964*	0.137285	2.833
Poverty	0.08551*	0.008257	10.356
Intercept	-0.041047	0.058001	-0.708

Number of observations = 31
* denotes statistical significance at the 0.05 level
R-squared = 0.8630

TABLE 5

Determinants of proportion of benefited households per state (OLS)

Dependent variable: Proportion of benefited households

Variable	*Coefficient*	*Robust Standard Error*	*t-stat*
PANvote97	0.043554	0.07782	0.560
Election2000	0.054696	0.032805	1.667
PAN*Election	-0.205847*	0.089171	-2.308
Poverty	0.093352*	0.008700	10.730
Intercept	-0.000865	0.029858	-0.029

Number of observations = 31
* denotes statistical significance at the 0.05 level
R-squared = 0.8479

TABLE 6

Determinants of proportion of benefited households per state (OLS)

Dependent variable: Proportion of benefited households

Variable	*Coefficient*	*Robust Standard Error*	*t-stat*
PRDvote97	-0.028178	0.076347	-0.369
Election2000	-0.040795	0.026082	-1.564
PRD*Election	0.168906	0.132934	1.271
Poverty	0.093382*	0.008794	10.618
Intercept	0.016699	0.016403	1.018

Number of observations = 31
* denotes statistical significance at the 0.05 level
R-squared = 0.8403

3.2 Oportunidades under Fox

Ironically, of course, it seems that the PRI strategy of winning elections through the mobilisation of the vote of the marginalised, so successful in the past, may have finally run its course in the 2000 presidential elections. The victory of Vicente Fox from the right-of-centre PAN ended 71 years of single-party control of the Executive by the PRI, which had not lost a single presidential election since it first came to power in 1929. That time around, voters seem to have received aid from the PRI-government with one hand while they voted for the opposition with the other.

Since coming to office in 2000, Fox has not carried out any radical restructuring of social welfare spending and poverty alleviation programmes, but rather he has continued with the policies of his predecessor. In 2002, he replaced Progresa with 'Oportunidades', but the change was one in name only, while the reach and budget of the programme have been expanded considerably, and decentralisation processes have continued to move apace.

Oportunidades continues to be the largest poverty alleviation initiative at the federal level, and as the programme has grown, other programmes that have been deemed 'less successful' have been reduced.[14] From a budget of $ 10.26 billion pesos in 2000, as of the end of 2004 Oportunidades had a budget of $ 25 billion pesos (approximately US$ 2.7 billion), representing 46.5 percent of the federal government's annual anti-poverty budget.[15] Under Fox, the programme's urban focus was further expanded, and Oportunidades currently covers five million families (approximately 25 million people) in both rural and urban areas. This represents approximately 90 percent of the total of the country's poorest families (World Bank 2004).

As with Progresa, the Fox administration has gone to great lengths to emphasise the apolitical and pro-poor character of Oportunidades. The programme continues to rely on systematic, 'rigorous' methods to identify assistance recipients. To avoid its political manipulation, Oportunidades has also launched a special campaign of civic education during election periods to make people aware of their political rights. This, as long-time democracy advocate and academic Sergio Aguayo has pointed out, is the kind of work that watch-dog civil society organisations like *Alianza Cívica*, which he founded, have been carrying out for years. The difference, in Aguayo's words (2004), is that "the message … now reaches 5 million households from a governmental institution".

Whether such awareness-raising campaigns and other efforts undertaken not only by the Fox team and the government but also by other non-governmental actors committed to transparency and accountability have proven sufficient to ensure that the resources from Oportunidades reach those most in need and are not allocated on the basis of a political agenda remains an open question. To date, there has not been a quantitative analysis similar to the Weldon and Molinar study on Pronasol or the one I carried out on Progresa that systematically tries to assess whether Oportunidades is in fact devoid of political manipulation. That represents an interesting opportunity for future research.

