

**Decentralized Urban Service Provision:
What Can We Learn from Mexico?**

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ABSTRACT

As Latin American countries decentralize their governments, the local level must provide an increasing variety of public services. In urban areas these tasks are varied and complex, ranging from the provision of water and sewage services, to construction permit processing. Mexico's fifteen years of experience with decentralization policy can help us assess whether such shifts in responsibility from federal or state governments to the local level represent a "decentralization of austerity," or a real opportunity to improve urban management.

In this paper, I approach the question in two ways. First is a review and analysis of the largest fifty-five municipalities in Mexico to determine whether a decentralization of fiscal resources actually occurred. I find that urban municipalities have access to substantially greater financial resources than before decentralization efforts began. However, financial resources are not the only aspect of decentralization that determines local service provision. In the second part of the paper, I evaluate these other aspects—principally institutional and administrative capacity—considering the experiences of four representative urban municipal cases. This look at more subtle dimensions of local government leads me to suggest that fiscal decentralization is but the first step in a much more complex process. However, the dynamics unleashed by the decentralization of public finance have opened the way for actors with local interests to continue the decentralization process, pressuring higher levels to help them develop the administrative and institutional capacity of local governments.

INTRODUCTION

In the face of growing support for decentralization of government in the early 1980s, critics worried that the hidden agenda of conservative central governments was to displace the blame for cuts in public spending from themselves to the local level. In Mexico during this period, as in many other developing countries, the central government faced serious credibility problems as federal spending was slashed to meet foreign debt obligations and as part of a wider effort to cut the government's role in the economy. Thus, critics charged, these administrations took up the banner of decentralization in an attempt to preserve their own popularity and legitimacy during a period of fiscal austerity, and were willing to risk sacrificing the popularity of local and regional governments by making them the focus of any citizen backlash.

With the benefit of fifteen years of experience we can now begin to assess whether these critics of decentralization were correct in predicting a diminution of public spending on "local" services, that is, those services which the federal level considers more appropriate for municipal governments. The list of such services under decentralized arrangements (or fiscal federalism) is long, and varies among analysts and across countries. However, there is basic agreement that public services of relatively small scale, whose potential for spatial externalities is limited, and whose benefits are primarily local, are appropriate for the local level of government. Similarly, those public revenues which take the form of fees for services provided by the local government, as well as property taxes (for which the proximity of collectors is important to avoid shirking on payments) are considered the most useful and dependable sources of local public income.

In Mexico, decentralization began in earnest with Constitutional changes in 1983 which attempted to clarify the role of the respective levels of government. Under the new arrangement, municipalities (municipios, the lowest level of government) are explicitly charged with the following public services: water and sewage provision; public lighting; sanitation; markets; cemeteries; slaughterhouses; streets, parks and gardens; public security and transit; zoning and urban development plans; land use planning and control; and the granting of construction permits and licenses. They are also accorded participation in the establishment of territorial and ecological reserves, as well as in processes of land "regularization" for areas settled under dubious legal circumstances. The Constitution is somewhat less explicit about the public tasks of the states, but education, health, and regional economic development are usually considered among their most important roles.

On the revenue side, reforms to the Constitution gave the municipalities exclusive access to property taxes, public service fees, and other fees for services performed by the municipality (for example permits granted, property rented), while states are to make do primarily with revenue transfers from the federal level, as well as a variety of taxes, such as those on automobiles.

Given the magnitude of the transfer of tasks to the municipal and state levels in Mexico—nearly all these public services were responsibility of the center before the Constitutional changes of 1983—this paper must be limited to assessing just one subsection of these changes. The analysis here concentrates on those powers and responsibilities shifted to the municipal level, paying particular attention to large urban municipalities, where we would expect the fruits of

decentralization to first be evident, given their advantages in terms of revenue potential and the pool of potential public servants (see Appendix A for a list of these municipalities and their populations). Note that this orientation leaves out what may be some of the most important public services—particularly, health and education—as well as specific consideration of rural municipalities, which face many problems which are distinct from those of large urban areas. However, the importance of municipal public services should not be underrated: effective service delivery is a key component both to quality of life and to economic development, especially in large urban areas which are home to over one-third of Mexico’s population.

This paper begins with one response to the question of whether decentralization in Mexico has led to a “decentralization of austerity.” Trends in municipal finance for the largest municipalities are presented for the past two decades to help answer this question. The following section of the paper presents the recent experiences of municipal governments in more detail, using illustrative examples from four case municipalities. Next, I consider the relevance of these examples in terms of the processes of decentralization in Mexico, identifying two types of remaining problems at the municipal level: administrative and institutional capacities. I conclude by arguing that the creation of “enlightened self-interest” among local political actors has permanently changed the process of decentralization by wresting it from the control of higher levels of government.

PUBLIC FINANCE AS AN INDICATOR OF THE “DECENTRALIZATION OF AUSTERITY”

