THE STATE MANAGEMENT CAPACITY INDEX IN MEXICO: A TOOL FOR MEASURING PUBLIC POLICIES IN LOCAL GOVERNMENTS

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Abstract:

The main purpose of this paper is to present the results of the construction of a methodological instrument called the **Subnational Local Governance Index** (ISGL).   This Index was built to contribute to the assessments of institutional capacities of local governments, in order to resolve public problems in Mexico. The construction of the Index was founded on four main features: 1) The lack of public policy in education, health, public services and housing quality, measured by the level of social backwardness, 2) the structure of government and administration, measured by the institutional capacities, 3) the quality of local government, measured by the level of credibility of the citizens through subnational governance and

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4) the local financial capacity, measured by the ability to generate income and to manage the public debt. Basically, the following questions have been used to build the Index: What is the level of social backwardness at the local level? What kind of institutional structure exists at the local level? What is the profile of the public policy managers at the local level? What is the capacity to generate income? What is the level of citizens' confidence in local governance?

Keywords: Local Governments, Management Capacity, Public Policies

Introduction:

Solving public problems of local governments requires a transformation in their institutional, economic and political structure. For the transition of the institutions into active schemes with more horizontal participation of actors from the local community, transformations are required in all areas, such as in political affairs, institutional structures and patterns of decision-making. Therefore, cooperation schemes in the construction of a more active citizenship, economic growth and democratization of the regime will be strengthened.

Latin America has gone through transformation of processes as a central part of the third wave of democratization. This is a consequence of authoritarian rule beginning to fade, with clear democratic aspirations for regular and competitive elections, universal suffrage, economic competitiveness, changes in institutional structures, strengthening of political rights and the strengthening of a new type of organized and informed society. Even with these changes, the 1990s' major problems were perceived as intensifying due to an increase in social demands, an acute economic crisis, an increasing lack of legitimacy of the state, problems within nations and inefficiency in almost all sectors of public policy (Cansino)[3].

With the advent of the new millennium, there were new achievements in the economies and political systems as a result of actions taken in the medium and long term. In the case of Mexico there has been

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[3] Cansino, César (1994). "Pensar la transición", La Jornada Semanal, México, núm. 276, septiembre de 1994, pp. 39-42. Revista: Democratización y Liberación. http://www.ife.org.mx/documentos/DECEYEC/democratizacion_y_liberalizacion.htm#11. [accessed 10 June 2013].

some progress, with factors such as the alternation in government, the establishment of electoral bodies, transparency and accountability. Mexico has begun a new journey as a nation toward building a more equitable system according to international guidelines. Thus, the operation of local governments is changing, the system is facing a new political game with more competition, constitutional reforms have changed the political institutions, ongoing reforms have imposed new challenges, and processes and policy actors public have undergone great changes. The democratization process has strengthened political pluralism, which is expressed in a multiparty system, and has implemented a federalism that leads to greater political and electoral autonomy of each state.

However, Mexico experienced a deepening of these changes at the federal level. In many states, democratization has been gradual: a number of legacies and slightly open practices, coupled with the difficulties created by the heterogeneity of the institutions in the country. These situations have imposed greater challenges in the search for the consolidation of institutions and their economies under the new democratic schemes. The political and economic importance of subnational units, while it is evident in key public policy sectors, has not been analyzed in terms of the multiple consequences of the weakness of the Mexican political system (Gervasoni)[4].

I.

Identify the scope and limitations of the explanatory power of theories on governance and public policy in a local governments context.

Specific objectives

1) Identify and analyze, through rigorous scientific instruments, problems and inadequacies of local governments in Mexico. The aim is to generate the State Management Capacity Index in Mexico (ICGEM) as a tool to improve the ability of designing public policies, generating accurate and updated information, and allowing a diagnosis of the institutional structure of the local governments.

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[4] Gervasoni, Carlos. 2010. "Measing Variance in Subnational Regimes: Results from an Experts-Based Operationalization of Democracy in the Argentina Provinces". World Politics 62 (2): 13 – 52.