What is undeniable, however, is that over time, federal welfare spending has become increasingly more responsive to poverty criteria, and clearer and more standardised rules and regulations have been imposed to make the distribution of funds more accountable and transparent. Under the Zedillo administration, Progresa was the first social programme in Mexico to carry out rigorous independent evaluations of its impacts that include a random selection of treatment and control groups. The results of that evaluation, carried out by the International Food Policy Research Institute (IFPRI) between 1998 and 2000 were quite positive, concluding that the programme had been considerably successful in reaching the very poorest and improving their basic health, education and nutrition indicators. Among other things, Emmanuel Skoufias (2001), coordinator of the Progresa/Oportunidades-IFPRI evaluation, found that poor Mexican children living in the rural areas where the programme operated had increased their school enrolment, had more balanced diets, were receiving more medical attention, and in general had significantly improved their prospects for a better future.

Since then, Progresa/Oportunidades has been evaluated on a regular basis.[16] The credibility of these evaluation has helped strengthen the programme's legitimacy in Mexico and abroad. As the first democratically elected President in the country's history, Fox created enormous expectations about what he would be able to accomplish. However, for a variety of reasons, his administration has been unable to translate its mandate into concrete policy action, and it has been largely perceived as ineffective and unable to produce results.[17] The one area where Fox and his team have gained praise, both nationally and internationally, is in their poverty-alleviation efforts, with the Oportunidades programme at the forefront.

One measure of the success of Oportunidades, which has been documented in this paper, is, of course, the increased funding that the programme has been receiving since it was originally created in 1997, and its exponential growth in terms of households covered (from 400,000 to 5 million). The programme has also been hailed as one of the most successful cases of conditional cash transfer programmes in Latin America and beyond. The World Bank, for example, featured the programme as a model in the Conference on Poverty, which took place in Shanghai, China in May 2004, with David de Ferranti, the World Bank's Vice-President for Latin America and the Caribbean, stating that

> "Oportunidades provides positive lessons regarding the design and implementation of social programs, [and] … has demonstrated that a well-targeted and conditioned monetary transfer program is an effective instrument for combating poverty and supporting the formation of human capital"(World Bank 2004).

Other international institutions such as the Inter-American Development Bank and the OECD have also praised Oportunidades as an example of 'best practice' in social policy, the first Mexican poverty-alleviation initiative to be thus recognised. Compliments have even come from within Mexico. Aguayo (2004), who has been a harsh critic of the Fox administration and has noted that in most fields the President's performance has been less than stellar, has upheld Oportunidades as a federal initiative that 'deserves to be praised' for the tangible differences it is making in poor people's lives.

4 *RAMO 33* and the decentralisation of social welfare spending

4.1 Unfulfilled decentralisation promise?

Despite the substantial growth of Progresa and Oportunidades discussed above, it is important to recall that, today, they only represent a small fraction of total social welfare spending. With the creation of *Ramo 33* in 1997, most of the poverty-alleviation funds once under the control of the federal government have been decentralised to the state and municipal levels. Consisting of seven different funds,[18] *Ramo 33* grew from a budget of $ 98.85 billion pesos in 1998 to $ 251.2 billion in 2004 (Ortega 2004: 17). Against the backdrop of Mexico's highly centralised and presidentialist political system, Ramo 33 thus constitutes an important step in empowering subnational levels of government, at least in fiscal terms. While in the past the federal government had allocated resources to the provinces through so-called 'convenios' or 'social development agreements' that were highly discretionary, *Ramo 33* introduced formal mechanisms that, in principle, made the distribution of resources between different levels of government more transparent, reliable, and systematic. States and municipalities would no longer receive funds based on the discretion of the federal government but rather on the basis of both population and socio-economic indicators of marginalisation and need.

As was noted earlier in this paper, in the area of social welfare in Mexico, the decentralisation of resources and concomitant efforts to strengthen the structures of government at the subnational level have been closely linked to democratisation processes: the creation of *Ramo 33* exemplifies how, as electoral competition has increased and the electoral hegemony of the PRI has diminished over time, pressures to redistribute resources and authority away from the centre have led to a significant restructuring of social welfare provision in the country. Interestingly, from a global perspective, decentralisation itself has been embraced as the new mantra of development within a context of economic liberalisation and growing democratisation. Decentralisation has been championed as a means of 'bringing government closer to the people' and thereby making it more efficient, transparent, and accountable (Rocha Menocal 2004; Oxhorn et al. 2004). But in the case of Mexico, has the decentralisation of funds through *Ramo 33* actually resulted in social welfare policies that address the needs of the poor better and more effectively than federal-level initiatives?