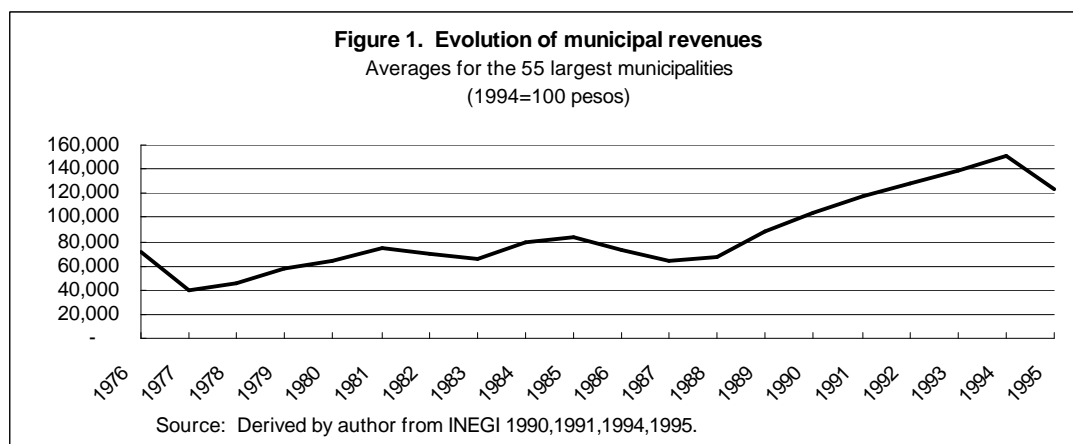
If Mexico’s decentralization has truly resulted in a “decentralization of austerity,” this implies that less public revenue is now being spent in local areas than before the decentralization efforts of the 1980s. Even with the benefit of hindsight, this question is difficult to answer in Mexico’s case. The problem is that before decentralization began, most public revenue was centralized, and information on spending by the federal government in municipalities is nearly impossible to find. Data on public spending is still scant in Mexico, and federal agencies generally break down their spending by sector or project type rather than by location. This means that much of public revenue devoted to projects of local scope is difficult to trace.

Much easier to track is public revenue raised and spent by the municipalities themselves over the past twenty years. This information is gathered, standardized and published for over one hundred municipalities by the national statistical agency, INEGI (1990, 1991, 1994, 1995). As noted above, this local budget information will not help inform questions about education or health spending since these are controlled by the states, but it does provide a picture of the evolution of public spending on municipal tasks. These trends in municipal public revenue are significant, though, because they represent precisely the public money available for public services provided by the municipalities since 1983.

Trends in municipal income, 1976-1995

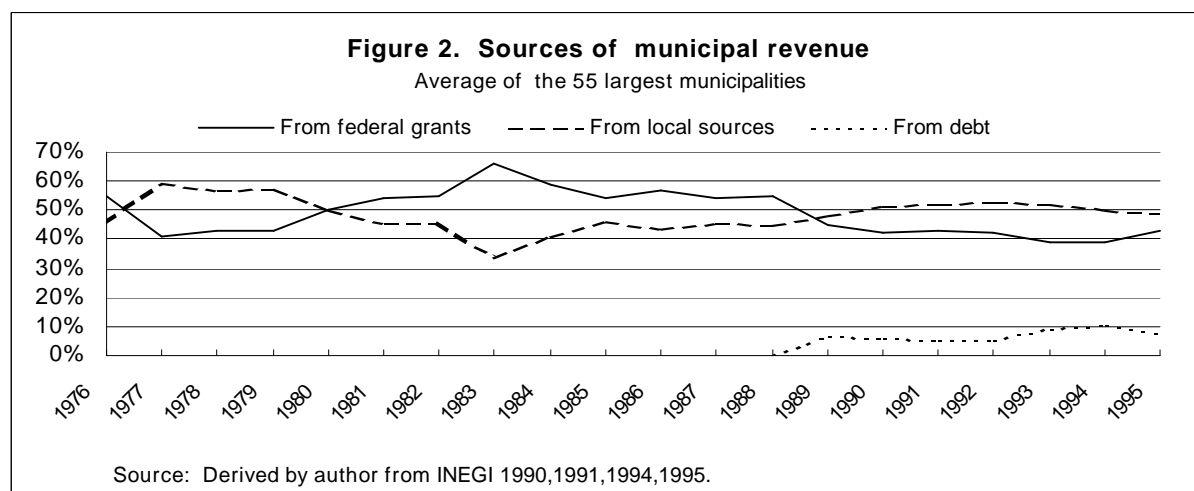
Analysis of INEGI data (Figure 1) reveals that the average amount of revenue controlled by the fifty-five largest Mexican municipalities more than doubled in real terms between 1976 and

1994. The following year, in the midst of the economic crisis which hit in December 1994, average municipal revenues fell back to 1992 levels. Even with this setback, though, the data clearly show that municipalities have more, not less to spend on public services than before the decentralization reforms.



As noted above, the trends in Figure 1 suggest that decentralization has not led to financial austerity at the local level, at least in the largest municipalities. However, equally important in terms of local service provision is the source of these “new” local public resources. Higher levels of subsidy from the federal government as a percentage of total municipal budgets are not desirable under decentralization schemes, since such funds often come with political and policy strings attached. In addition, the federal level is not considered the most efficient at raising certain types of revenue, including most of those granted to Mexican municipalities. In contrast, a greater dependence on local sources (in Mexico’s case, taxes on property and property transfers, fees for local services, licenses, permits and a variety of “nuisance taxes”) is considered beneficial in part because of the closer linkage of these types of taxes with the types of services municipalities perform, and in part because of local government’s advantage over the federal level in identifying and taking advantage of local revenue sources (Bahl and Linn 1992; Musgrave 1959; Oates 1991; Shah 1994).

In the case of the largest Mexican municipalities, the principal source of local income since the late 1980s has ceased to be federal grants, and locally-raised income as a share of total municipal income has become increasingly important (Figure 2). This implies not only that these large municipalities now are exercising larger budgets, but that they also have greater freedom to program an increasing share of their spending. If supporters of decentralization are correct, the result should be a closer fit between public spending priorities and local needs and preferences. In addition, the increasing dependence of municipal governments on local sources of income suggests that the gains of decentralization will be difficult to reverse by federal mandate. Municipalities would be likely to guard fiercely their new-found revenue sources—and their discretion over their use—against any incursions by higher authorities.



