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2010

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UNIVERSITY OF CALIFORNIA, SAN DIEGO

The Circuitous Path of Democracy:  
Legislative Control of the Bureaucracy in presidential regimes  
The Case of Mexico

A dissertation submitted in partial satisfaction of the requirements for the  
degree Doctor of Philosophy

in

Political Science

by

Alejandra Ríos Cázares

Committee in charge:

Professor Mathew D. McCubbins, Chair

Professor Jeeyang Baum

Professor Peter H. Smith

Professor Carlos Waisman

Professor Christopher Woodruff

2010

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Chair

University of California, San Diego

2010

To Tita and JL  
To Gabriela and Mariana

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## ACKNOWLEDGEMENTS

It would have been impossible to complete this research without the encouragement, support and wisdom of my professors, friends and family. I am particularly indebted with Professor Mathew D. McCubbins whose classes, guidance and support were fundamental to reach this point. I will always be thankful for his patience with my multiple distractions and alternative projects. From Professor McCubbins, I certainly learned how one becomes a serious and diligent scholar, and I am very thankful for that.

I was also fortunate to have the advice of a group of sharp and affable committee members. Jeeyang Baum helped me to get familiar with the comparative perspective on bureaucratic politics. Peter H. Smith was always well-disposed and supportive. I enjoyed his seminars, our conversations and I definitely benefited from being his teaching assistant. Carlos Waisman allowed me to better understand the politics of development in Argentina and offered a fresh perspective on my research. Last but not least is Professor Christopher Woodruff. More than anything, I thank Chris for his confidence in me when he allowed me to coordinate a research project that was fundamental not only for the conclusion of this study but also for the development of my research agenda. I am greatly indebted to him.

This was a long journey. Sometimes, it was like a beautiful sunny day and sometimes like a cloudy drizzling day. In either situation, I had (and I still have) the blessing of a fantastic group of friends and colleagues. In the early years, my study group was the center of my universe (thanks guys!) and within

that group, Carew Boulding was particularly important. With Carew I shared multiple study sessions but most importantly, I still share with her the certainty that dreams do not have to come true (she knows).

Getting to this point would have been much more complicated without Barak D. Hoffman. I thank Barak for our conversations about everything and for the chance to learn a new perspective on American politics and the politics of development. I profoundly admire the congruence between his convictions and his actions and I feel fortunate to have his friendship.

Graciela Platero, Joel Johnson, Mike Pisa, Moira Mackinnon, Monica Pachon and Veronica Hoyo made these years an enjoyable journey. Good conversations, dancing sessions and a lot of laughter made rainy days bright and sunny days brighter. In the distance, Andira Hernández, Andrea Pozas-Loyo, Karla Paniagua and Julio Ríos-Figueroa were a source of wisdom and companionship. I thank them for all these years of unconditional friendship.

David A. Shirk, a friend and a colleague (and a mentor), was fundamental on this trip. My professional career would not be the same without the opportunity to work as his research assistant on the *Project on Reforming the Administration of Justice in Mexico* and later as coordinator of the *Justice in Mexico Project* at the University of San Diego's Trans-Border Institute. Those were three years of continuous learning in an atmosphere of commitment and friendship. I will always be thankful to David for these opportunities and also for the chance to keep working together, talking and learning.

This dissertation was possible thanks to multiple sources of financial support. I received a Fulbright scholarship that was complemented with a scholarship from Mexico's National Council for Science and Technology (CONACYT) and a complimentary scholarship from the Mexican Ministry of Education (SEP). I also received financial support from the University of California Institute for Mexico and the United States (UCMexus). My field research was supported by travel and research grants from the Institute for International, Comparative, and Area Studies (IICAS), the University of California Pacific Rim Research Program, and the Dean of Social Sciences Research Travel Fund at University of California San Diego (UCSD). I would not have been able to compile and reflect upon this field research without the support of the UCSD Center for U.S.-Mexican Studies (USMEX) where I was a research fellow from September 2006 to December 2007. The William and Flora Hewlett Foundation generously provided (through USMEX) funding for the research project titled *Government Accountability in Mexico: Evaluation of Auditing Institutions in Mexican States* that was essential for my dissertation. Indeed, chapter three includes information I obtained from this project that was earlier published as a working paper I co-authored with Juan Pardinás.

In 2008, I accepted a position at the Center for Economic Teaching and Research (CIDE) in Mexico City, where I encountered a fertile environment to enrich my research and complete this dissertation. I especially thank Professor Mauricio Merino, chair of the Public Administration Department, for his generous support. My friend and colleague, Claudia Maldonado, gave me the

words of encouragement I needed in the final stages. She knows it was a difficult time and she knows how much those words meant to me.

I have shared most of this journey with Gonzalo. He celebrated with me important accomplishments and he was there in the uncertain hours. I thank Gonzalo for all the bright colors he brought to my life, for his love and for the certainty that this is only one of many adventures we will undertake.

My family was the boat, the sail and the wind on this long journey. My parents, Jose Luis and Tita, have been an unlimited source of love and encouragement. My sisters, Gabriela and Mariana, have been my companions, my accomplices and my eternal friends. All the things that happened to both sides of the border in the past years just confirm it: Together we sail, no matter how untamed the weather. I dedicate this dissertation to all my family.

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## FIELDS OF STUDY

Comparative Politics (political development)

American Politics



ABSTRACT OF THE DISSERTATION

The Circuitous Path of Democracy:  
Legislative Control of the Bureaucracy in presidential regimes  
The Case of Mexico

by

Alejandra Ríos Cázares

Doctor of Philosophy in Political Science

University of California, San Diego, 2010

Professor Mathew D. McCubbins, Chair

My research identifies conditions for legislators in emerging presidential democracies to achieve bureaucratic accountability, one of the least studied aspects of legislative politics. To better explain legislators' ability to hold the bureaucracy accountable, I develop a theoretical model of oversight in which resource constraints (i.e., capabilities) and electoral motivations and policy preferences (i.e., incentives) explain legislators' behavior. The model shows that legislators' oversight of bureaucratic behavior is always selective.

Legislators' strategy responds to the relevance of every policy area and to legislators' resources for monitoring bureaucratic agencies. Given limited resources, legislative oversight is necessarily discriminatory. An important corollary is that bureaucratic accountability is never complete: There will always be policy areas that are systematically neglected on the oversight agenda. This situation worsens in the absence of alternative mechanisms to keep bureaucratic behavior under control (such as effective legislation to access public information). The model also shows that bureaucratic agencies respond strategically to legislators' actions depending on the probability of being sanctioned.

To evaluate my theory, I analyze local legislatures in Mexico (1995-2005). The qualitative analysis shows that Mexican legislators have strong constitutional resources to control and oversee their functioning. However, feeble resources prevent them from making use of the most important strategic device of bureaucratic control (setting the margin of discretion for bureaucratic agencies) and force local legislatures to make use of an active and direct strategy of legislative ex post monitoring: the annual review of public accounts (*fiscalización de cuentas públicas*) which is usually done by an auxiliary legislative institution, commonly known as supreme auditing institution (SAIs) (chapter three). I also present the analysis of the legislation that regulates SAIs in four Mexican states and show that electoral uncertainty usually works as an incentive to strengthen the legal powers of SAIs; however, it also has an

opposite effect if it increases the fragmentation of power within the legislature (chapter four).

In sum, the analysis of how local legislators aim to control the bureaucracy shows that bureaucratic accountability needs resources (e.g., constitutional powers, professional legislators or professional staff) and incentives that help to break the endogenous character of the problem.

## **Introduction**

For decades, development practitioners largely overlooked the link between economic development and political institutions. Political reforms now occupy center stage in development policy. The 2006 World Development Report, the World Bank's most influential publication, unequivocally endorses the exigency of democratic political reform for economic development by claiming that "politicians have the correct incentives to provide public services only when they have to appeal to the broad mass of citizens" (World Bank. 2006). The assumption behind this policy change is that democracy and political plurality are sufficient conditions for solving problems of government incompetence and corruption. Luiz Carlos Bresser-Pereira epitomizes this line of reasoning, claiming that as "democracy advances, the State will be more – and not less- committed with social justice or with equity; and it is because of this that, for the first time in history, the State will be responsible for a distribution of public services in a really efficient manner" (Bresser Pereira 2004) (22,23).

Yet, after several years of multiparty elections, we know that electoral democracy is not a sufficient condition for ensuring a democratically responsive government, and it is not the panacea for poor government accountability. Government efficacy and accountability also depend on having elected representatives compelled to secure the provision of services that voters value. This effectiveness is also relevant in strengthening government legitimacy. Recent public opinion research shows that voters in new

democracies are profoundly disappointed with the ability of democracy to deliver public services. By 1996, 61% of Latin Americans declared a preference for democracy over other types of political regime. By 2002, this percentage had decreased to 57%. However, 44.9% of those who prefer a democracy said they would be willing to support an “efficient” authoritarian government (UNDP 2004). More recently, the Americas Barometer found that 37% of the population (of 22 Latin American countries) are dissatisfied with democracy, while 7.6% declared that they were very dissatisfied ((LAPOP) 2008). The legitimacy of new democracies crucially depends, therefore, on voters perceiving that democracy is effective.

Why are elections an insufficient mechanism for ensuring government effectiveness and accountability? In a representative democracy, constituents delegate the power to make policy decisions to elected representatives; however, these politicians lack the capacity to implement policies. Thus elected representatives must delegate this task to a bureaucracy, the set of administrative agencies that constitutes the public administration. Therefore, a necessary condition for an effective democracy is an accountable bureaucracy: a civil service that executes the policy directives of elected representatives. Accordingly, democratic governmental accountability mandates not only politicians that are concerned for their constituents but, more importantly, representatives that are willing and able to ensure that civil servants faithfully execute their delegated instructions. The latter has proven more difficult to achieve than the former.

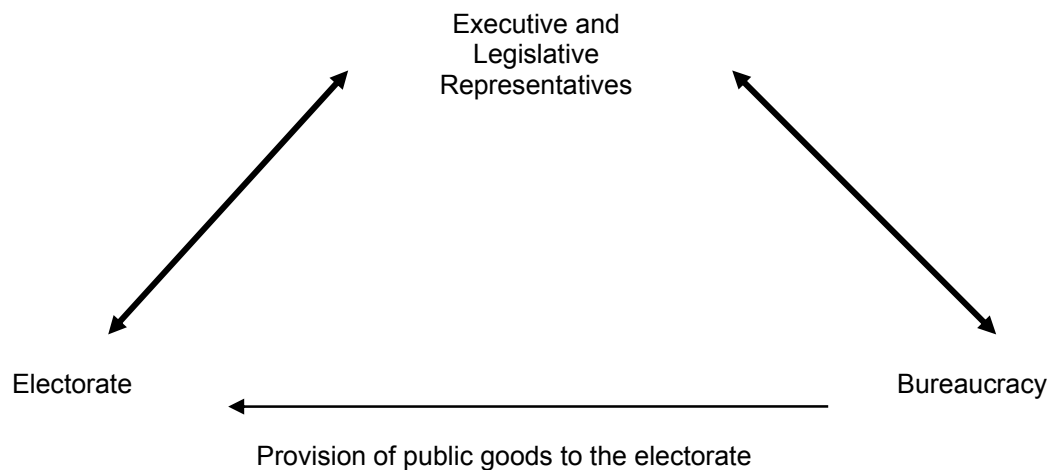
What motivates politicians to oversee the actions of the bureaucracy? Ideally, they are motivated by a sense of duty, by the moral obligation of securing that the bureaucracy works to the benefit of the citizenry; however, this is rarely the case. As James Madison correctly pointed out, sense of duty is rather scarce. Instead, what prevails in politics is self-interest. "If men were angels there would be no need of government," Madison declared in the famous Federalist 58.<sup>1</sup> Thus, if interests are the main reason behind legislators' incentives to keep tabs on bureaucratic agencies, the relevant questions should be about the determinants of these interests and how they are translated into legislative actions.

My research identifies conditions for legislators in emerging presidential democracies to achieve bureaucratic accountability; this is one of the least studied aspects of legislatures and bureaucratic politics in comparative analysis, specially in developing countries. I base the theory in my dissertation on two premises: First, modern democracy requires a sequence of delegations of power and authority from the electorate to representatives and from representatives to the bureaucracy (Lupia and McCubbins 1998). Second, successful delegation implies effective accountability (Lupia and McCubbins 1998; Strom 2000). On the basis of the delegation of power from government

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<sup>1</sup> The quotation continues, "If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself. A dependence on the people is, no doubt, the primary control on the government; but experience has taught mankind the necessity of auxiliary precautions." See James Madison, The Federalist Paper #58 (Hamilton, Madison, and Jay 1992).

representatives (chiefly legislators and the executive) to the bureaucracy, bureaucrats produce outcomes (e.g., public services) that have an effect on voters' welfare. In turn, bureaucratic performance affects voters' evaluation of politicians because voters judge the effectiveness of their elected officials by the "quality" of the collective goods the bureaucracy produces. This evaluation influences voters' decision on whether or not to continue supporting a particular politician or political party. Thus, when the electorate holds politicians accountable -by rewarding or sanctioning them based on their performance in providing collective goods- we can conclude that an effective sequence of delegations exists. This is the virtuous cycle of a democratic regime (figure I.1).



**Figure I.1:** The Virtuous Cycle of a Democratic Regime

For this cycle to be complete, bureaucratic accountability is vital. I analyze the factors that determine whether legislators are capable of generating bureaucratic accountability. I focus on institutional mechanisms

that facilitate legislators' monitoring and controlling of bureaucratic behavior. I argue that a necessary condition for bureaucratic accountability is the existence of legislators' incentives to control the bureaucracy. However, accountability is only certain to exist when legislators have the incentives *and* the capability to exert this control. When incentives exist but the capabilities are absent, accountability is reduced to legislators' ability to develop the necessary instruments to keep bureaucrats accountable. Thus, the right set of incentives (e.g., electoral incentives) might encourage legislators to develop the capability to keep bureaucrats accountable, since legislators recognize that an efficient provision of collective goods might have a positive impact on their career prospects. In contrast, the absence of legislators' incentives to control the bureaucracy prevents accountability. Legislators may, as well, be indifferent or negligent toward bureaucratic behavior.