So far, it seems fair to say that decentralisation efforts have not lived up to the expectations of its champions and have not provided better developmental outcomes or more pro-poor policies at the local level. In the section below, I use the FAIS as a case study to illustrate some of the limitations of decentralised social welfare spending in Mexico. On a more general note, however, it is worth emphasising that part of the reason why decentralisation has failed to deliver better results so far is that, while a majority of the social welfare resources once controlled by the federal government have been decentralised, funds have remained heavily earmarked, enabling federal officials at the centre to retain control over the extent of the devolution contained in decentralisation reforms. Thus, government officials at the local level have very little room to manoeuvre and lack basic authority to make decisions. Perhaps the most apposite example of this is the decentralisation of education resources (Fund of Contributions to Basic and Normal Education, which is the largest fund within *Ramo 33*, accounting for 62.1 percent of it in 2004) (Ortega 2004: 19). Up to 99 percent of those resources are earmarked to pay teacher salaries – and the federal government is still in charge of managing relations with the teachers' union. Among other things, this has meant that local governments are responsible for maintaining the quality of education services, but they lack the necessary means and authority to do so (Cabrero Mendoza 2003).

4.2 Decentralisation case study: FAIS

Of all the funds that compose *Ramo 33*, FAIS is the one that is the most clear successor of funds that used to be assigned to Pronasol through Sedesol. FAIS is divided into two separate funds to provide resources for basic social infrastructure at the state (FAISE) and especially at the municipal level (FAISM)[19]. FAIS is also the fund within *Ramo 33* that offers the most room for flexibility and initiative to government authorities and other social actors at the local and state levels. While FAIS funds are earmarked 'exclusively for the financing of public works and investments that directly benefit those sectors of the population of states and municipalities that find themselves in conditions of high social marginalisation and extreme

poverty', the range of activities that can be pursued with such funding includes several different categories, from draining and drinking water to electrification and rural urbanisation, and state and municipal governments are free to choose which public works to carry out within those categories.[20]

FAIS is distributed through a pre-established formula intended to benefit the poorest and most marginalised states/municipalities in an attempt to promote greater equity throughout the country. Accounting for an average of 9.3 percent of total *Ramo 33* funds since 1998, FAIS is also the only fund within *Ramo 33* that operates explicitly on the basis of poverty and equity criteria.[21] Until the budget of Oportunidades was increased to $ 25 billion pesos in 2004, FAIS had surpassed that federal initiative in size. With a budget of $ 20.7 billion pesos in 2004, FAISM was ten times bigger than FAISE (at $ 2.85 billion pesos) (Ortega 2004: 18). In addition, FAISM is also one of the only two funds in *Ramo 33* to be allocated directly to municipal governments – the rest of the funds are decentralised to the state level only.[22] Thus, with the creation of *Ramo 33* in 1997, municipal coffers experienced a substantial increase in the resources at their disposal almost overnight.

As has been argued above, a lot of the momentum for the decentralisation of social welfare funds came from opposition leaders at the local and regional level who did not want to depend on the discretion of the federal government to be able to address the demands of their constituents. In the case of FAIS, part of the reasoning in favour of such decentralisation also stemmed from the belief, highlighted above as well, that state and in particular municipal governments are better positioned to identify and respond to the (basic) needs and priorities of their respective communities. Because they are 'closer to the people', they are also presumed to be more accountable for their actions, or so goes the conventional wisdom (Rocha Menocal 2004). As Rodolfo García del Castillo (2003: 3) has put it, "public services at the municipal level constitute the most familiar and accessible face of the government", and subnational governments are expected to deliver on that front.[23]

4.3 FAIS in action: Less political, more pro-poor?

To date, no formal and systematic evaluation of FAIS has been carried out. One of the issues that makes a rigorous, quantitative assessment of FAIS funds particularly difficult is a fundamental lack of reliable and comparable data across municipalities.[24] Given this paucity of data at the local level, the analysis presented below is based on a review of the few academic and policy studies that have been carried out on FAIS until now, as well as on field research I undertook in Mexico in August 2004. That research mostly involved interviews with federal and municipal government authorities as well as with academics and civil society representatives in Mexico City and the states of Guerrero and Michoacán. It is therefore important to emphasise that, unlike the study I carried out on Progresa (Rocha Menocal 2001), which was mostly quantitative and systematic in scope, the analysis of FAIS I offer here is based on qualitative empirical data drawn primarily from a set of approximately 75 semi-structured interviews and case studies of the evolution of FAISM spending in five municipalities in Guerrero and eight in Michoacán. The findings I present on FAIS should therefore be considered preliminary. While they point to some tendencies that may be generalisable, further testing on a more systematic and rigorous quantitative basis will be required to arrive at more authoritative conclusions. However, this research should be useful as a first step in identifying some of the most pressing empirical issues involved in a decentralisation project that is as ambitious as it is unproven.