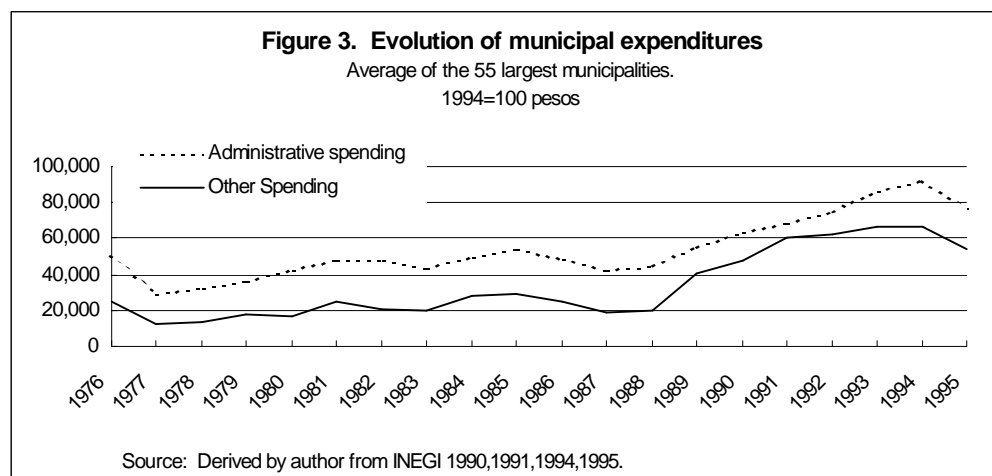
Other indicators of local service provision levels

Thus, this review of resources at the municipal level suggests that far from imposing financial austerity on the local level, decentralization has spurred the elaboration of new sources of public finance, perhaps because local officials have greater incentives to search out revenue if it goes directly to the municipal purse rather than to the budgets of other levels of government. But has the greater amount of locally-raised revenue improved service provision in the largest Mexican municipalities? The evidence is discussed below with reference to two types of information: first, municipal expenditure data from the same group of large municipalities, and second, in the following sections, with reference to four case studies selected from this group.

The statistical data on types of municipal expenditures gathered and published by INEGI is not suited to evaluating the quality of local public services. However, one rough approximation compares the share of total spending on administrative tasks to other municipal spending. The idea here is that this second category, non-administrative spending, comes close to measuring the share of municipal income spent on service provision. Using this strategy, one prominent study of municipal finances (a larger and more diverse group than my own) finds that the bulk of new revenues are going to administrative spending (Cabrero 1996). As the author suggests, this may raise fears of “over-bureaucratization” at the local level, but it may also represent the attempt by municipalities to catch up on long-standing deficits in administrative resources, such as personnel and basic computer equipment.

In the case of the largest Mexican municipalities, resources spent on non-administrative tasks have increased moderately since decentralization reforms were implemented, from an average of 31% from 1976 to 1983, to 39% of total spending from 1984 to 1995 (Figure 3). Equally important, it appears that the largest jump in this spending came about since 1988, precisely the period during which municipal incomes increased most rapidly. This suggests that “over-bureaucratization” has not yet become a problem in the largest municipalities. Still, these

conclusions are tentative at best. We cannot be sure at what point “over-bureaucratization” might set in. Indeed, the implicit expectation is that administrative spending will taper off over time as shortfalls are overcome, much the same as happened at the federal level in Mexico. But if present trends in large municipalities continue unchanged over the long term, this would signal over-investment or wasteful administrative expenditures.



Before moving to the analysis of four municipal cases, it is important to underline a number of limits to these analyses which bear on the questions of service provision explored here. First, the focus here on averages should not distract from the fact that the ranges (standard deviations) among the fifty-five municipalities remain large for a given year. In addition, the identities of the outliers (extreme cases) vary from year-to-year: there is no clear sub-group of large municipalities which consistently fall outside the norm. This is not just an analytical inconvenience. It also suggests that planning and budgeting for public services in these municipalities is complicated by unpredictable levels of public finance from one year to the next.

The other clear limitation of these analyses is that they exclude small municipalities entirely. I justify this in two ways. First, while the group of fifty-five municipalities analyzed here are only a small fraction of the total number of municipalities, they are home to one-third of the total national population. Second, there is some reason to believe that small municipalities in Mexico are different in a qualitative way from their larger counterparts, especially in terms of the availability of local sources of public income (see Rowland, forthcoming). It is important, too, to recognize that the population threshold at which small and large municipalities can be expected to diverge is not clear. My choice of municipalities with populations above 250,000 is utterly arbitrary, and serves more as an analytical convenience than anything else.

LOCAL GOVERNMENT CAPACITIES: EXPERIENCE IN FOUR CASES

We have seen in the previous section that a widespread decentralization of austerity did not occur in large Mexican municipalities, at least in financial terms. However, to consider austerity strictly as a measure of public revenue misses many of the important lessons which can

be taken from the Mexican experience. Indeed, perhaps even more scarce than public revenue in developing countries is the institutional capacity needed to assess local citizens' preferences and needs, and then to plan and implement projects accordingly.

Mexico and most other developing countries can boast of highly-educated and –trained personnel in many areas of federal government, but decades of suppression of local government autonomy has left little incentive for the most ambitious and capable public servants to remain in local posts. In Mexico, municipalities have traditionally been the jumping-off points for those wishing to move to higher office, but these posts were seen as part of a career strategy (principally, to prove loyalty to one's political team) and a temporary assignment at most. For these reasons, neither the institution of municipal government, nor many of those who hold posts in local governments, are particularly suited to meeting the new challenges presented to municipal governments by decentralization.

The importance of municipal government in Mexico has begun to increase in the past decade, in large part because of the establishment of relatively “clean” electoral competition in most of the large municipalities, but also because of the limited decentralization of public tasks which has taken place. Difficulties, of course, remain in many areas. The question for this section is whether shortfalls in institutional and administrative capacity were transferred to the local level as a result of decentralization in Mexico. In other words, have decentralization efforts led to local “austerity” in areas other than public finance?