To better explain legislators' ability to hold the bureaucracy accountable, in the first chapter I develop a theoretical model of oversight in which resource constraints (i.e., capabilities) and electoral motivations and policy preferences (i.e., incentives) explain legislators' behavior. Specifically, I concentrate my investigation around two sets of independent variables that are also salient features of nascent presidential democracies. The first one is political competition, which is highly associated with political incentives, such as career advancement and the need to secure legislative majorities and policy preferences. The second one is legislators' resources, such as constitutional power, policy expertise, economic resources, and staff support.



On the basis of this theory and model, I argue that bureaucratic accountability differs across policy areas because legislative oversight varies depending on the relevance each policy area has for legislators (i.e., incentives) and the amount of resources legislators have to monitor the bureaucracy (i.e., capabilities). The effort to monitor bureaucratic performance in a given policy area depends on the incentives legislators have to prevent bureaucratic misbehavior in that specific policy area and on the total amount of resources legislators have to monitor bureaucratic agencies.

The theoretical model I propose states that legislators invest resources to oversee bureaucratic agencies when these agencies control policy outcomes in areas that are highly relevant to legislators. Alternatively, legislators will neglect monitoring bureaucratic agencies in areas that are less significant for them. Therefore, factors that affect the relevance a policy area has for legislators (e.g., the “electoral value” of a policy area) and factors that infringe on the total amount of resources legislators have (e.g., an increase in the number of agencies legislators must oversee) are key determinants of the scope and depth of legislators’ oversight effort. An important corollary is that there will always be policy areas that are systematically neglected on the oversight agenda. It will be in these ignored areas where the executive’s mandates prevail, where high levels of clientelism occur, and/or where elevated levels of corruption take place. In sum, bureaucratic accountability does not occur like turning the light on or turning it off. It is a more subtle process.

To evaluate my theory, I analyze Mexico at the sub-national level. I determine legislators' incentives by the degree of political competition, as measured by the effective number of legislative parties in local legislatures.<sup>2</sup> And to measure legislators' capabilities, I look at local legislators' constitutional powers, such as the ability to request information from bureaucratic agencies and the amount of resources that legislators have to oversee bureaucratic behavior, such as legislators' expertise, time, staff and budget.

I restricted my analysis to the period between 1995 and 2005 because there was no significant variation in political competition within Mexican states before that date. While it is true that selecting 1995 as the threshold could be arbitrary, it coincides with accounts that consider the federal election of 1994 as the threshold in the liberalization of the Mexican political regime. I devote chapter two to explaining my research strategy and also to presenting the main characteristics of Mexican states.

The qualitative analysis of Mexican states that I present in chapters three and four points to the direction of the general conclusions of the model. Chapter three shows that Mexican state legislatures have strong constitutional resources to determine the margin of discretion granted to bureaucratic agencies and also to oversee their functioning. However, feeble resources prevent local legislators for making use of the most important strategic device of bureaucratic control (setting the margin of discretion for bureaucratic

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<sup>2</sup> Mexican states vary widely in this regard. For example, by the end of 2005 almost half of Mexican governors faced divided government, while the rest had the support of a legislative majority.

agencies) and force local legislatures to make use of an active and direct strategy of legislative ex post monitoring: the annual review of public accounts (*fiscalización de cuentas públicas*) which is usually done by an auxiliary legislative institution, commonly known as supreme auditing institution (SAI).

In chapter four I present the analysis of the legislation that regulates SAIs in four Mexican states and show that electoral uncertainty usually works as an incentive to strengthen the legal powers of SAIs. However, as is usually the case in Latin American countries, accountability is lost by the lack of communication among the set of institutions that should take part in the intricate institutional web of governmental accountability (such as the public prosecutor). In sum, the analysis of how local legislators aim to keep tabs on local bureaucrats shows that bureaucratic accountability needs resources (such as constitutional powers, professional legislators, professional staff, etc) and incentives that help to break the endogenous character of the problem. A weak legislative oversight is just the top of the iceberg. At the bottom is a feeble electoral connection.

The analysis of how legislators control bureaucratic agencies is relevant for theoretical and empirical reasons. Theoretically, this analysis contributes to the comparative study of presidential regimes. Despite the fact that the analysis of legislative politics in developing countries has gained relevance in the comparative literature, these studies tend to focus on executive-legislative bargaining or the characteristics of congressional organization. We have but poor knowledge about how legislators in developing nations gather

information, get involved in policy implementation, or decide to ignore policy decisions. We know little about how legislators relate to bureaucratic agencies outside the United States, what factors affect this relationship, and whether it has a systematic effect on public policy. The few studies available on the topic tend to be case studies or limited comparisons of legislation that shed light on the characteristics of legislative institutions but do not seek to establish generalizations.<sup>3</sup>

For this reason, the American Politics literature is a major source of theoretical insights for the analysis of legislative-bureaucracy relations.<sup>4</sup> From this literature, we know that factors such as electoral incentives, the committee structure of congress, or the appointment process of bureaucrats affect

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<sup>3</sup> The literature on the topic is so brief that it fits in a single footnote. Regarding legislative oversight of bureaucratic agencies in Latin American countries, there are the analyses of Chile by (Siavelis 2000), Argentina by (Eaton 2003), the comparison between Argentina and the United States by (Morgensten and Manzetti 2003). Noteworthy are the case studies of the Brazilian Tribunal of Accounts at the federal level by (Taylor and Buranelli 2007) and particularly the comparison of the local Tribunals by (Melo, Pereira, and Figueiredo 2009). Mariana Llanos and Ana Maria Mustapic compiled an interesting set of papers about parliamentary control in Argentina, Brazil, and Germany. Although all the chapters in this volume are very informative, they are not a systematic comparative analysis (Llanos and Mustapic 2006). Carlos Santiso presented the main characteristics of supreme auditing institutions in major Latin American countries and argued about their role for strengthening accountability and why this circumstance had led international lending institutions to increase loans to national parliaments in the region (Santiso 2006, 2004a, 2004b). The work by Santiso is the most comprehensive comparison (although not necessarily analytical) that I have found. Regarding Mexico, there are short pieces that present novel information at the federal level (Diaz-Rebollar 2006; Manjarrez 2001; Pardinas 2003; González Pedroza 2007); describe specific cases at the local level (for instance, specific legislatures or specific states) (Lopez Guzman 2005; Pineda 2007); and that compare legislation (Figueroa 2007, 2005, 2007). Few analyses are empirical studies of either how this legislation is actually put in force or how this legislation impacts the actual behavior of either legislators or bureaucrats. Regarding the first approach, the Center for US-Mexican Studies at UCSD conducted the research project "Government Accountability in Mexico: An Evaluation of Auditing Institutions in Mexican States (2007-2008)," which included nine case studies on how local legislatures conducted the review of governmental public accounts and a comparative analysis of supreme auditing institutions. I coordinated the research project and co-authored the comparative analysis. See (Rios-Cazares and Pardinas 2008). The relationship between political variables and legislative oversight institutions has been explored by (García Vázquez 2007).

<sup>4</sup> See (Polsby and Schickler 2002) for a review

legislators' interaction with the bureaucracy.<sup>5</sup> My dissertation stands on this literature, but it recognizes the difficulties in exporting the theories to other latitudes. There are multiple and important limitations on taking this vast literature for the analysis of other presidential regimes, since factors that are "constant" in the analysis of the United States (e.g., the formal powers of the president or the electoral system) vary in other presidential systems.<sup>6</sup> Questions regarding the effect on congressional oversight of democratization, electoral systems, congressional organization, term limits, and separation of purpose remain unanswered. In sum, arguments that explain the political dynamic between congress and the bureaucracy in the United States are often inappropriate for comprehending the political dynamic between congress and the bureaucracy in other presidential regimes. Thus, how legislators get involved in policy implementation and how they oversee bureaucratic agencies are still open questions for comparativists.

Empirically, it is imperative to analyze how elected representatives relate with bureaucratic agencies because the connection between electoral democracy and good governance depends heavily on this relationship. Moreover, it is important to study the role of legislators as policy makers beyond the stage of policy design and budget approval.

In this regard, my research is original in its emphasis on the study of legislative strategies to monitor bureaucratic agencies, but also in its focus on

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<sup>5</sup> See, for example, (Arnold 1979, 1987; McCubbins, Noll, and Weingast 1987, 1989; McCubbins and Schwartz 1984; Moe 1987; Moe and Miller 1983; Weingast 1984; Weingast and Moran 1983).

<sup>6</sup> For an excellent review of these factors, see (Morgensten 2002).

two of the least studied legislative institutions of Latin American politics: local legislatures and supreme auditing institutions. There are few empirical analyses of local Latin American legislatures, despite the fact that most of the population of the continent has a local representative (just consider that Argentina, Brazil and Mexico, the three real federalisms –and the biggest countries- on the continent have local legislatures). There are multiple and valid reasons for the emphasis on national legislatures; however, recent trends of decentralization –that seem to be gaining strength- should compel political scientists to look carefully at the role that local representative institutions play in national stability and development. My dissertation also pioneers in the comparative analysis of Mexican states; I have no knowledge of previous analyses of the ability of state legislatures to oversee, influence, and control their own bureaucracies.<sup>7</sup>

My research also looks at one institution that has barely been mentioned in political science journals: the supreme auditing institution. The role of these institutions in the functioning of legislatures is so important that its absence in the analysis of presidential regimes is puzzling. We know so little about these institutions that we cannot claim with certainty that they are irrelevant to keep bureaucracies accountable. We know almost nothing about how the institutional variation of these institutions (for instance, the difference between the Brazilian *Tribunal de Contas* and the Mexican *Auditoría Superior*

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<sup>7</sup> A systematic analysis at the federal level is (Ugalde 2000). Indeed, the analysis of political institutions at the state level in Mexico is very scant. See (Cejudo and Rios-Cazares 2009).

*de la Federación*) affects the daily business of bureaucratic agencies. My research looks at legislation that regulates these institutions at the local level and also presents some data about the functioning of local SAs and how local legislators relate to them.

The need to study the relationship between legislators and bureaucrats is particularly relevant for new presidential democracies where the bureaucracy has played a significant role not only in the implementation of public policy, but quite often in its design. As Merilee S. Grindle eloquently explains, in these countries the prevalence of the bureaucracy in the policy process occurs given the “strong traditions of presidential dominance [that make] elected bodies of representatives such as the national legislatures often have a peripheral and secondary place in policy making processes.” Grindle continues:

Moreover, political parties and interest groups are frequently not the interest aggregating agencies which many studies have led us to expect. Rather they tend to be groupings of vertically organized, leader-follower alliances which depend for their maintenance not on the pursuit of general policy goals but on the particularistic application of already formulated policy [...]. Thus, by design or by default, the administrative apparatus in Latin America often has ascribed to it almost the entire task of defining public policy. (Grindle 1997)

The centralization of power in the hands of the executive plus the factual weakness of national legislatures and the judiciary have been important determinants of bureaucracies' prominent role. Nonetheless, with the advent of electoral democracy to the region in the 1980s, legislatures and courts have gained more leverage in the policy process. Nowadays, elections

have empowered legislators in the design of public policy and the distribution of public resources while rulings by Supreme Courts and Constitutional Tribunals have had a real effect on policy decisions and the resolution of policy conflicts.<sup>8</sup> Certainly, this process has been uneven across the region, but it is fair to say that, in general, electoral democracy has affected the way policy is decided. What remains to be seen, however, is whether political competition and electoral democracy have affected the way policies are implemented. Legislators' ability to influence bureaucratic behavior by ex ante or ex post controls is a key factor in this regard. My dissertation aims to advance our knowledge on this important topic.

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<sup>8</sup> For analyses of the changing role of legislatures, see (Morgensten and Nacif 2002). For analyses of the changing role of the judiciary, see (Rios Figueroa and Taylor 2006; Taylor 2006).



**Chapter 1**  
**Selective Oversight**  
**The Determinants of Legislators Strategies to Monitor Bureaucratic**  
**Agencies**

In this chapter, I focus on factors that induce legislators to monitor bureaucratic agencies. I argue that legislators' oversight strategies depend on their incentives to monitor policy outcomes and on their capabilities to monitor bureaucratic agencies. Specifically, when legislators have the incentives their resource constraints and preferences over policy will force them to discriminate among policy areas and to devote resources to monitoring bureaucratic agencies only in areas that are highly relevant to them. Alternatively, legislators will refrain from reviewing bureaucratic actions when the policy involved is not significant for their interests. The relevance a policy area has for legislators (e.g., its "electoral value") and the total amount of resources legislators have (e.g., legal power to oversee bureaucratic agencies) are the key determinants of the scope and depth of legislators' oversight effort. Thus, legislative oversight is necessarily selective and occurs when legislators find strategic to oversee what the bureaucracy is doing, otherwise legislators will tend to neglect or delegate this responsibility.

This chapter is organized into two sections. The following section explains the characteristics of the model and its equilibrium. The last section elaborates on specific comparative statics that will serve as the basis for the comparative analysis which is the core of chapters three and four.

### 1.1. The Model

The theory I propose to explain legislators monitoring of the bureaucracy is based on four premises. The first premise is that politicians and bureaucrats are rational “in the sense that, given goals and alternative strategies from which to choose, they will select the alternatives that maximize their chances of achieving their goals” (Geddes 2003).<sup>9</sup> I have no further assumptions of which goals these are. Ideally, legislators would try to secure public policies that enhance the public welfare while bureaucrats would seek to make an efficient use of public resources; however, as we know, this is seldom the case. In the real world, politicians tend to maximize the benefits they obtain from the definition and implementation of a specific public policy while bureaucrats strive for strategies that minimize the effort of implementing a policy that renders significant benefits to them.

The second premise is that accountability implies successful delegation (Lupia and McCubbins 1998; Strom 2000).<sup>10</sup> In the parlance of the principal-agent approach, for accountability to occur, the principal should have the ability to affect the agent’s utility. Thus, the elected politicians will be accountable to the electorate if and only the electoral process affects the “utility” of elected politicians. By the same token, bureaucratic accountability

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<sup>9</sup> See (Geddes 2003) chapter 5 for a discussion of rational choice in comparative studies.

<sup>10</sup> Delegation occurs when the principal grants to the agent the power to decide matters on the principal’s behalf. The principal delegates this power because it is costly for him to make decisions or take actions by himself. Examples and a thorough explanation of delegation characteristics, problems, and solutions are found in (Kiewiet and McCubbins 1991).

will depend on the politicians' ability to infringe on the utility of bureaucratic agencies.