Preliminary findings both from existing studies and from my field work suggest that, while significant progress has been made in channelling resources to states and municipalities based on need as opposed to political affiliation, so far municipal (and state) authorities have largely failed to address the needs of the poor in a satisfactory manner. One of the most positive developments that is apparent from the allocation of FAIS funds is that, unlike during the days of Pronasol, their distribution does closely approximate the geography of Mexico's poorest states. In a study analysing FAIS allocations between 1998 and 2000, for example, John Scott found that approximately half of FAIS resources went to the six poorest states in the country: Chiapas, Guerrero, Mexico, Oaxaca, Puebla, and Veracruz (Scott 2004: 4). FAIS data from 2001 to 2004 confirm this tendency (Ortega 2004: 48). As Gustavo Merino, head of the Planning Unit at Sedesol expressed,

> "the process of allocating resources to the states has become much more transparent and reliable, even if the results in terms of poverty alleviation have not".[25]

The same cannot be said, on the other hand, about the distribution of resources from the states themselves to their municipalities. In that process, Scott's findings reveal, there seems to be much more room for state governors to exercise discretion in their allocations (Scott 2004: 802-805). One of the better known examples of this comes from Puebla, where then – Governor Manuel Bartlett, himself from the PRI, entered into a constitutional controversy with municipalities governed by the PAN, when he tried to impose conditions that (PAN) municipal authorities deemed 'unconstitutional' for the distribution of FAISM resources, ostensibly to benefit municipalities governed by the PRI.[26]

Moreover, once resources reach the municipalities, it is not clear that they are being spent in response to the needs and priorities established by the community, as stipulated by law, or that they are pro-poor, or that municipal authorities

can be properly held accountable for how the resources are ultimately used. The Law of Fiscal Coordination makes provisions for "the participation of communities benefiting [from FAIS funding] in its designation, application and monitoring" (H. Congreso de la Unión 2004: Art. 33). While the law does not specify what form such participation should take, the most common forum that has developed to facilitate community input into decision-making processes are the *Consejos de Planeación Municipal* ('Municipal Planning Councils' – COPLADEMUNES). However, frequently promoted by the local government itself or even by Sedesol at the national level, these councils tend to exist more in form than in substance and as a result they are frequently not representative. Alicia Ziccardi, an academic specialising in citizen participation at the local level in Mexico, has identified a correlation that is quite compelling in illustrating this point. She has found that, in states where there has been a strong tradition of civic engagement through voluntary organisations like NGOs and community and neighbourhood associations, COPLADEMUNES have been less likely to emerge in the state municipalities. This has been so because, in states with strong, independent civil society organisations (CSOs), government-led efforts to induce 'citizen participation' have been viewed with suspicion, and, weary to preserve their autonomy, CSOs have been reluctant to rely on such institutionalised spaces of participation to channel their demands (Ziccardi 2004).

In the course of the interviews I carried out with multiple federal and state government officials as well as civil society representatives in Mexico City, Guerrero and Michoacán, it became increasingly difficult to determine who constituted the COPLADEMUNES, who attended the planning sessions, what was discussed, and how often council meetings were held. Rocío Pineda Gochi, the General Coordinator of the COPLADEMUN in Morelia, Michoacán, told me, for example, that she could not give me a list of the organisations involved in the planning council because the list changed depending on the issues that were discussed, and that the COPLADEMUN did not discuss issues related to FAIS resources but rather 'more general matters'. She also told me that inviting citizen participation was extremely difficult and that often times it had to be induced by the municipal government.[27] More often than not, the answer to my question of how community needs are assessed and priorities set was not that this was done through the COPLADEMUN or a similar planning body, but rather that the municipal president had collected requests for public works and basic infrastructure from the community during his/her campaign, and that s/he drew a plan of action based on those requests once s/he took office. In the end, it seems that the groups that are politically more visible at the local level are the ones who tend to benefit the most from FAIS (and other) resources.