Difficulties in research

In attempting to answer this question, we are once again confronted by severe data limitations in the Mexican case. What is more, the qualitative nature of the issue complicates a measurement of local government capacity over large numbers of municipalities. Here, I approach the problem by concentrating on four case studies of large urban municipalities.¹ The cases—Celaya, Mexicali, Naucalpan, and the Port of Veracruz—were chosen from among the fifty-five largest Mexican municipalities, controlling for factors such as municipal and state party affiliation, regional dispersion and types of urban development (see Appendix B). Once these parameters were established, however, the willingness of municipal and state officials to cooperate with the study also played a major role in the selection of cases. This no doubt skews the case studies toward those municipal administrations which are less defensive and secretive about their activities, and organized enough to provide answers to questions asked in interviews. Unfortunately for the purposes of this research, openness and transparency in administration are key aspects of improved administration, but this bias is unavoidable given the research method employed.

A second limitation to this approach should also be noted. While basing the analysis of local government's institutional and administrative capacity on a small number of case studies is helpful, it does not resolve all the problems related to this issue. Most importantly, failures in

¹ The bulk of the research on these municipalities was undertaken through interviews with officials of all levels of government in 1996 as part of a larger study on decentralization and municipal government (Rowland 1997).

municipal capacity since the implementation of decentralization began are relatively easy to identify, but measuring advances is considerably more difficult. One reason for this is that fifteen years of progress toward decentralization may not represent an interval long enough to demonstrate concrete results in urban management. Indeed, one could argue that the problems of urban areas in Mexico were much longer in the making, and thus will require decades to begin to resolve. In the meantime, brief terms of office at the municipal level (three years) make policy swings frequent and common, and further complicate the measurement and interpretation of successful service provision. What appear to be positive steps in administrative reorganization, for example, may be reversed or perverted so that these measures never have their intended effect.

It should also be noted that since the late 1980s in Mexico, a focus on improved urban service provision has only been one small part of a much wider process of change in government. As electoral competition has heated up at the local level, it has become clear that running on one's record—as a successful provider of public services, or otherwise—plays just a small part in electoral politics, in part because the Constitutional ban on re-election in Mexico. Instead, local contests are tightly linked to national issues and conversely, the weight of local issues in local voting behaviors is often minimal.

Thus, members of the ruling party (PRI) often have faced a tricky problem at the local level: how can their candidate be disassociated with the disdain widely held for the Party's national leadership, especially during times of political or economic difficulty? It is widely believed that during much of the past decade, many Mexicans have engaged in "strategic" voting, that is, choosing the opposition candidate most likely to beat the PRI candidate, regardless of which party the opposition candidate represents. Among the cases studied here, the "punishment vote" seems responsible in part for the opposition's win in Mexicali for the 1996 to 1998 term. In contrast, opposition parties, with much smaller bases from which to draw candidates, often face the choice between promoting a candidate who appears loyal to the party, and one who has popular appeal. This strategy may backfire, however, as happened in the Port of Veracruz from 1995 to 1997, if a popular "outsider" candidate should choose to stray from party norms once in office.

The point here, then, is twofold. First, although Mexico has made great progress in recent years in improving the competitiveness of local elections, we cannot rely on electoral outcomes to measure success in service provision or even voter satisfaction with particular local administrations. Second, the recentness of the rise in importance of municipal government in Mexico implies that much of the behavior of both public officials and voters reflects a learning process. As administrations struggle through new situations and voters try to discern the best choices for local leadership, wide swings in policy are not surprising. This further complicates the job of analysis.

Evidence of success and failure

Given these complications, two favorable experiences in the four case municipalities merit discussion as part of the analysis of the results of decentralization in Mexico. These help illustrate the potential of municipalities to innovate and take advantage of changing conditions to improve aspects of local life.

The municipality of Naucalpan used its increased independence in local service provision policy to offer a concession designed to improve the condition of its largest and most heavily used green space, Parque Naucalli. In exchange for signage and other improvements, all of which bear the soft-drink's logo, Coca-Cola is now the exclusive vendor in the vast park. Municipal authorities are pleased with the marked improvement in the park's physical appearance, and usage is reportedly up.

In the municipality of Mexicali, a more profound change came about under the 1996-98 administration with the establishment of the Copladem Ampliado, an early version of what has become national policy for coordinating planning among the three levels of government and for incorporating citizen preferences into planning processes.² The system in Mexicali combined the locally-specific knowledge of elected district representatives with the technical expertise of municipal, state, and federal officials to plan projects and spend the federal public works funds (Ramo 26) at the municipality's disposal.

The ability to allocate and spend significant amounts of money gave Mexicali's Copladem Ampliado a relevance in municipal politics that similar councils in the other case municipalities had not achieved. Mexicali's experiment in municipal planning and citizen participation has since been superseded by changes in national policy, specifically with the introduction of Ramo 33, a program of grants to municipalities which promotes the planning and implementation of municipal spending programs with citizen participation through Copladems (also known as Coplademuns), in much the same way that the Copladem Ampliado was designed.

The point to be drawn from these two successful experiences is that decentralization, rather than simply displacing government deficiencies from the center outward, may actually liberate local governments to experiment and innovate. Still, several clear failures in municipal institutions and administrations were identified in the four urban case studies, and these also bear on the assessment of decentralization in Mexico. In particular, the lack of long-term municipal planning and the paucity of participation by citizens in the decisions of local government in three of the four case studies stand out as perhaps the most discouraging failures of decentralization. In both Celaya and Naucalpan, the Copladems remained merely advisory organs during the study period, with no power to design and implement projects. The situation in Veracruz was even more problematic. There simply was no Copladem, and a Veracruz State official acknowledged that these councils often do not exist in any organized way in the municipalities.