Restricting the meaning of accountability to successful delegation is certainly controversial.<sup>11</sup> I follow this approach for its parsimony and empirical tractability. A principal-agent approach allows me to clearly identify the actors involved, their incentives and also their strategies which in turn shed light on likely controversies and disputes. However, I slightly depart from those scholars that employ the principal-agent approach to study political accountability in that I do not consider that accountability necessitates the existence of sanctions (Moreno, Crisp, and Shugart 2003). Instead, I argue that for accountability to exist, the principal should have the ability to affect the utility of the agent, and this could be done by direct and explicit sanctions, but also by rewards or indirect sanctions (Lupia and McCubbins 1998).<sup>12</sup>

The third premise is that all political regimes can be depicted as a sequence of delegations of power and authority. For instance, a democracy is a sequence of two main delegations of power. The first one occurs when voters grant their political representatives (i.e. executive and legislators) the authority to determine public priorities and the ability to decide the distribution of public resources. The second act of delegation happens when elected representatives assign bureaucratic agencies the task to implement policy

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<sup>11</sup> See (Philp 2008) for a critique to the principal-agent approach to the study of government accountability

<sup>12</sup> I elaborate further about my definition of accountability in the introduction.

decisions (Haggard and McCubbins 2001; Strom 2000; Cox and McCubbins 2001).<sup>13</sup>

In a virtuous cycle, when the first act of delegation is successful, legislators' incentives may be motivated by the willingness of securing the welfare of their constituencies such that citizens recognize every governmental (bureaucratic) action as an accurate translation of their preferences. However, agency problems are ubiquitous in delegation of power; for instance, legislators may try to hold bureaucratic agencies accountable for non-democratic reasons. The fact that legislators may be interested in controlling the performance of the bureaucracy does not necessarily mean they care about voters' concerns. It is possible to have legislators who devote resources to monitoring bureaucratic actions in policy areas that render significant benefits to legislators regardless of any public welfare consideration. It might be the case that legislators keep tabs on bureaucratic agencies only to respond to particular interests.<sup>14</sup> Legislators will heed voters' concerns only when the electorate is able to affect legislators' utility function in response to poor implementation of public policies. In sum, it is the first act of delegation -- that from voters to representatives -- that determines legislators' incentives to keep the bureaucracy *democratically* accountable.

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<sup>13</sup> The distribution into two spheres is quite common. See (Diamond 1999a; Gervasoni 2008)

<sup>14</sup> See (Hecklo 1978; Lowi 1979) for an elaboration on this idea in the American politics realm (i.e., the "iron triangles" between legislators, bureaucrats, and private interests).

The fourth and last premise is that coordination problems pervade legislative work.<sup>15</sup> Thus, to monitor bureaucratic agencies legislators will face delegation and coordination problems.

To oversee and control the bureaucracy is costly. For legislative oversight to exist, legislators must have the incentive to invest effort and resources on keeping an eye on bureaucratic agencies. Therefore, a necessary condition to have legislative oversight is that legislators have the incentives to control the bureaucracy. However, to be successful (in other words, that bureaucratic agencies are accountable) legislative oversight also necessitates that legislators have the capability to control the bureaucracy, for instance, the ability to affect, or even induce, bureaucratic behavior.

To explain legislators' ability to hold the bureaucracy accountable and to outline legislators' strategies for monitoring bureaucratic agencies, I adapt the theoretical model on delegation as elaborated by McCubbins, Noll and Weingast (2006). The model I present has three basic assumptions. First, legislators and bureaucratic agencies have ordered preferences regarding policy areas (i.e., both have single-peaked utility functions); second, legislators have limited resources to oversee bureaucratic agencies; and third, bureaucratic agencies have information on legislators preferences and

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<sup>15</sup> Multiple analyses have shown theoretical and empirical evidence of the coordination problems legislators face and how they have been able to solve them. The literature is prolific. Some examples are the following: For theoretical analysis see (Shepsle and Weingast 1987, 1994; Cameron 2000; Tullock 1981). For US legislature see (Kiewiet and McCubbins 1991; Aldrich 1995; Baldez and Carey 2001; Cox and McCubbins 1993; Krehbiel 1992). For parliamentary regimes see (Laver and Shepsle 1990). For Latin American legislatures, see (Baldez and Carey 2001; Ames 2002; Nacif 2002).

resource constraints such that an agency's decision to comply with the legislators' mandate is always a strategic response to legislators' actions and interests. Legislators know agencies have this information, thus they also act tactically in response to agencies policy preferences.

The model represents each policy area as a one-dimensional continuum. Since legislators and bureaucratic agencies have ordered preferences regarding policy, their ideal outcome is represented as a point on each policy dimension. The utility of each actor decreases linearly as the final policy outcome departs from the preferred policy; thus legislators will evaluate bureaucratic agencies by the distance between the final policy outcome bureaucrats produce and legislators' ideal policy.

Since legislators know that bureaucratic agencies may deviate from the legislative mandate (because agencies' preferences over policy may differ from those of legislators), and since legislators also acknowledge the impossibility of detecting every non-compliant agency, legislators define a range of acceptable policy decisions that constrain the "distance" legislators will allow between their ideal and the final policy outcome. This margin expresses the deviation legislators will tolerate: It is the level of discretion legislators are willing to grant to bureaucratic agencies.<sup>16</sup>

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<sup>16</sup> See (Epstein and O'Halloran 1999; Huber, Shipan, and Pfahler 2001) for more elaborated models that explain (and measure) legislative discretion.

The model has three stages. It begins once the legislature and the executive have bargained and reached agreement on a unique policy.<sup>17</sup> In the first stage, politicians delegate the implementation of public policies to bureaucratic agencies. In the second stage, bureaucratic agencies choose whether to comply with this mandate. And finally, in the third stage, legislators determine an oversight strategy to maximize the probability of detecting all non-compliant agencies while making the best use of their limited resources.<sup>18</sup>

### 1.1.1. Sequence of the Model

Establishing priorities. At the beginning of the policy process, the executive and legislators bargain over public policy. The outcome of this negotiation is represented as a point ( $O_k$ ) in a K-dimensional policy space where each dimension k is independent from the others (the bargaining over policy occurs in one dimension at a time). Subsequently, politicians delegate the implementation of this policy to bureaucratic agencies.

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<sup>17</sup> The bargaining process is not endless. Retaining the status quo may be the “decision.” There is an extensive literature in the area of comparative analysis of presidential regimes on how the legislative powers of the executive vis-à-vis the legislature, or the internal organization of congress, affect the bargaining process over policy (e.g., whose preferences prevail in the final outcome, those of the executive or those of the legislature). See (Shugart 1999; Shugart and Carey 1992; Shugart and Haggard 2001). Although I make no explicit mention of the factors that affect the final policy outcome, they are endogenous to my model.

<sup>18</sup> Although the central actors of this model are legislators and bureaucratic agencies, the focus on legislators does not necessarily obliterate the role of the executive. The executive is in several regards endogenous to the model. Two instances of this situation are the role of the executive in defining the final policy action that is requested of bureaucratic agencies, and second, the influence the executive may hold in the definition of bureaucratic agencies’ policy preferences (which is exacerbated in the absence of effective civil service provisions). Thus, even though the executive may control bureaucrats (e.g., comptroller general), the executive’s decisions do not *directly* affect legislators’ oversight agenda. In the last pages I explain how changes in the constitutional powers of the executive or changes in her preferences may affect legislators’ actions to control bureaucratic agencies.

Policy mandates are rarely precise orders. Rather, politicians define a range of acceptable actions that incorporate the executive's and legislators' preferences. Graphically, this range is represented as an interval around the ideal policy outcome ( $O_k$ ), and its width depends upon the relevance that policy area  $k$  has for legislators and on legislators' ability to impose their preferences at the time of the policy negotiation. In other words, legislators could be strict in some policy areas and lenient in others.<sup>19</sup>

The relevance of each policy area is determined by the benefits legislators can obtain by intervening in it. Usually, the benefits legislators obtain are political: electoral victories, better opportunities to move up in the political hierarchy, or simply political clout (Fenno 1978; Schlesinger 1991; Carey 1998). When political benefits are high or increasing, the same is true of the relevance that the policy area has for legislators. As a policy dimension becomes more important, legislators' willingness to tolerate deviations from their preferred policy outcome will decrease, which leads legislators to reduce the discretion granted to bureaucratic agencies. Alternatively, when a policy area becomes less relevant, bureaucratic agencies will have more leverage. Legislators rank all policy dimensions on the basis of these criteria, such that if policy area  $k$  is preferred to policy area  $j$ , policy dimension  $k$  will have a higher ranking than  $j$  (because it is an ordinal ranking  $k < j$ ).

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<sup>19</sup> In establishing the policy mandates, an important factor is the relative bargaining power over policy of legislators vis a vis the executive. I elaborate on this specific point below.



But legislators have limited resources with which to monitor bureaucratic agencies. To optimize the use of these resources, legislators invest as heavily as possible in monitoring bureaucratic behavior in policy areas that render more benefits to them. Consequently, the focus of legislators' attention narrows on the most relevant policy areas which causes that the monitoring in less significant areas remains the same or decreases. This leads to two non-intuitive situations. The first occurs when a policy area is so relevant that legislators are not willing to accept any deviation from their ideal outcome and devote all available resources to ensure that bureaucratic agencies adhere as closely as possible to the legislative mandate (the legislature is unyielding). The second situation occurs when the policy area is completely irrelevant for legislators such that they do not invest any resources in monitoring bureaucratic actions (the legislature is indifferent). Empirically, the majority of policy areas oscillate between these two extremes, and they also move constantly within the hierarchy of legislators' preferences.

To illustrate the relationship between the relevance of a policy area and legislators' tolerance for bureaucratic discretion, let  $\gamma_k$  denote the relevance policy area  $k$  has for legislators, and let  $Z_k$  denote the political benefits that policy area  $k$  renders to legislators. Then  $\gamma_k(Z_k)$  such that  $\frac{\partial \gamma_k}{\partial Z_k} > 0$  for all  $k$ .

On the basis of  $Z_k$ , legislators define a range of acceptable policy outcomes from which bureaucratic agencies decide a final action. Let  $\delta_k$

represent the margin of discretion legislators' are willing to allow to bureaucratic agencies. Then

$$\frac{\partial \delta_k}{\partial Z_k} < 0 \text{ for all } k \text{ and } \frac{\partial \delta_k}{\partial \gamma_k} < 0 \text{ while } \frac{\partial \delta_j}{\partial \gamma_k} \geq 0 \text{ for all } k \text{ and } j,$$

and  $k$  is preferred to  $j$  ( $k < j$ )<sup>20</sup> The relevance of  $k$  and the benefits legislators obtain from it ( $\gamma_k$  and  $Z_k$ ) also affect the amount of resources legislators are willing to invest in monitoring bureaucratic agencies in  $k$ .

Deciding compliance. Once the level of discretion ( $\delta_k$ ) has been determined, bureaucratic agencies choose an action to take. Bureaucratic agencies have two alternatives: to comply or not with the legislative mandate. Compliance means that the agency decides to implement an action that is within the range of alternatives legislators previously defined. Not to comply means that the agency decides to implement a policy that is outside the acceptable range defined by legislators. When deciding whether to comply with legislators' mandate or to take an action that is not within the legislators' range, the bureaucratic agency considers legislators' preferences, its own preferences, and the probability that it may be sanctioned.

Agency  $i$ 's ideal point on every policy dimension (represented by parameter  $A_{ik}$ ) is independent from the ideal points of other actors in the model.<sup>21</sup> The agency  $i$ 's final decision at the second stage (to comply or not) is

<sup>20</sup> Recall that the ranking of  $k$  is ordinal. Thus 1 means a higher importance than 2 and so on.

<sup>21</sup> Independence, however, does not mean divergence since the ideal point of an agency could be the same as the ideal policy of legislators or the executive. For instance, when the

represented by  $D_{ik}$ . Parameters  $A_{ik}$  and  $D_{ik}$  are points in a closed interval  $[0,1]$  while the total number of bureaucratic agencies in each dimension  $k$  is denoted by parameter  $N_k$ .<sup>22</sup>

Defining oversight. To define their oversight agenda, Legislators choose at random a set of agencies to monitor ( $M_k$ ) from the total number of agencies involved ( $N_k$ ) in each policy dimension. To monitor the behavior of bureaucratic agencies, legislators must pay a cost  $C_k$  that affects the total amount of resources they have. Legislators resources are the sum of expertise, time, staff, economic resources, and the constitutional power legislators have to affect bureaucratic activities (i.e., *de jure* abilities) such as the ability to request information from bureaucratic agencies, to create investigative committees, to call for legislative hearings, to conduct audits, or to sanction.<sup>23</sup> I refer to the sum of these resources as legislators' total budget,

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ideal point of a bureaucratic agency coincides with the executive's, it can be argued that the bureaucratic agency is loyal to the executive. This is reasonable when the bureaucracy depends heavily on the executive branch. In contrast, a divergence of preferences between the executive and the agency could reflect a situation of either civil service or an autonomous institution.

<sup>22</sup> This means that the number of bureaucratic agencies is not necessarily the same in all dimensions.

<sup>23</sup> Instruments for political control of the bureaucracy can be centralized or decentralized (Fiorina 1981). A centralized control of the bureaucracy implies an overall synchronization of efforts to check bureaucratic actions. Under centralized bureaucratic control, there is a direct and active intervention of politicians in the examination of bureaucratic performance (i.e., "police patrol" oversight) (McCubbins and Schwartz 1984). A decentralized control of the bureaucracy refers to the existence of dispersed monitors of bureaucratic actions; when bureaucratic control is decentralized, politicians' involvement is less active and controllers tend to rely on indirect mechanisms of bureaucratic oversight (i.e., "fire alarm" oversight) (idem). The distinction between centralized and decentralized bureaucratic control does not have *per se* any implication for the level of bureaucratic accountability; it is the ability of

Bureaucratic agencies and legislators share a common set of beliefs about the distribution of the agencies' ideal points on any dimension. Legislators' tolerance for discretion in each dimension is also common knowledge. However, every actor only knows her/his own actions; that is agencies do not know the decisions of other agencies. Consequently, no single agent can affect the likelihood that its behavior will be reviewed.

Legislators' and bureaucratic agencies' goals and actions at each stage of the model create a sequential optimization problem: In the first stage, the legislators' goal is to set a margin of discretion to protect their ideal policy outcome and to maximize the number of compliant agencies (or minimize the cost of monitoring and sanctioning). During the second stage, every agency tries to secure a policy outcome that is closest to its ideal while minimizing the probability of being overseen and possibly sanctioned. Finally, in the third stage, legislators try to monitor as many agencies as possible in the most relevant policy areas given their limited resources. In the following section, I explain the strategies legislators and agencies follow to achieve their goals.<sup>24</sup>

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legislators to put into practice and enforce these instruments that finally determines an accountable bureaucracy.