Another finding that emerged from my field research is that FAIS spending is not necessarily pro-poor and that the setting of community priorities is often warped. For instance, every single municipal president I spoke with, mostly from the states of Guerrero and Michoacán, mentioned that they used part of the funds to build or otherwise support the local church. This is not allowed under FAIS guidelines, of course, but the local officials said that they were not prepared to contradict the wishes of the community on that front. Municipal presidents also mentioned that it was often politically more rewarding to build a commercial kiosk or otherwise 'beautify' the municipality rather than address needs that may be much more elemental (like draining or water, for example) but also a lot less visible.

Finally, the accountability of local authorities for the use and allocation of FAIS resources is also extremely poor. Though FAIS regulations spell out a series of procedures that need to be followed to account for the use of the funds, most of the municipalities do not account for them to higher authorities, but rather tend to limit themselves to posting a list of public works carried out and resources spent on the town hall. Municipal presidents are supposed to report to their local Congress as well as the local Sedesol office and the national Sedesol headquarters, among others, but in the course of my interviews they reported that they have to submit account of their actions to so many different entities that it is unreasonable and it has become unfeasible for them to do so. Gustavo Merino at Sedesol told me that, to date, as many as 60 percent of all municipalities continue to fail to report to the ministry (which is the ultimate body in charge of overseeing FAIS) to give an account of how FAIS resources are being used.[28] However, FAIS regulations also have no 'teeth', so that states and/or municipalities that fail to report or to comply to other FAIS guidelines (e.g. no building of churches) in one year still receive funds the following year. Thus, it is extremely difficult to hold local officials to account and to ensure that resources are being allocated and used in a transparent and equitable manner, which seems particularly problematic given the scope and amount of money involved.

4.4 Concluding remarks

The analysis carried out in this article on the evolution of social welfare spending in Mexico since the late 1980s reveals that poverty-alleviation initiatives at the federal level, though significantly downsized as a result of pressures brought about by democratisation, have also become less political and more pro-poor over time, with Oportunidades gaining national and international recognition as a programme that works. Though not assessed on a similarly rigorous basis, the case study on FAIS seems to indicate that the decentralisation of social welfare funds to the state and in particular the municipal level has so far not enabled local governments to address the needs of the poor

more effectively and in a more accountable manner, even though their resource base has increased exponentially. These contrasting experiences may offer a cautionary note on current development practice calling for further decentralisation as a means to make government more responsive and social policy more pro-poor. However limited, the qualitative evidence on FAIS presented here suggests that the theoretical benefits of decentralisation have so far not borne out in actual fact.

How can the relatively good performance of centralised-level Oportunidades in contrast to that of the decentralised FAIS be understood?

The issues that have been raised above about the limitations and challenges of FAIS point to a fundamental lack of capacity and basic information at the local level of government, especially among municipalities. An interview I had in Michoacán with two Sedesol officials illustrates this problem quite poignantly. They recounted how confused and puzzled local authorities were upon receiving the first transfer of resources under the FAISM in 1998. One official said that he had 'no idea' that the money was coming and that he did not know how he would ever be able to spend the resources that the federal government was delegating. And in the view of the two Sedesol officials, the situation has not improved much since then, underscored by the fact that many authorities at the local level continue to yearn for the days of Pronasol, when carrying out welfare projects seemed easier because orders were simply taken from the top.[29]

A national survey undertaken in 2002 to capture the views of municipal presidents on issues related to social development also reveals that, out of 2,429 municipalities surveyed, fully one-third of them did not know 'the distribution mechanism of the FAISM', and more than half of them did not "have a clear idea of how FAISM resources should be allocated" (Sedesol et al. 2003). In general, in smaller and more remote municipalities, which include 1,991 out of the total 2,429 surveyed, the number of government officials who seem to be well-informed is even lower (Sedesol et al. 2003: 115). The problem is that, in Mexico, decentralisation has been a largely 'top-down' process, led and dictated by the centre (Cabrero 2003), where governments at the state and municipal levels have not participated substantively in the making of social policy, but rather have been assigned the role of administering policies that have been defined at a central level. It is very hard to expect local governments to know what to do and assume new tasks if they are not more involved in the decision-making process and if they do not receive proper training and capacity building to be able to fulfil their newfound responsibilities. Yet, this is precisely what seems to have happened in the case of FAIS, which channelled significant new resources to the municipalities without ensuring that local structures were prepared to absorb them and without providing proper guidance and training for them to do so.[30]