² Municipal Development Committees (Copladems or Coplademuns) were initiated in the early 1980s, but local use of these committees has varied widely over time and across regions. A first round of changes in this program by the Zedillo administration in 1995 allowed more flexibility in the organization of the Social Development Councils (also known as Communitarian Committees), and Mexicali was one of the first municipalities to take advantage of this opening to coordinate Ramo 26 funds with the local administration's own goals and projects (Rowland 1997).

On the other hand, such failures are hardly new in Mexican local government. The focus of municipal personnel on pleasing more-senior party members has traditionally led to the neglect of longer-term issues such as land-use, traffic management, and waste disposal (results of this neglect are made clear in the municipal surveys discussed in García del Castillo 1995). Citizens, meanwhile, typically have been viewed more as impediments to municipal administration than as participants in it (Fagen and Tuohy 1972; Graham 1968). In this sense, these problems in planning and citizen participation might be the clearest evidence of a decentralization of flaws from which central government also has long suffered. But because these problems have been present for so long at the municipal level, it is difficult to place the blame for them on decentralization *per se*.

However, experiences in these cases suggest other threats to the provision of municipal public services as well. In Celaya, we find that decentralization did not provoke an improvement in local finance. Instead, the administration which entered office in 1995 found itself in debt to the tune of 104 million pesos, or 144 times the entire local budget for that year. While state governments ostensibly are responsible for overseeing local spending, this oversight was clearly lacking in this case. The previous administration racked up enough outstanding loans, principally from private local contractors in construction projects, that the national development bank (BANOBRAS) had to step in with a refinancing plan so that the incoming administration could pay for basic government operations. Even with this refinancing, the administration's ability to provide basic services, not to mention invest in other projects, was severely curtailed.

Around the same time, the municipality of Veracruz was struggling with the effects of a major federal project within its jurisdiction. The federal government had decided unilaterally to expand the facilities of the Port of Veracruz, tripling the total of tonnage handled by the Port. This project involved vast construction along the waterfront north of the current Port and was scheduled to continue for at least five years. Since construction began, traffic flows and economic activities in the city have been substantially altered, and literally tons of sand and saltpeter is borne by the north winds into the city itself. Thus, not only are municipal services disrupted, but local citizen participation in choosing the physical form of the municipality has been essentially overruled by the federal government.

The experience of the municipality of Naucalpan in its attempt to privatize garbage collection services is a final example of the ways in which municipal institutions in Mexico have failed to keep up with the needs of modern urban areas. The 1994-1996 administration revoked a contract signed by their predecessors with a joint US-Mexican firm, alleging that the company failed to deliver the promised high-technology equipment and to collect waste in all of the areas under its responsibility. The administration offered a settlement of \$1.5 million (USD) to the company, but has so far not paid any money at all. The company has resorted to international arbiters, and the matter is currently wending its way toward the negotiation mechanisms established by NAFTA. Meanwhile, after five years of dispute, the municipality remains the primary provider of garbage collection services, and complaints about service problems continue.

INTERPRETING SERVICE PROVISION SUCCESSES AND FAILURES IN THE FOUR CASES

How can we explain these examples of success and failure in local service provision? What can we learn from these cases that might smooth the path of decentralization in other Mexican municipalities and in other countries? As alluded to above, I suggest that the failures in decentralized local service provision have much to do with deficiencies in institutional and administrative capacity at the local level. These deficiencies become more glaring as the process of decentralization proceeds because local governments are being asked to perform functions for which the municipal level in Mexico has not adjusted over the course of its existence. In other words, not only are administrative and institutional capacities at the central level not being decentralized; local governments are being charged with new tasks for which they are poorly adapted, often in conditions of extreme uncertainty about legal procedures, future finance levels, and the actions of state and federal governments.

Administrative capacity

The most problematic administrative issue in Mexican municipalities is the lack of sufficiently qualified personnel at the local level. This is not surprising if we recall that civil service is almost non-existent in Mexico, and that until very recently there was little work of much interest for talented and trained administrators to do at the local level. However, the character of work at the local level, especially in urban areas, changes with each step toward decentralization. While “learning by doing” is possible, short terms of municipal office and rapid employee turnover mean that more intensive and organized training is needed. Unfortunately, local administrative incapacity is proving to be a significant bottleneck, even in the most populous municipalities.

The contrasting experiences with the concession of municipal recreation and garbage collection services within the municipality of Naucalpan helps point up the complex nature of local government administration. It is relatively easy for a local official to go to Parque Naucalli and verify that the signage promised by the concessionaire is in place. In contrast, municipal garbage collection in a large and diverse urban area offers myriad opportunities for shirking on the part of the concessionaire, and close monitoring by the municipality would be so time-consuming that it would defeat the purpose of the concession. These observations suggest that there indeed may be benefits from the privatization of some services, but that at this point in the development of municipal administration, such benefits will only be realized in those services which are relatively simple to perform and to monitor.

In the case of Veracruz, where not even the basic framework for planning and citizen participation was established at the time of this research, the low level of capacity of municipal personnel is even more evident. Not only were the Copladem mechanisms entirely missing, but no municipal officials interviewed during this research appeared to notice their absence. That the state administration at the time had no real interest in promoting these programs only made matters worse.

Institutional capacity

Even more problematic than the administrative problems detected in this study are the institutional deficiencies at the municipal level. Administration can be learned, but building or redefining institutions and their relationships with existing institutions is a much less straightforward task. The institutional discussed here offer a first step in this direction by identifying and trying to explain several of the other municipal experiences outlined above.