<sup>24</sup> I restrict my attention to sequentially rational equilibria in which every actor, bureaucratic agency, and legislator chooses a unique strategy that affects his decision on the outcome of the interaction in the current stage and not in any other stage. For a similar rationale, see the model on separation of powers by (Persson, Gerard, and Guido 1997).

### 1.1.2. Equilibrium

Let  $NC_k$  be the number of non-complying agencies on policy dimension  $k$ . If the total number of agencies in dimension  $k$  is  $N_k$ , the probability that an agency is not complying is  $P_k = \frac{NC_k}{N_k}$ .

Let  $D_{ik}$  be the agency's decision to comply or not comply with legislators' policy mandate. Then the expected gain from detecting a non-compliant agency is,

$$E_{ik} = \sum_{i=1}^{NC_k} \left[ P_k \frac{|O_k - D_{ik}|}{N_k} \right]$$

where  $O_k - D_{ik}$  represents the policy cost of having an agency whose decision is not exactly the legislators' ideal outcome. The relevance of the policy area and the expected policy change after supervising all agencies in it ( $\gamma_k E_k$ ) will determine legislators' expected cost from monitoring bureaucratic agencies on that policy area.

During the third stage, legislators create an oversight agenda to maximize their expected payoff by selecting the number of agencies they will examine across all policy dimensions ( $M_1, \dots, M_k$ ). Monitoring is costly, however. Legislators have to "pay" a cost  $C_k$  to monitor an agency in policy area  $k$ . This cost constraint means that legislators can only monitor the number of agencies their budget allows. Legislators then face an optimization problem which consists of selecting a number of agencies ( $M_k$ ) to oversee in each policy area that maximizes the benefits each policy dimension renders to

them (equation 1) within the boundaries of a limited budget and positive oversight costs given the specified level of discretion (equation 2).

$$\sum_K (\gamma_k E_k M_k) \quad (1)$$

$$\text{s.t. } \sum_K (M_k C_k \delta_k) \leq B \quad (2)$$

Solving the legislators' optimization problem renders three major outcomes (see Appendix 1). First, legislators will not oversee any agency if the marginal cost of doing so exceeds the potential benefit, regardless of the policy area. Under such circumstances, legislators are better off ignoring bureaucratic actions on any policy dimension or simply delegating the oversight responsibility to other agencies. Second, when benefits exceed costs, it is not optimal for legislators to under-spend resources; their best strategy is to spend their entire budget. Nonetheless, legislators will be selective in the way they spend. Ranking the policy dimensions in order of relevance allows legislators to define an optimal "investment strategy" which consists of reviewing all the agencies in the most important dimension first (e.g.,  $k=1$ ) such that the number of monitored agencies equals the number of agencies involved in that dimension ( $M_1=N_1$ ). Then, if there are resources remaining, legislators will move to the next priority area (e.g.,  $k=2$ ) and will review all the agencies possible on that policy dimension.<sup>25</sup> Legislators will continue monitoring agencies in subsequent dimensions until they spend out

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<sup>25</sup> If  $k < j$ , then the expected payoff of  $k$  ( $\gamma_k E_k$ ) will be higher than the expected payoff of  $j$  ( $\gamma_j E_j$ ).

their total budget. This sequencing in monitoring offers legislators a unique optimization strategy for all policy dimensions in the third stage of the model.

In the second stage, every bureaucratic agency decides an action to take given its preferences on public policy, its knowledge of legislators' first choice, and the probability legislators will monitor the policy area. Similar to legislators, agencies will always prefer a final policy outcome equal to their own ideal point or as close to it as possible.

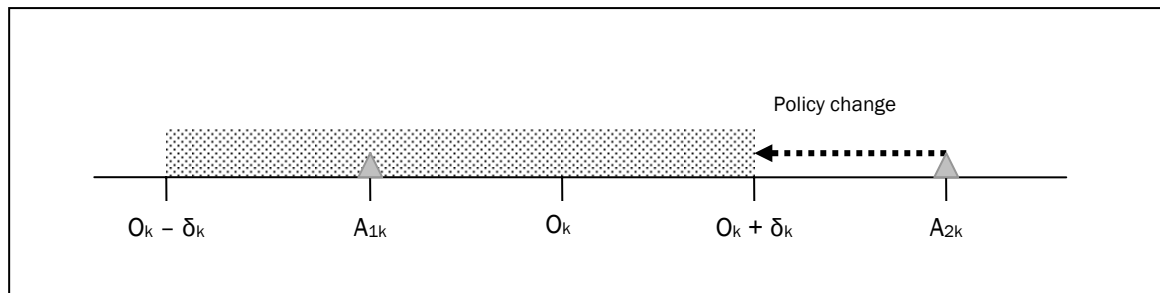
The agency's ideal point may be exactly equivalent to the legislators' ideal outcome; it can be within the range of outcomes legislators deem tolerable; or it can be outside that margin. When the ideal point of a bureaucratic agency is not within the range that legislators consider acceptable, the agency will minimize the difference (i.e., the distance) between the final policy outcome and its ideal point.<sup>26</sup> Second, the agency will try to minimize the chances that legislators will become aware of its final action (and maybe sanction the agency). Thus, when the agency's ideal point is not within the legislators' margin of tolerance, the agency's conundrum is whether to comply or not with the legislative mandate.

In figure 1.1 agency 1's ideal point on  $k$  ( $A_{1k}$ ) is within the boundaries of the legislators' margin of acceptable outcomes; thus the agency does not have to worry about updating or adapting its behavior or preferences. A different

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<sup>26</sup> Legislators can amend bureaucratic behavior by forcing the agency to take a final decision that is not the agency's ideal point or that is not even close to it (recall legal capabilities); or legislators can sanction the agency such that the benefits of keeping its ideal point are surpassed by the cost of a sanction.

situation occurs with agency 2, whose ideal point ( $A_{2k}$ ) is outside the legislators' range. If agency 2 decides to keep its ideal point, it exposes itself to detection and possible sanction. If the agency decides to comply, it has to change its final decision to the minimum that legislators are willing to accept (in this case,  $O_k + \delta_k$ ).



**Figure 1.1:** Agency's decision

Agencies whose ideal policy is outside legislators' range have two main strategies: either to make their ideal point the final policy outcome or, alternatively, to accommodate the final policy outcome within the boundaries of legislators' margin of tolerance. The agency's final decision depends on two factors. The first is the agency's opportunity cost of moving away from its ideal point and the second factor is the agency's judgment of the likelihood that legislators will review its decision and sanction it.

When a policy area is a high priority within the agency, the opportunity cost of moving away from its ideal outcome increases up to the point that the agency's optimal response is to maintain its ideal point regardless of the legislators' mandate and the cost of a potential sanction. However, if the cost of being sanctioned exceeds the agency's opportunity cost of moving away



from its ideal, the agency will consider to comply by selecting a final outcome that is within the legislators' margin of tolerance but as close as possible to its own ideal point (i.e.,  $D_{ik} \in [O_k - \delta_k, O_k + \delta_k]$ ).<sup>27</sup> Alternatively, if the agency believes legislators will not scrutinize its original decision, the agency will select a final outcome that is equal to its own ideal point, regardless of the legislators' preferences (i.e.,  $D_{ik} = A_{ik}$ ).<sup>28</sup>

Let  $\beta_{ik}$  represent the importance that policy area  $k$  has for agency  $i$  and let  $A_{ik}$  represent agency  $i$ 's ideal outcome in that policy area. The agency's strategy is to take a decision that reduces the distance between the final outcome ( $D_{ik}$ ) and its ideal point on policy dimension  $k$ :

$$\sum_K \beta_{ik} |D_{ik} - A_{ik}|$$

As the distance between the final outcome on  $k$  and the agency's ideal point widens, the agency's satisfaction with the final policy outcome decreases. Additionally, if the relevance of policy area  $k$  for the agency is high, so is the agency's opportunity cost of abandoning its ideal outcome.

When the agency's ideal point is beyond the boundaries of what legislators consider acceptable, the agency will keep its ideal point only if the potential gain of maintaining it is higher than the cost the agency may have to pay if legislators detect the wrongdoing and sanction it. Therefore, when the agency's ideal point is outside of the legislators' margin of tolerance (i.e.,

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<sup>27</sup> Take agency 2 in figure 1. This strategy will be represented by  $D_{2k} = O_k + \delta_k$ .

<sup>28</sup>  $D_{2k} = A_{2k}$  for agency 2 in figure 1.

$A_{ik} \in [0, (O_k - \delta_k)]$ ), the agency will keep its ideal point only if the opportunity cost of complying (i.e., by moving its final decision from  $A_{ik}$  to  $(O_k - \delta_k)$ ) is higher than the cost to be incurred given the probability that its action will be detected.<sup>29</sup> Consequently:

$$D_{ik} = A_{ik} \text{ only if } \beta_{ik} |A_{ik} - (O_k - \delta_k)| \geq \Psi_k |A_{ik} - O_k|$$

where  $\beta_{ik}$  represents the relevance  $k$  has for the agency and  $\Psi_k$  represents the likelihood ratio of being detected ( $\Pi_k$ )/not being detected ( $1 - \Pi_k$ ).

By the same token, if the agency's ideal point is above the legislators' margin of tolerance ( $A_{ik} \in [(O_k + \delta_k), 1]$ ), then the agency will keep its ideal point only if  $\beta_{ik} |A_{ik} - (O_k + \delta_k)| \geq \Psi_k |A_{ik} - O_k|$ . Thus, the probability of being detected and the opportunity cost of abandoning its ideal policy outcome lead to a unique optimizing strategy for each agency at the second stage of the model. Indeed, the odds of being found out and the opportunity cost will determine an interval in the policy continuum where the dominant strategy of every agency will be to comply (i.e. to change its final decision to either the lower or the upper edge of the legislators' margin of tolerance). Let  $L_K$  and  $U_K$  represent the lower and the upper bounds of this interval, respectively.

In the first stage, legislators decide on an acceptable level of discretion in each policy dimension, based on their preferences, available resources, and the agencies' policy preferences. The legislators' goal is to determine a range

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<sup>29</sup> The agency will take the same strategy even if the opportunity cost is equal to the sanctioning cost.

of policy outcomes that minimizes the number of non-compliant agencies at the second stage in order to minimize sanctioning costs. Since legislators know the distribution of agencies' ideal points, legislators can *calculate* the unique points (i.e.,  $L_K$  and  $U_K$ ) that determine the agencies' interval of acceptable decisions in policy dimension  $K$  ( $D_{ik}$ ) and, therefore, *estimate* the number of non-compliant agencies ( $NC_k$ ) in the third stage. These unique points will determine the legislators' range of acceptable policy outcomes ( $\delta_1, \delta_2, \dots, \delta_k$ ). Formally, legislators will try to minimize  $\sum_K NC_k |O_k - D_{ik}|$

This is a constrained minimization where the decision variables, probabilities, and expected payoffs were already defined during the second and the third stage, along with an exogenous bargaining cost. Consequently, legislators determine a range of discretion for each policy dimension that induces a unique response by agencies, which is followed by a unique oversight strategy. Therefore, there is a unique equilibrium.

## 1.2. Comparative statics

I focus on four comparative statics: Policy dimension relevance ( $\gamma_k$ ); legislators' resources ( $B$ ); the cost of monitoring bureaucratic agencies ( $C_K$ ); and the ability to affect bureaucratic agencies utility function (e.g., the ability to sanction).

### 1.2.1. The policy area relevance ( $\gamma_k$ )

A change in the relevance of any policy area alters its ranking, which leads legislators to update their oversight strategy in two ways: either by changing their “investment” on oversight or by altering the margin of discretion, (or both).

Let's suppose the policy area under consideration becomes more important, legislators will be willing to devote more resources to oversee bureaucratic agencies in this policy area than before. This new interest may be reflected on the improvement of direct mechanisms of oversight (or the creation of new indirect mechanisms, such as supporting freedom of information legislation). For instance, Legislators will try to induce agencies' compliance by changing the margin of discretion either by reducing the range of alternative policy outcomes available to agencies, or by threatening the agency with higher or tougher sanctions. Legislators can also allow interests groups to participate actively in the monitoring of agencies. The goal would be to affect the relative weight the agency gives to the cost of being sanctioned and the opportunity cost of pursuing its own ideal policy when it is outside what legislators deem appropriate.

If the policy dimension becomes less relevant, legislators will tend to broaden the margin of discretion which allows them to relax the oversight effort and devote those resources to policy areas that are more relevant. In other words, it will be easier for a bureaucratic agency to “comply” even if its preferences differ from those of legislators because they will have a larger set

of alternatives (or a wider margin of discretion). By enlarging the margin of tolerance and “inducing compliance”, legislators can reduce the effort and investment in overseeing that policy area. At least, legislators can avoid the burden of policy correction. Thus,

H1: If a policy dimension becomes more relevant, legislators will change their strategy of oversight either by increasing their “budget” or by affecting bureaucratic agencies’ opportunity cost.

H2: If a policy dimension becomes less relevant, legislators will do nothing about their strategies of oversight or they will reduce the investment for monitoring in that area.

Multiple institutional factors may affect the relevance a policy area has for a specific politician, for instance, the type of political regime (presidential or parliamentary), the electoral system (majoritarian or proportional representation), or the national configuration of the country (unitary or federal). In addition to institutional variables, changes in the relevance of a policy area may be influenced by new ideological positions or even unexpected changes of circumstances.

In presidential regimes, the significance of a policy dimension is directly affected by the level of divergence in policy goals and preferences between legislators and the executive (i.e. the separation of purpose between branches of government). In presidential democracies, there will always be a minimal level of separation of purpose given the autonomous origin of the legislature and the executive (Shugart and Carey 1992); however, the characteristics of the electoral system --or the party affiliation of legislators and the executive-

may increase the divergence of preferences. For instance, an electoral system that reduces the role of national political parties will tend to generate legislators that are more focused on local politics which may contrast with an executive that should center her attention on national issues. A second example occurs when the legislative majority belongs to a political party that is not the political party the executive endorses. Empirical analyses of policy making in presidential regimes have shown that when the political party who controls the legislative majority is different from the political party that controls the executive, differences about policy are likely to emerge (Haggard and McCubbins 2001).