Admittedly, there has also been much more time to learn and room to experiment in the conception and implementation of poverty-alleviation programmes at the federal level. The federal government has access to many more resources (financial and otherwise) to build its capacity of intervention and respond to social needs. In addition, however, while pressures for accountability and the transparent management of resources have remained weak at the local level, they have been much stronger at the national level. Citizen awareness of the abuses and misuses of resources of Pronasol under Salinas made it imperative on Zedillo and Fox to pledge, at least in principle, that social welfare spending would not be politicised in their watch – and if it was to at least ensure the political bias was well hidden. The national media has also emerged as a 'fourth estate' that is increasingly willing to speak out against incompetent or inappropriate government actions. The critical stance of the media toward President Fox has even prompted Carlos Monsiváis, a leading Mexican intellectual, to comment that

> "if in the past he who criticised the president was considered courageous, today it takes courage to speak well of … Fox" (Aguayo 2004).

Finally, the *Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental* (Law of Transparency and Access to Public Government Information) passed in 2002 requires – at least theoretically – the federal government to open its archives and provide access to public records, giving individuals the right to request public information from any and all federal government institutions and obtain it in a simple and timely manner (IFAI 2003). More than any other development, this law has the potential to alter the relationship between citizens and the federal government, empowering the former to demand greater accountability from national authorities. As long as accountability mechanisms remain even weaker at the subnational level, it does not seem realistic to expect better, more effective, and more responsive government.

Endnotes:

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[2] For the purposes of this paper, 'democratisation' is defined mainly in terms of increased electoral competition (see Beer 2003), while decentralisation is understood as the transfer of political, fiscal and administrative powers to subnational levels of government.

[3] The PRI ruled Mexico under single-party rule from the time it came to power in 1929 until 1988, when the first credible opposition to the party emerged to contest the presidential elections. While elec-

tions became significantly more competitive after that, especially at the subnational level, the PRI did not lose control of the executive branch of government until it was defeated in the July 2000 presidential elections.

[4] While a growing body of academic literature (see, for example, Oxhorn et al. 2004) has emerged that problematises many of the assumptions of the classic argument in favour of decentralisation – i.e. that it makes government more efficient and responsive – as the World Bank has pointed out, decentralisation 'has emerged as one of the most important trends in development policy'. See the World Bank Decentralization Home Page at http://www1.worldbank.org/wbiep/decentralization/about.html.

[5] Please refer to the section on *'RAMO 33* and the decentralisation of social welfare spending' in this paper for greater details on the field research I carried out for this project.

[6] In the 1988 presidential elections, Cárdenas, a former high-ranking member of the PRI and founder of the PRD, mounted the greatest electoral challenge the PRI had ever encountered, and though the electoral results will never be fully known (the counting system famously 'broke down' when returns showed strong support for the PRD, and the electoral ballots were later burned), it is widely believed that Cárdenas did indeed win the elections.

[7] Zedillo was a second-choice presidential candidate who arrived at the presidency only after the original PRI candidate, Luis Donaldo Colosio, was assassinated a few months before the July 1994 elections.

[8] Albeit with a different name and under a new President who, for the first time in the country's history, is not from the PRI.

[9] Of the total social spending budget, as has already been noted, 65 percent went directly to the state and municipal governments. This means that the federal government remained in control of 35 percent of the budget, and slightly less than half of that amount was destined to Progresa. See *La Jornada* (1998).

[10] As noted earlier, in the section on Pronasol, Molinar and Weldon (1994) developed a statistical model designed to identify the factors determining Pronasol expenditures. I drew on their model to test the extent to which Progresa responded to poverty-related criteria on the one hand and political and electoral considerations on the other. See Box 1 in this paper and Rocha Menocal (2001).