The differences among the three case municipalities which did have Copladems during the study period (Celaya, Mexicali, Naucalpan) can be explained with reference to partisan strategies for electoral advantage. Such strategizing is not in itself unhealthy—indeed, it is a useful part of a functional democracy. The problem is that in only one of the four case municipalities, was such strategizing present during the study period. To be more specific, in Mexicali, the quick incorporation of Ramo 26 funds into the Copladem Ampliado structure was a clear attempt by a PAN administration to channel these funds in a way that responded to local preferences, and did not interfere with the local administration's own agenda. This was not an unreasonable response to recurring complaints of political manipulation in the use of such funds in municipalities governed by the opposition and the PRI alike.

Naucalpan and Celaya, as PRI administrations, probably either disagreed less with federal and state spending priorities, or had less to gain by challenging a higher-level agency for control of these funds. However, without the ability to allocate funds among competing projects, the Copladems in these two municipalities attracted little attention from citizens. As local institutions for integrating citizen participation into local planning for service provision, they failed.

The two other cases of institutional failure at the local level noted above—Celaya's outstanding debt problem and the difficulties associated with construction at the Port of Veracruz—concern relations of the local level with higher levels of government. In Celaya's case, the insufficiency of oversight by the state legislature left the incoming administration saddled with a nearly impossible situation. It is not clear whether partisan strategizing was involved in this case (the municipality, the state legislature, and the state executive were dominated by the PAN at this time), but the damage inflicted on the new PRI administration's capacity to govern is undoubtable.

The experience in Veracruz points up another side of the weakness of the local level as an institution of government. While token representation of the municipal government was present in the decision-making related to Port construction, the municipality exerted no real power to affect the outcome of decisions related to the physical changes within its jurisdiction. Nor was any real effort made by the federal level to mitigate the resulting problems. But municipalities in Mexico have little recourse against the state and federal levels; while Constitutional challenges led by municipalities are becoming more frequent since legal reforms at the beginning of the Zedillo administration, no municipality has ever won a case against a higher level of government (Cárdenas 1996).

CONCLUSIONS: LESSONS FROM MEXICO

Quite contrary to the predictions of critics of decentralization, fifteen years after Mexico's major decentralization reforms, large urban municipalities as a group have more money available for public services than ever. The feared "decentralization of austerity" has not come about, primarily because local governments have become more efficient at tapping local source of revenue. Unfortunately, larger municipal budgets do not necessarily translate directly into better service provision. As the second part of this paper illustrates, the experiences of large municipalities in exercising these larger budgets to the benefit of their citizens is decidedly more mixed. Progress in building institutional and administrative capacity at the long-neglected local level has lagged far behind advances in local public finance, even in the largest municipalities. The reason is simple: in contrast to financial resources, few local areas had untapped reserves of administrative and institutional capacity to which they could turn as the need for them developed.

In retrospect, public finance reform appears to be one of the easier aspects of decentralization for the center to implement. In contrast, deficiencies in administrative capacity at the municipal level take low priority on the agendas of federal and state governments, presumably because they are time-consuming, not particularly sexy, and must be ongoing to make up for the constant rotation of municipal employees. In addition, primitive administrative practices may actually be preferred by some officials, since they allow more scope for executive action. Institutional issues, such as overseeing public spending, protecting local jurisdictions from unwanted interventions by higher levels of government, and restructuring forms of citizen-government interaction, presumably require not just longer time-horizons, but also a deeper commitment to decentralization on the part of multiple levels and branches of government.

But the research in the case municipalities suggests that in spite of these administrative and institutional limitations, municipalities are not doomed to fail. Decentralization in Mexico has offered opportunities for some of the most capable and inventive municipal governments to make gradual improvements in local service provision. In addition, recent changes in the distribution of the bulk of "social development funds" (Ramo 26, previously known as PRONASOL) to a more transparent system of targeted federal grants to municipalities which must be spent on the health, education and poverty combat programs of local choosing (Ramo 33), will help promote additional service provision projects at this level.

Thus, I argue that by creating the opportunity for individual municipal administrations to create new policies—whether successful or not—decentralization has helped create and strengthen new actors (local politicians) with keen interests in continued decentralization. These new actors have challenged the control of the process of decentralization by the center and the states, which are often constrained by their own ambivalence about the implications of this process, and now are exerting pressure against the remaining limits to a true decentralization.

This analysis may shed light on current processes underway in Mexico. But it perhaps avoids the more important question about decentralization from the point of view of public policy: Has urban service provision improved as a result of decentralization policies? Unfortunately, a generalized answer to this question is nearly impossible. Not only are available measures of this

multi-sided question too weak to be of much use, but the very process of decentralization, as noted above, has given rise to a greater variety of conditions across municipalities.

What can be said—perhaps too cynically for some tastes—is that things do not seem to have gotten appreciably worse. There is no generalized sense of crisis in urban services in Mexico, although this might be attributed to public preoccupation with other political and economic problems such as spiraling crime rates and dubious bank bailouts. Some cities, such as Acapulco after a severe hurricane in 1997, have been revealed to have neglected important aspects of their local responsibilities. Still, in this case, it appears that the state government is more to blame for allowing housing in dangerous areas, given its domination of local politics in Acapulco. In other words, the root of the problem can be traced to intergovernmental relations, and not decentralization *per se*. It is also worth noting that this case is a notorious exception, rather than the norm.

What may be happening more generally under decentralization is that the public officials responsible for providing local services now feel more direct citizen pressure to make improvements. Continued rhetoric about decentralization has effectively channeled growing demands by citizens for improved services to the local level in large municipalities. In that sense, the broader opportunity for improved public service delivery under decentralization is significant, since it leaves this opportunity in the hands of those most affected by the quality of these services.

Appendix A. The fifty-five most populous municipalities in Mexico.