When there is separation of purpose between the executive and the legislative majority (meaning when they preferences differ), legislators are more reluctant to grant discretion to executive agencies than when there is no separation of purpose. This resistance may be reinforced when there are no effective civil service provisions, because in these situations bureaucratic agencies are loyal to (or simply dependant of) the executive. In contrast, when there are no distinguishable preferences (e.g., when the political survival of legislators depends on the executive's approval), there is no separation of purpose and the likelihood that legislators will try to impose limits to the executive's influence will be low. Thus,

H3: As separation of purpose increases, legislators' incentives to strengthen oversight increase.

H4: As separation of purpose diminishes, legislators' effort to oversee bureaucratic agencies will remain the same or will be lower.

In other words, as the separation of purpose between the executive and legislators augments so does the incentives for *active* oversight. By *active* I mean that legislators take specific and deliberate actions to bring the procedures and undertakings of the executive into light. I evaluate these hypotheses in chapter four.

### 1.2.2. Cost of Oversight

There are multiple factors that raise the cost of oversight; here I only focus on two of them: policy expertise and number of agencies. As the technical aspects in a policy area increase in complexity, legislators are forced to request expert advice or develop more (and more specific) policy expertise. Theoretical and empirical studies have shown how novice legislators tend to delegate greater degrees of discretion to bureaucratic agencies than do legislators with more policy expertise. Thus amateur or “non-professional” legislators tend to be less competent in the definition of policy mandates. Policy expertise is quintessential to determining the limits to bureaucratic discretion (Carey 1998; Huber, Shipan, and Pfahler 2001; Huber and McCarty 2004; Kousser 2005).

Similarly, an increase in the number of agencies involved in the implementation of a particular policy may raise oversight costs (indeed, the executive, or even the bureaucracy itself, may use this strategy to hinder legislators’ oversight ability). Whatever the cause, an increase in oversight

costs accentuates legislators' budget constraints. The immediate outcome is a decline in either the number of agencies or the number of policy areas legislators can oversee.

There are three possible responses of legislators to higher oversight costs. The most obvious is to enlarge their budget; the second alternative is to grant more discretion in areas that are not a high priority; and the third option is to relocate the burden of monitoring to third parties.

### 1.2.3. Legislators' resources (B)

Legislators' budget relates directly to their capabilities. There are two types of resources legislators have. On one hand, there are legislators' constitutional powers, such as their relative bargaining power vis a vis the executive and the constitutional ability to monitor the actions of the executive (e.g., legislators' power to initiate special investigations or request hearings). On the other hand, there are resources that directly affect legislators' ability to perform their responsibilities, such as policy expertise, the quality of supportive agencies, and even legislators' ability to transfer the burden of oversight to third parties --all of these factors determine legislators' ability to cover the cost of oversight.

Despite the fact that an enhancement in any of the elements mentioned above is an "outward shift" of legislators' budget constraint and therefore, gives legislators more leverage to define their oversight agenda, there is a differentiated effect of an improvement of each of these variables. Particularly



important for this research is the executive's power to either "defend the status quo" (reactive powers) or "to establish a new one" (proactive powers).

The legislative powers of the executive have a direct effect on legislators' capacity to advance their own preferences (Kiewiet and McCubbins 1988; Cameron 2000; Groseclose and McCarty 2001; Magar 2001). An executive whose legislative powers give her a high degree of influence over legislation is associated with (reactive) legislatures, whose best resource is to threaten the executive with amending or rejecting her proposals (Cox and Morgensten 2001). An executive whose influence is restricted is usually associated with (proactive) legislatures that can change and reject an executive's proposal and can easily initiate legislation. Thus proactive legislatures will have greater ability to advance their preferences than will reactive legislatures, therefore, they will have more leverage to influence the factors that affect the success of oversight such as the level of discretion, the cost of monitoring, the sanctioning process or the size of their "budget".<sup>30</sup>

The effect the level of bargaining power has over legislators' oversight strategies is significant. A legislature whose ability to set the margin of discretion is strong will have more alternatives at hand to reduce the cost of oversight; for instance, they can pass specific legislation that enfranchises interested parties such that legislators can rely on external actors to raise the

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<sup>30</sup> The number of veto players also influences legislators' ability to advance their preferences. When the number of veto players is large, legislators face serious challenges to reaching policy agreements or advancing institutional reforms such as those that aim to reduce the cost of monitoring (e.g., reduce the number of agencies) or to enlarge legislators' budget. Multipartism, a common characteristic of presidential regimes, has been associated with strong presidents. See (Shugart 1998).

alarm when a bureaucratic wrongdoing is taking place. Two examples of this alternative are the passage of legislation on administrative procedures (McCubbins, Noll, and Weingast 1989, 1987; Baum 2005), or legislation that makes mandatory for bureaucratic agencies to disclose information. A legislature whose ability to set the margin of discretion is feeble will have to rely strongly on its ability to directly monitor and detect bureaucratic wrongdoing. In this case, the success of oversight will be strongly dependant on the effectiveness of legislators ability to affect the utility of bureaucratic agencies. Thus,

H6: If the legislature is proactive, legislators' oversight strategies will focus on influencing the margin of discretion over direct oversight.

H7: If the legislature is reactive, legislators' oversight strategies will focus on direct oversight over influencing the margin of discretion.

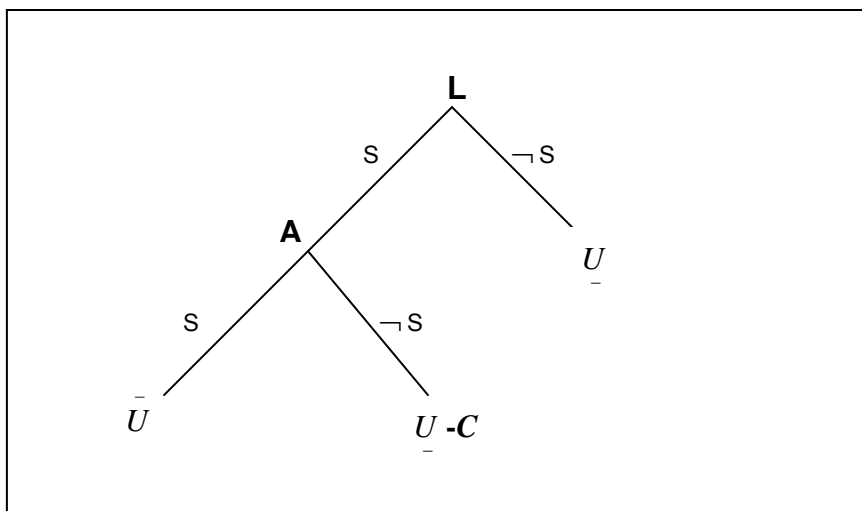
Chapters three and four present evidence of hypothesis seven.

#### 1.2.4. Affecting the utility function of bureaucratic agencies

Non-credible sanctions weaken the influence of legislators' oversight on agencies' decisions to comply. The enforceability of sanctions (and, therefore, policy correction) strongly influences the effectiveness of legislators' strategies to induce compliance. Non-credible punishment is a common problem when the enforcement of sanctions is delegated to a different party over whom legislators usually have limited or not direct (if any) authority. In some presidential regimes, the enforcement of sanctions is delegated to the judicial

power; in others, because of constitutional design, this enforcement is delegated to some office within the executive branch (usually, the public prosecutor or the comptroller general). This is a serious problem.

To hand over the sanction enforcement creates a conundrum for legislators because they should decide whether to initiate a sanctioning process (and pay a cost for doing so) and run the risk that the sanction will never be fully implemented, or not doing anything and evade the cost of requesting a sanction, monitor its enforcement, etc. Because there is a cost associated with the initiation of sanctions, legislators will be cautious and their pursuing of sanctions will depend on their beliefs about the probability that the sanction will be effectively implemented (thus, duplicating the monitoring effort). The following figure helps to clarify this situation



where  $\bar{U} > U$

**Figure 1.2:** The (little) game of the sanctioning process

In figure 2, L represents legislators, A the agency to whom the implementation of sanctioning is delegated, and P is the probability agency A enforces the sanction. Legislators receive the utility  $\underline{U}$  if they decide not to do anything (–s). If legislators decide to initiate a sanctioning process, and if the agency implements the sanctions, legislators receive the utility  $\bar{U}$ ; however, if legislators decide to initiate the sanctioning process and the agency does not enforce the sanction, legislators receive a payment  $\underline{U} - C$ .

Legislators' decision to initiate a formal process of sanctioning will depend on their beliefs about the probability that the agent would follow their directives. The alignment of legislators' incentives and the agent's incentives is the key component in determining this probability. Let's assume the agent is an office of the executive branch, such as the office of the comptroller general (a very common situation in developing presidential regimes), if legislators' sanction is along the lines of the executive's policy of bureaucratic control (i.e. incentives are aligned), then there is a higher probability that legislators' oversight has a dissuasive effect for bureaucratic agencies. However, if the executive's incentives are not aligned with those of legislators (e.g. a divided government), then there is a chance that the sanction would never be implemented (because the comptroller general –in most of the cases- is accountable to the executive); therefore, legislators actions won't affect bureaucratic agencies, and they won't serve as an effective deterrent of

wrongdoing. Given these circumstances, it is strategic for legislators to look for alternatives to a formal sanction.

When the enforcement of sanctions is weak, compliance would depend on the probability that other factors, such as public opinion, affect an agency's cost of persisting with not complying. The external costs of being denounced (e.g., reputation, public pressure, etc.) but not the potential costs of policy correction and sanction, may force the agency to reconsider its final action.<sup>31</sup>

### 1.3. Concluding Remarks

The model shows that legislators' oversight of bureaucratic behavior is always selective. Legislators' strategy responds to the relevance of every policy area and legislators' resources to monitor bureaucratic agencies. The key point is that bureaucratic accountability is not and cannot be something that happens or not -like turning the light on or turning it off. Given limited resources, legislative oversight is necessarily discriminatory; therefore, bureaucratic accountability is never completely fulfilled.<sup>32</sup>

The main implication from the model is that there will always be policy areas neglected in terms of the legislators' oversight agenda; thus, in the absence of alternative mechanisms to keep bureaucratic behavior under control (such as effective legislation to access public information) these areas will turn into paradises of clientelism and corruption.

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<sup>31</sup> For different elaborations on how public opinion may affect the performance of an agency see (McCubbins and Schwartz 1984; Fox 2007)

<sup>32</sup> This theoretical result has obvious implications for arguments such as "horizontal accountability." For a discussion on this topic, see (O'Donnell 1998, 2003; Mainwaring 2003).

The model suggests that legislators can improve their ability to control bureaucratic agencies when they are capable of determining the level of bureaucratic discretion, affecting the cost of oversight, and increasing the resources available to them for oversight of bureaucratic agencies. However, as I explained in previous paragraphs, there are factors in play that can prevent legislators from successfully undertaking these actions.

The model also shows that bureaucratic agencies respond strategically to legislators' actions. Agencies' decisions to comply or not comply with legislators' mandates depend heavily on the probability that legislators will monitor and sanction them (i.e., that they will be forced to correct the policy outcome they produced). Therefore, if legislators lack the resources to oversee or are unable to have an impact upon an agency's opportunity costs, it is reasonable to expect that bureaucratic agencies will ignore legislators' mandates regardless of legislators' incentives.

What this model suggests is that democratic accountability, as lauded by development practitioners (Santiso 2004; World Bank. 2006; Santiso 2004), requires not only that legislators be concerned for their constituents but also that legislators be able to ensure that civil servants faithfully execute the implementation tasks delegated to them. The main policy implication from this model is that pouring resources into national legislatures will not translate into effective oversight unless legislators' ability to set policy (margin of discretion) improves and the enforcement of sanctions is secured. Second, effective

bureaucratic accountability (democratic accountability) relies heavily on legislators' incentives.

To test some empirical implications of this model, I analyze the strategies of oversight of Mexican local legislators in recent years. In the following chapter, I explain my research strategy. Then, in chapter three, I document and explain how the level of resources affects the ability of legislators to oversee bureaucratic agencies. Then, in chapter four, I analyze in depth the effect that political incentives (specifically, separation of purpose between the executive and the legislature) have on the characteristics and immediate performance of legislative institutions of oversight.

## **Chapter 2**

### **Research Strategy: Focusing on Sub-National Politics in Mexico and Mexican States**

The oversight and control of the bureaucracy is a relevant topic of government accountability in every single country regardless of its level of development or the status of its political regime. However, to keep the government accountable is particularly relevant for countries that are still struggling to consolidate democratic institutions or that face important challenges to secure economic development. The comparative analysis of how legislators control the bureaucracy is challenging for at least two reasons: the difficulty in controlling for the effect that different institutional arrangements have on the country's policy outcomes and on politicians' behavior; and the difficulty in controlling for the effect that different historical legacies also have.

The institutional heterogeneity among political regimes is problematic for this research because the constitutional organization of the country influences legislators' strategies to monitor bureaucratic agencies. There are several sources of institutional variation that are difficult to control for, but two of them are particularly challenging: differences in the bargaining power of the legislature in relation to the executive; and differences in the type of electoral system.

The oversight of bureaucratic agencies is a legislative decision influenced by the distribution of constitutional powers to initiate, amend or veto legislation between the executive and the legislature. The power to veto a



legislative proposal, the right to decree legislation unilaterally, and the ability to initiate a legislative discussion are the main instruments executives have to affect legislative decisions. For instance, when the executive has strong veto power (e.g., partial veto), she is able to credibly threaten the legislature to revert –or at least affect- the final outcome, which gives her more leverage to influence the content of legislation. In contrast, an executive with weak veto power (e.g., total veto) is forced to negotiate *ex ante* with legislative representatives in order to accommodate her preferences. A “weak” executive gives legislators more leverage to determine the margin of discretion. Similarly, legislators will be more resourceful when the executive has no decree power or when she has no ability to initiate specific legislation because, in this case, legislators retain the agenda power (Carey and Shugart 1998).