2) Describe from the data obtained the various needs for institutional capacity to solve public problems, emphasizing the process of making public policies more efficient.
3) Check the theory of governance in order to refine the interpretative framework for the construction of the Index.
4) Characterize local governance as a process of social, economic and political change in Mexico.
5) Identify the characteristics of government and public administration entities of Mexico.
6) Propose an agenda for institutional strengthening of the state government in Mexico.

Hypothesis and main goal of the research

Central Hypothesis: The governance approach identifies the institutional weaknesses of the Mexican local governments in the process of making public policies that seek to resolve major public problems faced by Mexican in different states.

H1: The local governments in Mexico have revealed institutional weaknesses in the process of making public policies that seek to solve public problems.

H2: The picture presented by local government uncovers a great institutional fragility, which does not allow increased achievement of objectives and goals, or efficient use of resources, and prevents local government from operating in an environment social credibility.

H3: The local governments in Mexico are still far from assuming a strategic role in the development of the country; the institutional strengthening agenda is broad.

Main goals

This project seeks to promote interagency and multidisciplinary research to provide a high level of research to students of public administration policies.

Theoretical framework

From political science, public administration, management science, economics and other disciplines, many authors have begun to pay attention to the change in the various political regimes in Latin America. However, the

literature has largely neglected the study of transition processes at subnational levels. In a way, this lack of attention can be explained by theoretical and methodological limitations that have been driven by the bias that views democratization from the perspective of institutions, political processes, economic, actors and national movements.

Added to this, much of the theoretical development has been formulated from the historical experience of the Anglosaxons countries. These theories implicitly assume that, in many countries, the legality of the state extends homogeneously throughout the territory and, consequently, not only national but also subnational regimes experience the same changes. Therefore, the assumptions under which they are set do not apply to the historical trajectory and the current situation in Latin America (O'Donnell y Schmitter)[5], and in particular the Mexican context.

Therefore, it is important to build, theoretically and empirically, an approach that focuses on the specificities of political regimes and subnational institutions. In this sense, governance perspective with a local focus appears linked to the interactions that define and shape policy, based on consensus and collective learning of actors with different logics of action and possible disagreements.

In the transformation at the local level, different actors have played an important role to strengthen pluralism and political change. These transformations have formed local governments where almost all political parties are represented. This has led to the emergence of a new style of partnership with society.

Several factors are associated with the development of this new process of government:

1) The resurgence of local governments to decentralize responsibilities of the federal government, a situation generated mainly in the 1990s;
2) Increased interest of citizens in participating in addressing problems of a collective character;
3) The search for a more participatory and collaborative body needing greater credibility in public action instances and as a strategy to address the fiscal crisis of the state; and
4) The emergence of new actors and/or decision spaces.

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[5] O'Donnell, G. and P. Schmitter, (1988). Transiciones desde un gobierno autoritario. Conclusiones tentativas sobre las democracias inciertas, vol. 4, Buenos Aires, Paidós.ial.

However, despite the process of strengthening local governments, challenges remain when implementing new processes aimed at encouraging more democratic processes. First, it is essential to generate changes in the general framework of the political system, so allowing for greater democracy in decision-making at the local level. Second, local governments must adopt a culture of dialogue (support and collaboration between different actors), so as to implement more participatory public policies and generate shared strategic projects. Finally, local governance can build an appropriate means to address collective action and encourage processes of social construction and more democratic politics.

Problem Statement

Most Latin American countries, including Mexico, have undergone transformation in the way of addressing public problems. This process is characterized by the transition from a centralized model for making public policies to one of greater interaction with local society. The transition was caracterized by a widespread organizational form in countries of the region, whose main objective was the coverage of services and thereby contributed to increasing levels of social welfare. However, with the passage of time, the centralizing model generated unhealthy practices in the development of public policies, concentration of power and decisions, and great distance between actions and the needs of local companies, in addition to the weakened organizational model that found its limits in the fiscal crisis of the "welfare state".

Due to the failures of the centralized model of public policy in most Latin American governments, decentralization was promoted as a new organizational form in the design of public policies. This process had different speeds across countries, slow in Mexico and faster in others such as Argentina, Brazil and Chile, but all shared a strategy: strengthening local governments, both in regard to powers and granting greater resources, and the incorporation of civil society organizations into decision-making.