Municipality	State	1995 Pop (est.)	% Pop growth 1990-95
Guadalajara	Jalisco	1,632,512	(0.2)
Ecatepec	México	1,456,438	3.6
Nezahualcoyotl	México	1,233,680	(0.4)
Puebla	Puebla	1,222,177	2.9
Monterrey	Nuevo León	1,088,041	0.4
León	Guanajuato	1,036,758	3.6
Tijuana**	Baja California	1,035,415	6.7
Juárez	Chihuahua	1,010,533	4.8
Zapopan	Jalisco	924,983	5.4
Naucalpan	México	839,430	1.3
Tlalnepantla	México	713,180	0.3
Culiacán	Sinaloa	696,079	3.0
Mexicali	Baja California	695,805	2.9
Acapulco	Guerrero	687,009	3.0
Mérida	Yucatán	649,153	3.1
Chihuahua	Chihuahua	627,187	3.4
San Luis Potosí	San Luis Potosí	624,764	3.5
Guadalupe	Nuevo León	618,890	2.9
Aguascalientes	Aguascalientes	582,628	2.9
Morelia	Michoacán	577,570	3.2
Toluca	México	564,287	2.9
Hermosillo	Sonora	558,858	4.5
Querétaro	Querétaro	558,624	4.1
Saltillo	Coahuila	528,146	3.7
Torreón	Coahuila	507,800	1.8
San Nicolas de los Garza	Nuevo León	487,918	2.2
Centro (Villahermosa)	Tabasco	465,393	3.8
Durango	Durango	464,213	2.3
Chalco*	México	462,336	10.3
Tlaquepaque	Jalisco	449,495	5.7
Atizapan de Zaragoza	México	427,338	6.3
Veracruz	Veracruz	425,073	5.3
Cuautitlan-Izcalli	México	417,645	5.0
Irapuato	Guanajuato	412,429	2.6
Chimalhuacán	México	411,890	11.2
Tuxtla Gutiérrez	Chiapas	385,787	5.4
Matamoros	Tamaulipas	363,236	3.7
Tultitlán	México	361,350	8.0
Mazatlán	Sinaloa	357,229	2.6
Celaya	Guanajuato	354,085	2.7
Cajeme (Cd. Obregon)	Sonora	344,983	2.1
Ahome (Los Mochis-Topolobampo)	Sinaloa	340,347	2.3
Reynosa	Tamaulipas	336,732	3.6
Xalapa	Veracruz	336,345	3.1
Cuernavaca	Morelos	316,760	2.4

Municipality	State	1995 Pop (est.)	% Pop growth 1990-95
Ensenada	Baja California	314,281	3.9
Benito Juárez	Quintana Roo	311,769	12.0
Tepic	Nayarit	292,704	3.9
Valle de Chalco Solidaridad*	México	286,906	--
Tampico	Tamaulipas	278,948	0.4
Nuevo Laredo	Tamaulipas	274,913	4.6
Tonalá	Jalisco	271,969	10.0
Guasave	Sinaloa	264,192	0.5
Coatzacoalcos	Veracruz	259,003	2.1
Gómez Palacio	Durango	256,983	2.0
Uruapan	Michoacán	250,717	2.9
Total		31,366,010	
National		91,158,290	2.3

Sources: derived by author from Conapo 1994, INEGI 1996.

* Valle de Chalco Solidaridad was carved primarily out of Chalco, in the early 1990s.

** A new municipality, Playas de Rosarito (pop. 46,128), was carved out of Tijuana in 1995.

Appendix B. Profile of the four municipal cases.

The selection of cases from among over 2,400 Mexican municipalities was complicated by their great variety. Given my emphasis on the potential of local governments to perform the service provision tasks assigned to them in national policy, I preferred to concentrate on urban municipalities, since these are generally considered the most likely to be able to perform the tasks foreseen for them under decentralization.

However, even among the group of fifty-five largest Mexican municipalities discussed in this paper, it is difficult to select “typical” cases. I opted instead to maximize the variety in the four municipalities in order to include a number of key aspects of Mexican urban areas. This effort implied choosing cases in a variety of regions, with a variety of patterns of urban growth and development, as well as different economic bases. Political party affiliation was also taken into account at both the municipal and state level, since it is often argued that this affects the potential of municipal administrations.

Even with these considerations in mind, the choice of municipalities was fairly arbitrary: ultimately, the availability of municipal authorities who were willing to share information was crucial to the choice of cases. Within these restrictions, the municipalities chosen for this research are Celaya (Guanajuato), Mexicali (Baja California), Naucalpan (Estado de México), and Veracruz (Veracruz).

The municipalities of Mexicali, Celaya, Naucalpan, and Veracruz vary in a number of key ways, as summarized in Figure 4. Geographically, they are distributed from the northwest border with the United States, to the central north section of the country, to the center, and east to the Gulf Coast. Research in the vast and populous south and southeast sections of the country was limited by the difficulty of finding cooperative local and state officials; research in additional regions was restricted by time considerations.

Figure 4. The case municipalities

Municipality, State	Population 1995	Average annual pop. growth 1990-95	Basis for urbanization	Political affiliation	
				Municipal	State
Celaya, Guanajuato	354,085	2.7%	Agricultural center	PRI (1995 to 1997)	PAN
Mexicali, Baja California	695,805	2.9%	Agri. center, state capital, border location	PAN (1996 to 1998)	PAN
Naucalpan, México	839,430	1.3%	Adjacent to DF, industrial center	PRI (1994 to 1996) PAN (1997 to 2000)	PRI PRI
Veracruz, Veracruz	425,073	5.3%	Port activities, tourism	PAN (1995 to 1997)	PRI

Source: Rowland 1997.