There is significant variation among presidential regimes regarding the allocation of legislative powers to the executive. For instance, we know that the Chilean president is far more powerful than her counterpart in Mexico or the United States, and we also know that this institutional variation is not random (it seems to respond to specific factors, such as the strength of the party system) and that it has systematic effects on the process (and outcomes) of policy making.<sup>33</sup>

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<sup>33</sup> A pioneering analysis of institutional variation among presidential regimes is (Shugart and Carey 1992). See also (Shugart and Haggard 2001; Shugart and Carey 1992; Mainwaring and Shugart 1997; Mainwaring 1997; Cheibub 2007). For a comprehensive review of presidential regimes, see (Cheibub and Limongi 2002). On the causes of this variation, see (Shugart 1998). See (Haggard and McCubbins 2001) for analyses regarding how different

A second source of notable institutional difference is the electoral system. Legislators' strategies to keep tabs on bureaucratic agencies require coordination, which is highly determined by the number of legislative parties, the level of party discipline, the internal organization of the chamber, and the incentives legislators face. All of these variables are affected by the rules about who is entitled to run for office, the conditions to compete, and the criteria to determine the winner.

Take, for instance, the differentiated effect that majoritarian and proportional representation rules have on party discipline (which is a key factor in the organization and performance of national legislatures). A proportional representation system tends to foster party discipline within the legislature, which is later mirrored in high degrees of coherence during legislative votes. In contrast, a pure majoritarian electoral system tends to create "centrifugal incentives" that weaken the discipline of party members, which affects the internal organization of the legislature, for instance, by creating a committee system that is highly decentralized.<sup>34</sup> The comparison is even more complicated when it comes to mixed electoral systems because there is no homogeneity among them: There are instances of mixed regimes where, despite adopting traits of majoritarianism, the electoral rules maintain a high degree of proportionality (Germany); and there are cases where the bias is towards majoritarianism (Mexico) (Shugart and Wattenberg 2001).

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arrangements of constitutional powers have a systematic effect on policy outcomes. (Stein et al. 2005) offer a more public policy perspective on this topic.

<sup>34</sup> See (Shugart 2001; Powell 2000).

In order to maintain parsimony in my research, I decided to minimize the effect of institutional variation by selecting cases that are alike. It would have been extremely complicated to achieve this goal following a country case analysis. Thus, instead of studying a handful of presidential regimes, I decided to focus on political units at the sub-national level. Among the possible alternatives (Argentina, Brazil or the United States), Mexico was the best option because the political units that conform the United States of Mexico resemble each other much more than other cases in the region, which allows me to control for confounding institutional effects.<sup>35</sup>

All Mexican states are constitutionally organized in a manner akin to a unicameral presidential regime, while local electoral rules are extremely similar across the country. These similarities give more leverage to construct controlled comparisons and solve the small N-research design problem that most comparative analyses face (Lijphart 1975, 1971; Snyder 2001). Looking only at Mexico at the sub-national level also facilitates holding constant idiosyncratic factors such as history and culture, both relevant variables for explaining political development, as many comparative analyses of democratization have demonstrated (Smith 2005; Putnam 1993). Moreover, pursuing an analysis of sub-national units in Mexico helps me solve problems of comparability without sacrificing my aim of focusing on developing countries, because Mexican states have a level of development that is similar

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<sup>35</sup> The alternatives could have been Argentinean provinces or Brazilian states; however, there is ample variation among Argentinean provinces regarding electoral rules.

to other developing countries (principally Latin American). This allows me to advance a long-term objective, which is to generalize the theory I present to other presidential regimes.<sup>36</sup>

## 2.1. Sub-national politics in Mexico. The source of similarity: The Institutional Organization of Mexican States

Mexico is a federal republic of thirty-one autonomous states and one federal district.<sup>37</sup> In all states, there is an executive who is in charge of the state public administration, while the legislative power is a local legislature whose members are elected by a mixed electoral system. There is also a judicial branch composed of a state court (these go by different names in the various states) whose members are appointed (in all states) by a process in which both the executive and the legislature participate.

State governors in Mexico have similar legislative powers. No governor has the ability to issue legislative decrees or urgency measures; and no state governor can initiate specific legislation beyond the annual budget; all governors have legislative veto, and almost all of them can only veto legislation in its totality.

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<sup>36</sup> Presidential regimes tend to be small or poorly developed countries; I consider that by looking at variations in resources and incentives (while “keeping constant” institutional factors), my research might yield insights into problems of democratic stability in other countries such as El Salvador, Honduras or Nicaragua, which are likely to face similar challenges to legislatures in low-income states like the Mexican state of Chiapas. By the same token, problems encountered by legislatures in developed states such as Nuevo León or Jalisco may be analogous to those in middle-income countries such as Peru.

<sup>37</sup> From now on, I will refer to “thirty-two” states even though the Federal District is not a state, although its political organization is analogous to that of any state.

State legislatures legislate in areas related to state government, regulatory decrees, and by-laws; they approve or reject the nomination of magistrates of the local superior court; resolve conflicts between municipalities; and, if necessary, suspend the municipal council or remove its members. Local legislatures declare the legitimacy of state gubernatorial elections; reform the state constitution; and approve the founding of new municipalities (Crosta and OECD 2003). They are also able to submit legislative proposals to the Federal Congress. State legislatures evaluate, approve and monitor the budget proposal put forward by the executive, which includes decisions about revenues –local taxes- and expenditures. Legislatures are also responsible for approving municipalities' revenue law. Relevant for this research, state legislatures are in charge of monitoring the executive and reviewing –and approving- the state's and municipal public accounts, which are reports submitted periodically by the executive and municipal mayors about the use of public resources during the fiscal year. Although all local legislatures have the institutional ability to oversee the actions of the executive, they differ in the number and type of instruments available (e.g., whether they can request hearings, create special or investigative committees) (I elaborate more on these powers in the following chapter).<sup>38</sup>

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<sup>38</sup> The municipal government, the axis of local politics, is also equivalent for all states since it is regulated by constitutional mandate. This does not mean that all municipal governments have the same performance. See (Cabrero Mendoza 2004).

Yet, similar to what occurred at the federal level, the real political power of state governors is not completely determined by their formal constitutional abilities. In some states, governors are quite influential in the day-to-day business of local political organizations, such as the selection of candidates for the Federal Congress, the state legislature or municipal councils.<sup>39</sup> This informal power gives governors the ability to manipulate the career of local politicians, which may facilitate the circumvention of legislative decisions not favorable to her program. Not all governors have the same “informal” powers, however. There are instances where a vibrant political competition limits a governor’s ability, but there are states where political competition is restricted or simply limited, like an authoritarian enclave.<sup>40</sup>

Despite these important similarities, state legislatures do vary in some regards. On average, a local legislature in Mexico has 36 deputies; the extremes are the State of Mexico, with 75 legislators, and Baja California Sur, whose legislature has only 21 members. Although in all state congresses the legislative work is distributed among standing committees, local legislatures vary in their number: some legislatures have 40 standing committees (such as Chiapas) while others only have 12 (as in Campeche). State legislatures also

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<sup>39</sup> For an brief explanation of the informal power of the federal executive and its influence on national politics, see (Casar 2002) and (Weldon 1997). For an excellent review of the political role of Mexican governors, see (Hernández Rodríguez 2008). Also, (Langston 2006) offers an example of how PRI governors influence the internal politics of political parties.

<sup>40</sup> See (Cornelius 1999) for a general account and (Cornelius, Eisenstadt, and Hindley 1999; Gibson 2005) for specific analysis.

differ in the proportion of legislators chosen by plurality and by proportional representation (PR). Table 2.1 summarizes these statistics.<sup>41</sup>

**Table 2.1: General Information on Local Legislatures in Mexico**

| State            | Total | Legislators by Plurality | Legislators by PR | Legislators per capita | Ratio PR/PI | Total leg. committees |
|------------------|-------|--------------------------|-------------------|------------------------|-------------|-----------------------|
| Federal          | 500   | 300                      | 200               | 206,527                | 40.00       | 90                    |
| Aguascalientes   | 27    | 18                       | 9                 | 39,460                 | 33.33       | 25                    |
| Baja California  | 25    | 16                       | 9                 | 113,779                | 36.00       | 20                    |
| BC Sur           | 21    | 16                       | 5                 | 24,389                 | 23.81       | 22                    |
| Campeche         | 35    | 21                       | 14                | 21,564                 | 40.00       | 12                    |
| Chiapas          | 40    | 24                       | 16                | 107,336                | 35.48       | 40                    |
| Chihuahua        | 33    | 22                       | 11                | 98,226                 | 36.00       | 32                    |
| Coahuila         | 31    | 20                       | 11                | 80,490                 | 40.00       | 26                    |
| Colima           | 25    | 16                       | 9                 | 22,720                 | 33.33       | 15                    |
| Distrito Federal | 66    | 40                       | 26                | 132,135                | 39.39       | 36                    |
| Durango          | 30    | 17                       | 13                | 50,304                 | 43.33       | 30                    |
| Guanajuato       | 36    | 22                       | 14                | 135,939                | 38.89       | 21                    |
| Guerrero         | 46    | 28                       | 18                | 67,722                 | 39.13       | 27                    |
| Hidalgo          | 30    | 18                       | 12                | 78,184                 | 40.00       | 29                    |
| Jalisco          | 40    | 20                       | 20                | 168,803                | 50.00       | 36                    |
| México           | 75    | 45                       | 30                | 186,767                | 40.00       | 32                    |
| Michoacán        | 40    | 24                       | 16                | 99,152                 | 40.00       | 24                    |
| Morelos          | 30    | 18                       | 12                | 53,763                 | 40.00       | 24                    |
| Nayarit          | 30    | 18                       | 12                | 31,656                 | 40.00       | 22                    |
| Nuevo León       | 42    | 26                       | 16                | 99,983                 | 38.10       | 22                    |
| Oaxaca           | 42    | 25                       | 17                | 83,496                 | 40.48       | 28                    |
| Puebla           | 41    | 26                       | 15                | 131,296                | 36.59       | 19                    |
| Querétaro        | 25    | 15                       | 10                | 63,926                 | 40.00       | 27                    |
| Quintana Roo     | 25    | 15                       | 10                | 45,412                 | 40.00       | 20                    |
| San Luis Potosí  | 27    | 15                       | 12                | 89,275                 | 44.44       | 10                    |
| Sinaloa          | 40    | 24                       | 16                | 65,211                 | 40.00       | 27                    |
| Sonora           | 33    | 21                       | 12                | 72,572                 | 36.36       | 50                    |
| Tabasco          | 35    | 21                       | 14                | 56,856                 | 40.00       | 25                    |

<sup>41</sup> Local legislatures also vary in other aspects such as the procedure to select the president of congress and the agenda powers granted to him. See (Lujambio 1997) for a comparative analysis.

**Table 2.1:** General Information on Local Legislatures in Mexico  
(cont)

| State      | Total | Legislators by Plurality | Legislators by PR | Legislators per capita | Ratio PR/PI | Total legislative committees |
|------------|-------|--------------------------|-------------------|------------------------|-------------|------------------------------|
| Tamaulipas | 32    | 19                       | 13                | 94,507                 | 40.63       | 37                           |
| Tlaxcala   | 32    | 19                       | 13                | 33,381                 | 40.63       | 25                           |
| Veracruz   | 50    | 30                       | 20                | 142,204                | 40.00       | 29                           |
| Yucatán    | 25    | 15                       | 10                | 72,758                 | 40.00       | 15                           |
| Zacatecas  | 30    | 18                       | 12                | 45,590                 | 40.00       | 31                           |

**Sources:** Local constitutions as of January 2009. Local legislatures' Web pages. Population data from the National Institute of Statistics, INEGI

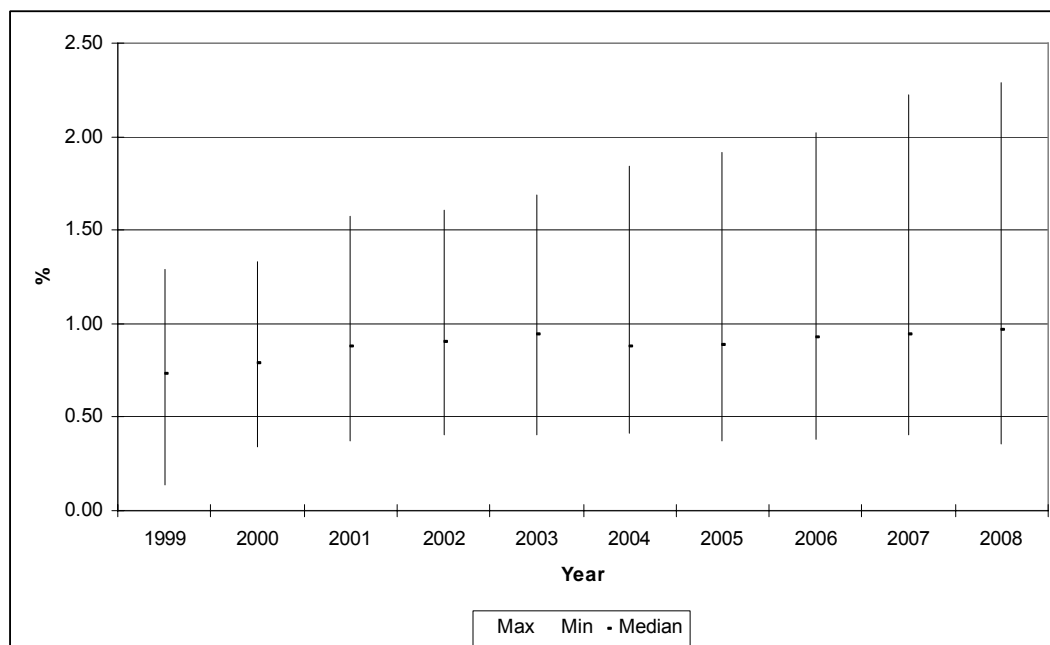
Legislatures also vary in the resources available to them (table 2.2). For example, in the past ten years, legislatures have received between 0.38% and 2.0% of the total state budget. However, there are important disparities: In 2008, the local legislature of Tamaulipas received 0.36% of the total budget, while legislators in Quintana Roo received 2.29%. In per capita terms, the most “affluent” legislature in 2008 was Chihuahua, and the most restricted legislature was Colima (table 2.2). Despite these differences, for the past ten years legislative budgets have tended to increase respective to the total budget of the state (figure 2.1).