[11] See Progresa (1999) for an analysis of the formal criteria that are used to identify programme beneficiaries.

[12] That is the dependent variable (i.e. Pronasol expenditures per household per state) that Molinar and Weldon (1994) use in their model.

[13] Though as the country prepares for the 2006 elections that is clearly not the case anymore. With the Federal District's charismatic mayor Manuel Andrés López Obrador, who recently resigned to launch his campaign to the presidency, leading all the polls, the PRD seems to be extremely well positioned to win the presidential contest.

[14] The tortilla subsidy programme, for example. See interview with Miguel Széleky, Undersectretary for Social Development, in IDBAmérica (2004), available at http://www.iadb.org/idbamerica/index.cfm?thisid=3169.

[15] Data obtained from the Sedesol/Oportunidades website at http://www.oportunidades.gob.mx.

[16] See the Sedesol/Oportunidades webpage for a list of the evaluations and their main findings: http://www.oportunidades.gob.mx.

[17] President Fox has been unable to push through some of the major initiatives embraced by his administration, including building a new airport for Mexico City and getting an energy bill approved by Congress. His role in the attempt to impeach López Obrador (Mexico City's popular mayor from the left-leaning PRD who is leading all the polls for the presidential contest in 2006) to keep him off the ballot has also called into question his commitment to democratic principles.

[18] These funds include: Basic and Normal Education, Health, Social Infrastructure, Municipal Strengthening, Multiple Contributions, Technological and Adult Education, and Public Security.

[19] The two funds are FAIS 'Estatal' (FAIS state level – FAISE) and FAIS Municipal (FAIS municipal level – FAISM).

[20] The full list of public works and activities that can be financed through FAIS include: municipal urbanisation, draining, latrines, drinking water, rural infrastructure to promote productivity, rural roads, public housing, basic educational facilities, basic health facilities, and electrification in rural and poor urban areas. In addition, municipalities can also use up to two percent of the FAIS funds assigned to them to strengthen 'institutional development' at the municipal level – a category whose definition is rather broad and open to interpretation. See H. Congreso de la Unión (2004).

[21] The federal government uses a pre-established formula that is based on a variety of social indicators to determine how much money needs to be transferred to each state, and then the states need to use the same formula to distribute the resources that have been reserved for the municipalities. In case such data is not available at the municipal level, the state can proceed to distribute the resources using a simpler formula, which should also be based on need. See Scott (2004).

[22] The other fund is the *Fondo de Aportaciones para el Fortalecimiento Municipal* (Fund of Contributions for Municipal Strengthening – FORTAMUN).

[23] It should also be noted that, in an effort to strengthen municipalities, Art. 115 of the Mexican Constitution was reformed in 1999 to recognise municipalities as a 'government' rather than merely an 'administrative' entity, responsible among other things for the provision of public services and local development.

[24] As will be discussed later on in the paper, this is due in large part to the fact that a majority of municipalities in the country do not provide records or data on how FAISM funds are spent. This is even true at the state level, where some states, either out of principle (Jalisco) or political gamesmanship (Puebla) or lack of capacity (Chiapas), do not report to Sedesol. Interview with Gustavo Merino, head of the Planning Unit, SEDESOL, Mexico City, Tuesday 10 August 2004. See also Sedesol et al. (2003: 22).

[25] Interview with Gustavo Merino, SEDESOL, Mexico City, Tuesday 10 August 2004.

[26] For more information on this controversy and the so-called 'Ley Bartlett', see Senado de la República (2004).

[27] Interview with Rocío Pineda Gochi, General Coordinator, COPLADEMUN Morelia, Michoacán, Friday 3 September 2004.

[28] Interview with Gustavo Merino, SEDESOL, Mexico City, Tuesday 10 August 2004.

[29] Interview with Alfonso Aragón Mejía and Manuel Bautista Hurtado (State Coordinator and Sub-Coordinator of SEDESOL's 'Micro-Regions' programme, respectively), SEDESOL Delegation in the State of Michoacán, Morelia, Michoacán, Thursday 2 September 2004.

[30] As has been discussed above, the 'earmarking' of resources is not enough – and may be counterproductive (see once again the case of education). This is a question of proper capacity building and the strengthening of local government institutions so that they can act autonomously, effectively, and in a responsive manner.

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