In this process of institutional transformation of the countries of the region, local governments have become important political actors. This process was one product of decentralization policies but also allowed for greater involvement of state governments in public issues; these state governments, given alternation and political pluralism, have struggled to cope with their public agenda in a more democratic way. This has occurred

through a process of transformation of public policies, transferring more powers and resources from central government, but also with new social, economic and political dynamics in state spaces.

From this perspective, governance is a means and a specific style of government that is based on the formation of partnerships and coalitions of public and private actors directed toward solving public problems collectively. Consequently, governance emerges as a form of government where the role of governmental actors moves from being authoritarian, strongly hierarchical and centralized, to one of support and facilitation of interactions between the actors involved. This public policy involves conflicting systems of different actors and forms of local action, which is flexible and based on negotiated procedures by which decisions are taken (Le Gales)[6].

These flexible mechanisms seem to assume not only that the centrality of local governments is replaced by new models of interaction with more points of contact and mediation with society, but also that new forms of conflict resolution are appearing.

State governance is of a particular type, whose axis is centered on the construction of new forms of intervention and more participation and cooperation between different actors and institutional bodies of local societies. These forms of governance and decision-making in a territory establish a complex system of relationships and interactions among governmental actors, society and the market, resulting in development whose terms depend on how power is distributed between these actors, in order to favor an increase in the welfare of local society (Santos)[7].

To measure the effect of state governance in the institutional dimension of the process of local public policies, two indicators would be used. The first would be linked to the degree of intergovernmental interaction between the central government and the state government, establishing two metrics, high and low. The second indicator measures the

[6] Le Gales, P. 2001 European Cities: Social Conflicts and Governance, Oxford, University Press.

[7] Santos, José. 2011 De la acción pública a la gobernanza en el proceso de hechura de las políticas públicas locales en America Latina; XVI Congreso Internacional del CLAD, Sobre la Reforma del Estado y la Administración Pública; Asunción Paraguay.

capacity of citizen participation in the process of making public policies; this indicator is measured with the same criteria, high and low.

From the intersection of these two indicators it is possible to identify four types of state governance strategy:

1) Hierarchical (low intergovernmental coordination and low civic participation);
2) Decentralized (high-low intergovernmental coordination and public participation);
3) Social (low intergovernmental coordination and public high participation) and
4) Cooperative (high intergovernmental coordination and public high participation) (Santos, 2011).

Delimitation of the explanatory variables

Governance is the necessary condition for the an efficient and effective government. In this context, this proposal seeks to present the results of the institutional capacities of the member states of our country, seeking to identify their levels of effectiveness, efficiency and credibility in solving public problems.

Also, the measurement shall be based on the "Municipal Index of Local Governance" for the State of San Luis Potosi, which has already been built and published in a statewide effort by academics and different authors involved in the proposal. These factors make for an instrumental methodological basis whose originality lies in making the calculation for the states.

ICGEM consists of the following indicators:

a) Indicator of Social Underdevelopment: (deficits of public policy in education, health, public services and housing quality);
b) Institutional Capacity Indicator: governance structure (profile of managers by sex, age, level of education, and employment, as well as political affiliation fees in government regulations and laws) of political officials; administrative structure (administrative units, administrative officials – Sex profile, age, level of education, past employment, political affiliation), and capacity planning (national development plan, sectorial work programs);

c) State Financial Capacity Indicator: capacity to generate income (financial autonomy, fiscal capacity, fiscal effort, financial dependence) and degree of indebtedness;

d) Government Quality Indicator: measured by the degree of political stability, control of corruption, level of citizen participation and quality of public services.

This method of measuring local governance is an appropriate benchmark to assess progress and pending state entities of Mexico in the exercise of their functions. In particular, institutional capacity is perceived not only as adequate mobilization of resources but also as the ability to bond with society to solve its problems. In short, governance as an instrument of government depends primarily on the regulatory framework, but also on levels of political stability around the state, the ability to generate its own financial resources, and levels of interaction and reliability of the local society.

The existence of an index to measure the ability of management of problems in Mexico does not guarantee the improvement of public action, but it helps to promote a culture of efficiency to strengthen local public institutions. In addition, the collection of information to analyze the results of ICGEM is considered as the main tool of change, since it comes from the state governments and the citizens themselves. Accordingly, the construction of a local governance index, as measured by income, is a means to transform the way that state governments make use of resources in a particular environment.