**Table 2.2: Legislative Budget (2008)**  
(millions of Mexican pesos)

| State            | State Budget  | Legislative Budget | Legislative budget per capita | Legislative Budget as % of the State Budget |
|------------------|---------------|--------------------|-------------------------------|---|
| Federal          |               | \$ 8,978.60        | \$ 87                         |   |
| Aguascalientes   | \$ 10,399.51  | \$ 139.76          | \$ 131                        | 1.34%                                       |
| Baja California  | \$ 25,082.54  | \$ 283.69          | \$ 100                        | 1.13%                                       |
| BC Sur           | \$ 6,593.14   | \$ 113.86          | \$ 222                        | 1.73%                                       |
| Campeche         | \$ 11,122.66  | \$ 119.58          | \$ 158                        | 1.08%                                       |
| Chiapas          | \$ 40,382.45  | \$ 149.92          | \$ 60                         | 0.37%                                       |
| Chihuahua        | \$ 30,425.00  | \$ 405.90          | \$ 715                        | 1.33%                                       |
| Coahuila         | \$ 24,532.33  | \$ 195.07          | \$ 45                         | 0.8%  |
| Colima           | \$ 6,180.00   | \$ 95.18           | \$ 29                         | 1.54%                                       |
| Distrito Federal | \$ 110,666.60 | \$ 1,122.04        | \$ 129                        | 1.01%                                       |
| Durango          | \$ 16,125.83  | \$ 150.96          | \$ 100                        | 0.94%                                       |
| Guanajuato       | \$ 35,799.69  | \$ 297.29          | \$ 61                         | 0.83%                                       |
| Guerrero         | \$ 28,429.01  | \$ 302.83          | \$ 97                         | 1.07%                                       |
| Hidalgo          | \$ 20,121.71  | \$ 117.43          | \$ 50                         | 0.58%                                       |
| Jalisco          | \$ 56,303.83  | \$ 619.63          | \$ 92                         | 1.1%  |
| México           | \$ 114,555.21 | \$ 1,104.90        | \$ 79                         | 0.96%                                       |
| Michoacán        | \$ 33,785.74  | \$ 288.57          | \$ 73                         | 0.85%                                       |
| Morelos          | \$ 13,561.67  | \$ 241.00          | \$ 149                        | 1.78%                                       |
| Nayarit          | \$ 11,562.94  | \$ 170.20          | \$ 179                        | 1.47%                                       |
| Nuevo León       | \$ 38,728.54  | \$ 274.51          | \$ 65                         | 0.71%                                       |
| Oaxaca           | \$ 32,706.07  | \$ 183.27          | \$ 52                         | 0.56%                                       |
| Puebla           | \$ 39,446.11  | \$ 230.45          | \$ 43                         | 0.58%                                       |
| Querétaro        | \$ 14,566.87  | \$ 206.92          | \$ 129                        | 1.42%                                       |
| Quintana Roo     | \$ 11,838.65  | \$ 271.35          | \$ 239                        | 2.29%                                       |
| San Luis Potosí  | \$ 21,921.60  | \$ 162.44          | \$ 67                         | 0.74%                                       |
| Sinaloa          | \$ 22,640.57  | \$ 141.56          | \$ 54                         | 0.63%                                       |
| Sonora           | \$ 36,889.43  | \$ 220.80          | \$ 92                         | 0.6%  |
| Tabasco          | \$ 27,542.30  | \$ 281.10          | \$ 141                        | 1.02%                                       |
| Tamaulipas       | \$ 26,423.35  | \$ 93.93           | \$ 31                         | 0.36%                                       |
| Tlaxcala         | \$ 8,262.96   | \$ 163.70          | \$ 153                        | 1.98%                                       |
| Veracruz         | \$ 57,950.00  | \$ 315.00          | \$ 44                         | 0.54%                                       |
| Yucatán          | \$ 15,474.87  | \$ 103.07          | \$ 57                         | 0.67%                                       |
| Zacatecas        | \$ 14,483.51  | \$ 175.66          | \$ 128                        | 1.21%                                       |

**Sources:** Budget data from each State Budget Decree. Population data from the National Institute of Statistics, INEGI



**Figure 2.1: Legislative Budget as Percentage of the State's Budget (1999-2008)**

**Sources:** Budget data from each respective State Budget Decree

Mexican states also resemble each other in electoral regulations. Elections occur every three years in all states, and any other election is concurrent with the executive's (scheduled every six years).<sup>42</sup> In all states, immediate reelection is disallowed for local legislators and municipal authorities (presidents and councilors); and in no state is the governor eligible for reelection. With the exception of Yucatán, in all states party endorsement is mandatory to run for office.<sup>43</sup>

<sup>42</sup> Two exceptions are Chiapas and Coahuila. In Chiapas, elections for governor were repeated in 1995 (after one year of the previous electoral contest) due to the Zapatista insurrection. Thus elections in the state are not concurrent. In Coahuila, a recent constitutional reform established that, beginning in 2013, local elections will occur every four years (but elections for governor will happen every six years).

<sup>43</sup> In recent years, some states started to differentiate themselves from the rest of the country. One example is the recent electoral reform (May 2006) in the state of Yucatán, which allows independent candidates to run for office; this contrasts with the rest of the states, where party

In all states, local legislators are selected by a mixed electoral system<sup>44</sup> in two overlapping electoral districts. The whole territory of the state constitutes a multimember district (N varies), and at the same time it is divided into a specific number of single-member districts (SMDs). Every citizen's vote is counted twice. The first count is to determine, by plurality, the winner of the single-member district (voters cast their vote for a party formula of a candidate and her replacement, *suplente*), while the second count is to add the votes for the same political party (or coalition) in order to distribute legislative seats by some specific formula of proportional representation (usually a variation of D'Hore). The magnitude of the multi-member district and the number of single-member districts vary across the country, as do the rules governing the allocation of proportional representation seats.

On average, 39% of legislative seats in local congresses are determined by proportional representation (at the federal level it is 40%). At one extreme is the state of Jalisco, whose number of seats allocated by proportional representation totals exactly half of the seats. At the other extreme is Baja California Sur, where 24% of legislative seats are granted by proportional representation (see table 2.1).

Local laws differ in the requirements for gaining access to proportional representation seats. There are two major conditions: that parties reach a specific vote threshold during the election; and that parties present candidates

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endorsement is mandatory. The reform prompted local parties to issue a constitutional dispute, which was finally resolved on October 2006 when the Supreme Court –in a divided vote– declared the reform constitutionally valid.

<sup>44</sup> In contrast, the executive is elected by plurality.

in a determined number of single-member districts. At the federal level, the Constitution establishes a threshold of 2% of the national vote and requires that parties present candidates in 66% of single-member districts. At the state level, the most stringent legislation is that of Yucatán, where political parties must participate with a candidate in all SMDs (in contrast, Nuevo León only requires one-third) and Baja California, which requires a minimum of 4% of the total vote (in contrast with 1.5% in Mexico State, Nuevo León, Oaxaca, Tamaulipas, and Yucatán) (table 2.3).

**Table 2.3:** Rules for the Allocation of Seats through Proportional Representation (PR)

| State            | Requirements for PR     |           |
|------------------|-------------------------|-----------|
|                  | # of candidates in SMD  | Threshold |
| Aguascalientes   | 2/3 SMD                 | 2.50%     |
| Baja California  | 1/2 SMD                 | 4%        |
| BC Sur           | 1/2 SMD                 | 2%        |
| Campeche         | 2/3 SMD                 | 3%        |
| Coahuila         | 1/2 SMD                 | 3.50%     |
| Colima           | 1/2 SMD                 | 2%        |
| Chiapas          | 1/2 SMD                 | 2%        |
| Chihuahua        | ~ 2/3 SMD <sup>45</sup> | 2%        |
| Distrito Federal | All SMD <sup>46</sup>   | 2%        |
| Durango          | 2/3 SMD                 | 2.50%     |
| Guanajuato       | 2/3 SMD                 | 3%        |
| Guerrero         | 2/3 SMD                 | 2%        |
| Hidalgo          | 2/3 SMD                 | 3%        |
| Jalisco          | 2/3 SMD                 | 2%        |
| México           | 2/3 SMD                 | 1.50%     |
| Michoacán        | 1/2 SMD                 | 2%        |
| Morelos          | 2/3 SMD <sup>47</sup>   | 3%        |
| Nayarit          | 2/3 SMD                 | 2%        |
| Nuevo León       | 1/3 SMD                 | 1.50%     |
| Oaxaca           | 1/2 SMD                 | 1.50%     |

<sup>45</sup> 14 out of 22 SMD

<sup>46</sup> 40 SMD total

<sup>47</sup> 12 out of 18 SMD

**Table 2.3:** Rules for the Allocation of Seats through Proportional Representation (PR)  
(cont.)

| State           | Requirements for PR     |           |
|-----------------|-------------------------|-----------|
|                 | # of candidates in SMD  | Threshold |
| Puebla          | 2/3 SMD                 | 2%        |
| Querétaro       | ½ SMD                   | 3%        |
| Quintana Roo    | 1/2 SMD                 | 2%        |
| San Luis Potosí | 2/3 SMD                 | 3%        |
| Sinaloa         | +1/3 SMD                | 2.50%     |
| Sonora          | + 1/2 SMD <sup>48</sup> | 3%        |
| Tabasco         | 2/3 SMD                 | 2%        |
| Tamaulipas      | 2/3 SMD                 | 1.50%     |
| Tlaxcala        | +2/3SMD                 | 3.125%    |
| Veracruz        | 2/5 SMD <sup>49</sup>   | 2%        |
| Yucatán         | All SMD                 | 1.50%     |
| Zacatecas       | 2/3 SMD                 | 2%        |

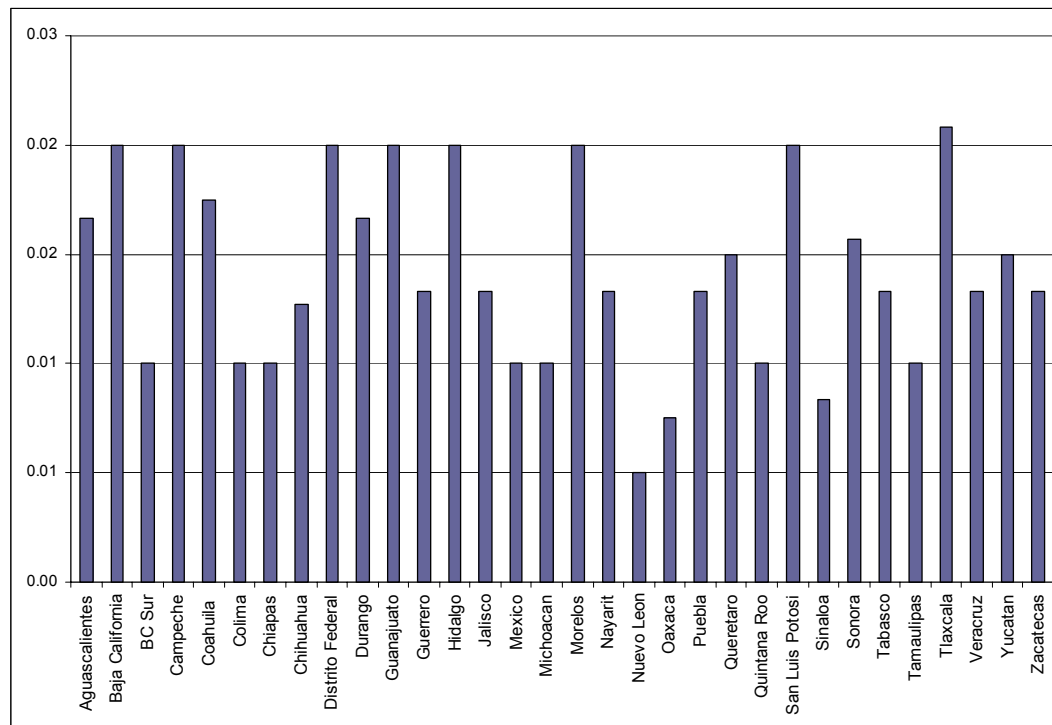
**Sources:** For all states: local constitutions. For the following states, the information was completed with the electoral legislation: Coahuila, Guerrero, Hidalgo, Jalisco, México, Michoacán, Nuevo León, Querétaro, San Luis Potosí, Sinaloa and Veracruz

An increase in the number of required candidates has a similar effect as does an increase in the vote threshold: it complicates the entry of new political parties into the legislative arena. Figure 2.2 is a graphic representation of the interaction of these two conditions and shows how easy or difficult it is for new political parties to gain access to legislative politics. As the figure shows, the most stringent legislation is that of Tlaxcala (2.1), while the most lenient is that of Nuevo León (0.5).

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<sup>48</sup> 11 out of 21 SMD

<sup>49</sup> 20 out of 50 SMD



**Figure 2.2:** Access to the Legislative Arena, by State

The political institutions of Mexican states resemble each other much more than they differ. The disparities among states are mere nuances, as the similarities between the states' electoral systems show. What makes Mexico so heterogeneous at the sub-national level is the disparities in socio-economic development and differences regarding the intensity of political competition.

## 2.2. The source of variation

### 2.2.1. Economic development and political competition

Inequality and disparity are the words that best define Mexico at the sub-national level when the analysis centers on economic or social development. Within the nation's territory, it is possible to find both extremes

of the development continuum. For instance, the municipality of Cochoapa el Grande in the state of Guerrero has a level of human development similar to Zambia (0.4354), while hundreds of kilometers to the northeast, the municipality of San Pedro Garza García in the state of Nuevo León has a level of development similar to that of any major city in the United States (0.9500) (PNUD-Mexico 2008).<sup>50</sup> Drawing a clear picture of these major disparities is a difficult task given the marked diversity that exists throughout the country. There is no conclusive consensus about which indicator is the most comprehensive or accurate. In order to show the differences that characterize the country, and with the goal of providing as clear a picture as possible, I employ three indicators: the contribution of the state's economy to the national GDP, the states' GDP per capita, and the human development index, as measured by the United Nations Development Program. The first two variables give an idea of each state's contribution to the national economy and provide a picture of the size of the state's economy, while the human development index, by definition, provides a snapshot of individual capabilities as affected by measurements of education, health and income. Table 2.4 summarizes this information and other relevant socio-demographic data.