The four municipalities chosen for this study also represent some broad differences in urban function and the impetus for urban growth. The Municipality of Veracruz, founded by Hernan Cortés in 1519, is the oldest of the group, and prides itself on being the first municipality in the Americas. Its urban growth is owed primarily to the Port of Veracruz, which remains one of the largest ports in Mexico. This port has long been considered of national strategic importance, and for that reason has been under the control of the federal government, although privatization efforts were begun under President Carlos Salinas. Tourism also plays a major role in the local economy, with guests attracted by the relaxed, tropical ambiance of the historic central city, and annual festivals during Carnival and Holy Week.

Veracruz is located on the Gulf of Mexico, about 420 kilometers east of Mexico City. Combined with five neighbors, the municipality forms part of the Veracruz Metropolitan Region, of which the municipality of Veracruz is the most populous and urbanized member (425,073 residents in 1995). It is also the most populous municipality in the State of Veracruz, although its share of the State's total population has fallen since the 1960s and 1970s to about 5.3% in 1990. The municipality encompasses 241 kilometers (almost 150 square miles), and includes a good deal of rural land (mostly dedicated to cattle and tropical fruits) and some very small settlements. The great majority of the population, 92%, resides in the City of Veracruz (INEGI 1990).

Celaya is also an old city, founded in 1571, and it has long served as a regional center for agricultural trade in the flat, fertile, semi-arid, and rather densely populated southeast region of the State of Guanajuato, approximately 265 kilometers (165 miles) northwest of Mexico City. With approximately one-third of the state's arable land located within its boundaries, agricultural activities remain an important source of income and employment in Celaya. Large-scale and export-oriented farming of grains, as well as onions, garlic, asparagus and broccoli, have become more common in recent decades, and growth has also occurred in agriculture-related production (from frozen foods to fertilizer), as well as related service and commercial activities.

A significant portion of the municipality of Celaya remains rural, and just over half of this land is administered under the ejido³ system. Only 6.4% of the municipal territory is urbanized, but approximately 84% of the municipal population resides in this urban area (Almanza 1996^a). In spite of its growing population (354,085 in 1995) and modern economic orientation, however, the city of Celaya retains a conservative and small-town character.

Mexicali, like Celaya, originally derived its importance from agriculture, but it rapidly developed governmental and industrial functions as well. The city was founded in a little-populated valley at the northeast border of the state of Baja California at the beginning of this century, when irrigation projects there, and in California's Imperial Valley to the north, diverted the Colorado River and made large-scale agriculture possible, mostly for the production of cotton. The municipality is still a major agricultural producer, primarily in the form of mechanized farming on irrigated private tracts of wheat, cotton, alfalfa, rye, and feed corn (INEGI 1994).

³ The ejido is property owned by the federal government, but managed and farmed by rural communities.

Mexicali also serves as an important center for regional government functions as the capital of the State of Baja California. In recent decades, the city has grown to be one of the major maquiladora sites, as well. It is often preferred to Tijuana, 190 kilometers (120 miles) to the west and closer to major cities in the United States, because of its abundant water resources, and bountiful flat land. Within the municipality of Mexicali, urban population dominates, though not to the extent it does in the other municipal cases because of the vast size of the municipal territory—nearly 14,000 square kilometers (8,680 square miles)—and the continued strength of agriculture. In 1990, 73% of the total municipal population (estimated at 695,805 in 1995) lived in the city of Mexicali, while the towns of Guadalupe Victoria and San Felipe together accounted for another four percent (with about 10,000 inhabitants each), and the rest of the population was sprinkled among much smaller communities. Aside from San Felipe, which serves as a tourist destination for both Baja Californians and residents of the United States, these rural communities depend on agriculture for their livelihoods. Although its population now dwarves Calexico on the northern side of the border, Mexicali retains the feel of other border cities along the northern frontier, with much commercial, educational, and cultural traffic in each direction, and an open style of government which in some ways has more in common with the local level in the United States than most of the rest of Mexico.

The fourth of my municipal cases, Naucalpan de Juárez, is located in the State of México, on the northeast border of the Federal District (DF, Distrito Federal). A sleepy rural area only fifty years ago, its rapid transformation into one of the most populous municipalities in the country (839,430 residents in 1995), and a dynamic commercial and industrial center in its own right, began with the limits on housing and industrial growth imposed in the Federal District in the 1950s. The municipality is now a mixture of luxury housing and squatter settlements, high-tech international companies and traditional, informal enterprises. Nearly all the residents of Naucalpan (98%) live in the densely-urbanized eastern side of the municipality, which makes up less than half of the total municipal area (150 square kilometers, or 93 square miles). The remainder of the population is spread over the hills and canyons in thirty-seven rural communities ranging in size from 13 to 4,400 persons.

The main challenges to Naucalpan come from coping with extensive urbanization and industrialization within the constraints imposed by being part of the Mexico City Metropolitan Zone (MCMZ). The municipality suffers from most of the problems of pollution, traffic, and crime that plague the Federal District, but it has only a small fraction of the resources of the DF to devote to these problems within its jurisdiction.

However, while the DF has often seemed to forget about the existence of Naucalpan and other “conurbated”⁴ municipalities, the municipalities have always had to reckon with the actions of the DF. Roads and subway lines, for example, are designed from the center, with the needs of the DF taking precedence over those of the surrounding municipalities. Responses to metropolitan-level problems like air pollution and water supply also tend to be formulated in the DF, and then imposed on the surrounding municipalities (Iracheta 1997). But not all of the

⁴ This word is derived from the Spanish conurbado, which refers to municipalities which began as individual settlements, but were incorporated into the fabric of a larger urban area with population growth over time.

problems associated with Naucalpan's location as part of the MCMZ are the result of policy errors, and not all could be alleviated with improved policy design and governance. Both population and economic dynamics in the municipality depend in large part on the patterns of the MCMZ as a whole. Similarly, the ambiance of the municipality, as well as its style of administration, has much more in common with the cosmopolitan and fast-paced style of the DF than the other three municipalities.

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