Relevance of research and its contribution to the management of local government

Changes and new forms of organization that have suffered in the last three decades of the twentieth century, in terms of changing paradigms and especially the heterogeneity of societies, make it difficult to study the transfiguration of the structures, procedures and decision-making process of public organizations. This requires reference to the changes and the influence of globalization and the need to reflect cultural change as seen from the three fields of analysis (organizational, group and individual). The focus is on government agencies since, as Crozier and Fridberg[8] note in *State Modesto,*

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[8] Crozier, M. E. Fridberg. 1977, Lácteur et le Systeme, París, Editions du Suil.

Modern State, the role of government has been transfigured into a a modest or modern welfare state. This perspective reveals the experiences of various countries to strengthen the state. Not only actors but also public administrators must make a change when applying a restructuring, and social environments that want to apply the changes are differentiated.

This perspective involves disciplines such as public management, which can propose and evaluate these changes in terms of work in organizations. That is why in this ongoing evaluation, public management is responsable for transferring certain successful mechanisms of private enterprise to public organizations, especially emphasizing the correct use of resources, accountability and results for solutions to public problems.

The way to solve public problems in local governments requires a transformation of institutional, economic and political structure. For institutions in transition, the most active schemes, which are more horizontal and open to the participation of actors from the local community and organizational forms, changes are needed in different areas, such as in political affairs, structures, processes making, and cooperation schemes. This will aid in the construction of a more active citizenship, economic growth and democratization of the regime in general.

Therefore, it is very important to build a theoretical and empirical approach that captures the specificities of political regimes and state institutions. Governance as an instrument of government requires public interaction, involving public policy networks, governmental and nongovernmental actors. Also, it is important to identify the capacity of local governments to improve citizen lifestyles in Mexico. In this sense, ICGEM aims to reveal the ability of states to meet the needs of its population, making good use of the resources there. Also, ICGEM shows the difference between each state entity and trends within each of the regions in Mexico.

Methodology

The epistemological foundations of research are threefold.

a) Empirical: to determine the nature of the interactions of the actors involved in solving public problems.

b) Interpretive: to identify the logic of action of the actors involved in public action.

c) Critical: to question the achievements and shortcomings of the actions implemented, in order to identify and characterize the institutionalized mechanisms for more efficient governance.

With these assumptions, the case studies will be observed in order to systematically investigate the direct and indirect sources of information, using as instruments of data collection the following techniques: 1) semi-structured interview; 2) participant observation; 3) document analysis; and 4) discussion groups.

The construction of the analytical instrument is as follows:

The State Management Capacity Index in Mexico (ICGEM)[9] is a tool that allows us to analyze and identify the institutional capacities of states in Mexico, to solve public problems. There are four basic measures of local governments, with a weighting of 25% each:

➢ Deficits of public policy in education, health, public services and housing quality: measured by the level of social backwardness.

➢ Structure of local government and administration: measured through institutional capacities.

➢ Quality of local government: measured by the degree of credibility of the citizenry on governance.

➢ Financial capacity: measured by the ability to generate income and borrowing capacity.

To implement the measure, it was necessary to create an indicator to calculate each of these four components for each minimum and maximum for each one of the four values selected indicators. The interpretation of each component was expressed as a value between 0 and 1 by applying the following general formula:

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[9] Santos, J. Carregha L., Ibarra M. y J. González. 2012 "índice Municipal de Gobernanza Local", Editorial: El Colegio de San Luis A.C., and Coordinación Estatal para el Fortalecimiento Institucional de los Municipios de San Luis Potosí.

Table 1: Value of each indicator

Source: Own realization

Indicator	Maximum Value	Minimum Value
Quality of Government (ICG)	1	0
State Financial Capacity (ICFE)	1	0
Institutional Capacity (ICI)	1	0
Social Gap Index (IRS)	1	0

After obtaining the value of each indicator, the ICGEM was calculated by averaging the different indicators.

$$ICGEM = \frac{\sum ICG, ICFE, ICI, IRS}{4}$$

Calculation of the Quality of Government

The Government Quality Indicator (ICG) is measured through the following components: Political Stability (EP), Control of Corruption (CC), Citizen Participation (PC) and Quality of Public Services (CSP). For each of the above, a quantitative score between 0 and 10 was determined according to the respondents' answers. For those variables with yes or no answers, 10 was designated for yes and 0 for no. Numerical values for the quality options between very bad and very good are assigned. When assigning values to each of the questions, the average of each section was determined by the following formula:

$$ICG\ component\ =\ \frac{\Sigma\ Ratings\ questions\ considered}{Number\ of\ questions\ to\ be\ considered}$$

Calculation of the State Financial Capability Indicator

The State Financial Capacity Indicator (ICFE) was calculated using two components; the first one was, the Ability to Generate Revenues (CGIP). This was formed in turn by the average result of the subcomponents: Financial Autonomy (AF), Fiscal Capacity (CF), Fiscal Effort (EF) and Financial Unit (DF). The second one was the Level of Debt (GE). That component was formed with the average of the subcomponents: Affordability (EC) Financial Cost (CF) and Level of Indebtedness (NE).

$$ICFE = \frac{CGIP\ (4/7) * (1 - GE)\ (3/7)}{2}$$

$$CGIP = \frac{\sum AF,\ CF,\ EF,\ DF}{4}$$

$$AF = \frac{Revenues}{Available\ Incomes}$$

$$CF = \frac{Taxes\ Revenues}{Available\ Incomes}$$

$$EF = \frac{Revenues}{Available\ Incomes}$$

$$DF = \frac{Revenues}{Federal\ Incomes}$$

$$GE = \frac{\sum CE,\ CF,\ NE}{3}$$

$$CE = \frac{Total\ Debt}{Total\ Expenses}$$

$$CF = \frac{Interests}{Available\ Incomes}$$

$$NE = \frac{Debt\ Balance}{Total\ Revenues}$$

Calculation of Institutional Capacity Indicator

The Institutional Capacity Indicator was measured from the following indicators:

- Institutional Structure (EI): formed by the numerical evaluation of the level of studies and last job of the governor and officials of the central administration (For example: Secretaries of State);
- Administrative Structure (EA): which includes existing administrative units and staff profile (level of studies and last job); and
- Planning Capacity (CP): which includes the local development plan and annual work programs.

The degree of studies was assessed from 0 to 20 (0 no studies, 5 primary, 10 secondary and high school, 15 Bachelor's and 20 Master's and/or PhD); and the latest work (20 for experience in local government, 15 for federal or municipal government and/or public office, 10 for own business, private sector, union representation and/or role in a political party and 5 for first job).

The rest of the information is contrasted with what the Organic Law of the State of San Luis Potosi posed as obligations of the local government: secretaries, regulations, administrative units, state development plan and annual work programs.

$$ICI = \frac{\sum (EI, EA, CP)}{3 * 20}$$

Calculation of the Social Backwardness Index (IRS)

The Social Backwardness Index measures the deficit of public policies in education, health, public services and housing quality. It was obtained considering the extreme values of the national distribution, through the Social Backwardness Index that had values between 0 and 1, as follows:

$$IRS = 1 \frac{Social\ Backwardness\ Index + 1.99777}{6.49318}$$

Conclusion:

The construction and application of ICGEM help to identify and analyze, using a rigorous scientific instrument, problems and inadequacies of local governments in Mexico. The research tries to provide answers to the following questions: what is the level of asocial backwardness in Mexico? What is the institutional structure in local government in Mexico? What profile do the public servants have? Does local government have the capacity to generating income? With this diagnosis it is easy to identify and analyze the scope and limitations of the explanatory power of theories on governance and management of public policies in Mexico.

So this index will allow a proposal for reconsideration from the academy to generate databases and information for decision-making and policy instruments, in order to solve public problems facing local governments. Local governments require a transformation in their institutional, economic and political structure. For institutions in transition, the most active schemes, which are more horizontal and open to the participation of actors from the local community and organizational forms, changes are needed in different areas, such as in political affairs, structures, processes, cooperation schemes in the construction of a more active citizenship, economic growth and democratization of the regime in general. In this sense, ICGEM aims to reveal the ability of states to meet the needs of their population, making good use of public goods.

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Sitios de Internet:

http://www.e-local.gob.mx/wb/ELLOCAL/ELOC

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