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<sup>50</sup> The Human Development Index (HDI) is a composite index of indicators of life expectancy, educational attainment and income. It varies from 0 to 1, where 1 represents a better situation. The rationale behind this statistic is that development is determined by the choices "people have to lead lives that they value." The index emphasis is on measuring those capabilities that enlarge the set of choices, such as health, education and income. See <http://hdr.undp.org/en/humandev/>

**Table 2.4:** Basic Data on Mexican States

| State               | Territory (km <sup>2</sup> ) | % of national territory | Population (2005) | % of national Population in 2005 | GDP 2005 (pesos x 1000) | GDP per capita 2005 (pesos x 1000) | % of national GDP (2005) | Human Development Index (2005) |
|---------------------|------------------------------|-------------------------|-------------------|----------------------------------|-------------------------|------------------------------------|--------------------------|--------------------------------|
| Aguascalientes      | 5 618                        | 0.3                     | 1,065,416         | 1.03                             | 91,238,029.00           | 85.63                              | 1.22                     | 0.8314                         |
| Baja California     | 71 446                       | 3.6                     | 2,844,469         | 2.75                             | 264,439,299.00          | 92.96                              | 3.54                     | 0.8430                         |
| Baja California Sur | 73 922                       | 3.8                     | 512,170           | 0.50                             | 45,684,283.00           | 89.19                              | 0.61                     | 0.8422                         |
| Campeche            | 57 924                       | 3                       | 754,730           | 0.73                             | 91,834,264.00           | 121.67                             | 1.23                     | 0.8354                         |
| Coahuila            | 247 455                      | 7.7                     | 2,495,200         | 2.42                             | 245,227,583.00          | 98.27                              | 3.28                     | 0.8388                         |
| Colima              | 5 625                        | 0.3                     | 567,996           | 0.55                             | 39,771,308.00           | 70.02                              | 0.53                     | 0.8138                         |
| Chiapas             | 73 289                       | 3.7                     | 4,293,459         | 4.16                             | 122,646,403.00          | 28.56                              | 1.64                     | 0.7235                         |
| Chihuahua           | 247 455                      | 12.6                    | 3,241,444         | 3.14                             | 333,585,078.00          | 102.91                             | 4.47                     | 0.8439                         |
| Distrito Federal    | 1 485                        | 0.1                     | 8,720,916         | 8.45                             | 1,617,711,460.00        | 185.49                             | 21.67                    | 0.8935                         |
| Durango             | 123 451                      | 6.3                     | 1,509,117         | 1.46                             | 98,109,234.00           | 65.01                              | 1.31                     | 0.8094                         |
| Guanajuato          | 30 608                       | 1.6                     | 4,893,812         | 4.74                             | 254,636,013.00          | 52.03                              | 3.41                     | 0.7845                         |
| Guerrero            | 63 621                       | 3.2                     | 3,115,202         | 3.02                             | 122,891,112.00          | 39.44                              | 1.65                     | 0.7421                         |
| Hidalgo             | 20 846                       | 1.1                     | 2,345,514         | 2.27                             | 97,523,455.00           | 41.57                              | 1.31                     | 0.7735                         |
| Jalisco             | 78 599                       | 4                       | 6,752,113         | 6.54                             | 469,260,060.00          | 69.49                              | 6.28                     | 0.8123                         |
| México              | 22 357                       | 1.1                     | 14,007,495        | 13.56                            | 719,276,431.00          | 51.34                              | 9.63                     | 0.7997                         |
| Michoacán           | 58 643                       | 3                       | 3,966,073         | 3.84                             | 158,256,325.00          | 39.9                               | 2.12                     | 0.7640                         |
| Morelos             | 4 893                        | 0.2                     | 1,612,899         | 1.56                             | 104,642,155.00          | 64.87                              | 1.4                      | 0.8112                         |
| Nayarit             | 27 815                       | 1.4                     | 949,684           | 0.92                             | 39,971,772.00           | 42.08                              | 0.54                     | 0.7811                         |



**Table 2.4:** Basic Data on Mexican States (cont.)

| State           | Territory (km <sup>2</sup> ) | % of national territory | Population (2005) | % of national Pop. 2005 | GDP 2005 (pesos x 1000) | GDP per capita 2005 (pesos x 1000) | % of national GDP (2005) | Human Development Index (2005) |
|-----------------|------------------------------|-------------------------|-------------------|-------------------------|-------------------------|------------------------------------|--------------------------|--------------------------------|
| Nuevo León      | 64 220                       | 3.3                     | 4,199,292         | 4.07                    | 559,053,307.00          | 133.13                             | 7.49                     | 0.8562                         |
| Oaxaca          | 93 793                       | 4.8                     | 3,506,821         | 3.40                    | 114,055,051.00          | 32.52                              | 1.53                     | 0.7413                         |
| Puebla          | 34 290                       | 1.8                     | 5,383,133         | 5.21                    | 273,253,053.00          | 50.76                              | 3.66                     | 0.7817                         |
| Querétaro       | 11 684                       | 0.6                     | 1,598,139         | 1.55                    | 133,093,449.00          | 83.28                              | 1.78                     | 0.8209                         |
| Quintana Roo    | 42 361                       | 2.2                     | 1,135,309         | 1.10                    | 122,038,413.00          | 107.49                             | 1.63                     | 0.8356                         |
| San Luis Potosí | 60 983                       | 3.1                     | 2,410,414         | 2.33                    | 137,881,943.00          | 57.2                               | 1.85                     | 0.7950                         |
| Sinaloa         | 57 377                       | 2.9                     | 2,608,442         | 2.53                    | 143,760,349.00          | 55.11                              | 1.93                     | 0.8000                         |
| Sonora          | 179 503                      | 9.2                     | 2,394,861         | 2.32                    | 204,608,504.00          | 85.43                              | 2.74                     | 0.8349                         |
| Tabasco         | 24 738                       | 1.3                     | 1,989,969         | 1.93                    | 94,788,493.00           | 47.63                              | 1.27                     | 0.7884                         |
| Tamaulipas      | 80 175                       | 4.1                     | 3,024,238         | 2.93                    | 251,182,243.00          | 83.05                              | 3.38                     | 0.8279                         |
| Tlaxcala        | 3 991                        | 0.2                     | 1,068,207         | 1.03                    | 39,891,933.00           | 37.34                              | 0.53                     | 0.7821                         |
| Veracruz        | 71 820                       | 3.7                     | 7,110,214         | 6.89                    | 314,312,721.00          | 44.2                               | 4.21                     | 0.7650                         |
| Yucatán         | 39 612                       | 2                       | 1,818,948         | 1.76                    | 107,561,335.00          | 59.13                              | 1.44                     | 0.7904                         |
| Zacatecas       | 75 539                       | 3.9                     | 1,367,692         | 1.32                    | 54,252,921.00           | 39.66                              | 0.73                     | 0.7808                         |

Source: National Institute of Statistics and Geography, INEGI

These data reveal a trend that has been widely highlighted in economic analyses of Mexico: a division between an affluent North and the poor South. Multiple hypotheses have been offered to explain this divergence, ranging from the type of agricultural economy (expansive in the North, labor intensive in the South) to social capital assessments (more Tocquevillean in the North, more Hobbessian in the South). What it is clear, however, is that even though there are bastions of poverty all over the country, the poorest regions are concentrated in the indigenous South.

#### 2.2.2. The slow process of political change

For several decades, Mexico's political system was described as false federalism (or fake federalism), and rightly so. Formally, Mexico has been a federal state since 1857; however, the main traits of a federation were obliterated by a strong political control from the federal government. This trend has been extensively documented by historians, sociologists and political scientists alike.<sup>51</sup> Despite minor disagreements, almost all studies about Mexican federalism conclude that the centralization of political power was a strategy that political elites employed to maintain control over a vast territory.

A historical note is useful here. The constitutional order that came with the triumph of the liberal constitution of 1857 lasted only a few months. Political and ideological disputes drove the country into a civil war that persisted for two decades. The turmoil of those years prompted relevant

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<sup>51</sup> See (Carmagnani 1993; Vazquez 2003).

personalities of the time to consider the centralization of political power as the only workable mechanism to pacify and control the national territory, even if this strategy meant the suppressing the constitutional order.<sup>52</sup> This is exactly what Porfirio Díaz, Mexico's president from 1886 to 1910, followed during his long tenure in government. The result was dual: All state governors became accountable to the federal government, and Mexico had a couple of decades of (coerced) "peace and order." However, in the early years of the twentieth century, the equilibrium of the ancient regime fractured with the beginning of the Mexican Revolution.

The Mexican Revolution left the country fragmented. For twenty years after the end of the devastating civil war, accounts of uprisings and political disorder in the states were common. To gain control over the chaotic politics of the time, then Mexican president Plutarco Elías Calles founded the National Revolutionary Party in 1928 (later the Institutional Revolutionary Party, or PRI),<sup>53</sup> which gave him (and later the presidency) control over the multiple local *caciques* that reigned in the countryside. Two main achievements of the PNR were to group all political bosses under the same institutional umbrella, which created a hierarchical structure of power (with the president at the top) that allowed local and national politicians to solve problems of coordination;

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<sup>52</sup> See (Rabasa 1912) for an extraordinary example of this view and also for a unique institutional analysis of the pre-revolutionary Mexican political regime.

<sup>53</sup> The PNR changed its name in 1938 to Party of the Mexican Revolution, and in 1946 it changed its name again, to the Institutional Revolutionary Party (Partido de la Revolución Institucional, PRI), which is how it is known today.

and to control state governors (key leaders of different ideological and political factions) (Hernández Rodríguez 2008).

Since then, and until recently, Mexican presidents had several instruments at hand to keep governors in place. The most relevant was the president's influence over the internal organization of the hegemonic political party. In particular, the national executive influenced party nominations for state governorships (which in reality meant the selection of governors). A second source of control came from the national constitution, which granted the Senate the ability to elect a provisional governor when the constitutional powers of a state have been suppressed by local legislatures (Art. 94 ). The presidential influence over local politics and the complete control of her party in the Senate made it easy for the executive to remove problematic or undisciplined governors (table 2.5).

**Table 2.5:** Number of Governors Removed by Respective Presidents

| President                   | Period    | Number of Governors Removed | States affected  |
|-----------------------------|-----------|-----------------------------|--|
| Lázaro Cárdenas             | 1934-1940 | 17                          | Chiapas, Coahuila, Colima, Durango, Guanajuato, Guerrero, Nuevo León, Oaxaca, Querétaro, Sinaloa, Sonora, Tabasco, Tamaulipas, Veracruz, Yucatán |
| Manuel Ávila Camacho        | 1940-1946 | 5                           | Estado de México, Guanajuato, Guerrero, Hidalgo, Tlaxcala  |
| Miguel Alemán               | 1946-1952 | 9                           | Coahuila, Chiapas, Guanajuato, Jalisco, Oaxaca, Querétaro, Sonora, Tamaulipas  |
| Adolfo Ruiz Cortines        | 1952-1958 | 5                           | Nuevo León, Oaxaca, San Luis Potosí, Tabasco, Yucatán  |
| Gustavo Díaz Ordaz          | 1964-1970 | 2                           | Durango, Jalisco   |
| Luis Echeverría Álvarez     | 1970-1976 | 5                           | Guerrero, Nuevo León, Puebla, Hidalgo, Sonora  |
| José López Portillo         | 1976-1982 | 6                           | Coahuila, Chiapas, Hidalgo, Oaxaca   |
| Miguel de la Madrid Hurtado | 1982-1988 | 2                           | San Luis Potosi, Yucatán   |
| Carlos Salinas de Gortari   | 1988-1994 | 4                           | Estado de México, Jalisco, San Luis Potosí, Yucatán  |

**Source:** (Beer 2003)

The “power of the purse” was an additional instrument available to the central government. Mexican states have always been highly dependent on the central government for resources; however, this reliance increased at the end of the 1970s when all states signed a pact with the federal government

(the National Fiscal Coordination System) in which they devolved and delegated to the central government the ability to collect all sales taxes. Moreover, the federal government agreed to redistribute taxpayers' money in annual transfers to the states.<sup>54</sup> To date, more than two-thirds of local revenues come from federal transfers (however, and despite the fact that these transfers are designated for specific purposes, decisions about how to spend these resources are taken locally).

The effectiveness of these strategies of political control was based on the monopoly control the president's party held over the federal government and the strength of the president's authority within her own party. Both factors became weaker at the turn of the century with the increasing triumphs of the political opposition, not only at the local level but also in contests for the federal congress. The political hegemony of the PRI was finally undermined when the party lost control of the presidency in the federal elections of 2000.<sup>55</sup>

The history of political competition at the municipal and state levels in Mexico is fascinating, and this history continues to unfold.<sup>56</sup> The key event occurred in 1989 when the National Action Party (Partido Acción Nacional, PAN) won the governorship of the northern state of Baja California. Before that date, the Institutional Revolutionary Party (PRI) dominated practically all state

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<sup>54</sup> The financial dependence of sub-national units on the central government is not unique to Mexico. In Argentina a similar situation occurs. See (Hernández Trillo and Torres Rojo 2006; Janetti and Carrera Hernández 1995) for a brief account of how this fiscal coordination system works. See also (Diaz-Cayeros 2004(c)) for a review of the transfer system of Brazil, Mexico and Venezuela.

<sup>55</sup> For a clear explanation of the sources of political stability, see Jeffrey Weldon's analysis of what he calls the "meta-constitutional" powers of Mexican presidents (Weldon 1997).

<sup>56</sup> Some comprehensive analyses are (Gómez Tagle 2001; Cornelius, Eisenstadt, and Hindley 1999).

governments and local legislatures. The PAN's success in Baja California was preceded by an accentuated political competition at the municipal level, mainly due to the introduction in the late 1970s (and early 1980s) of proportional representation for local congresses and municipal councils.<sup>57</sup>

The electoral triumph of the PAN in Baja California was followed by electoral victories of *panista* candidates in Guanajuato (1991), Chihuahua (1992), and Jalisco (1995). By 2000, the year in which the PRI lost the presidency, eleven of the thirty-one Mexican states had had a governor from a party other than the PRI.<sup>58</sup> By 2008, several states had ratified a governor from the PAN or the Party of the Democratic Revolution (PRD) or had experienced a transfer of the state governorship from the PRI to either the PAN or the PRD (or a coalition) and back to the PRI (table 2.6). In sum, a new era of political competition –or at least the end of electoral certainties- had begun in Mexico's states.

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<sup>57</sup> A brief overview is in (Lujambio 2000).

<sup>58</sup> Nuevo León (1997) Aguascalientes (1998), Baja California Sur (PRD, 1999), DF (1997), Querétaro (PAN 1997), Chiapas (Coalition 1998), Tlaxcala (1998), Nayarit (PAN 1999), and Morelos (2000). After 2000, the following states also had a governor from a political party other than the PRI: Michoacán (PRD 2001), Yucatán (PAN 2001), and San Luis Potosí (PAN 2003).





**Table 2.6:** Political Change in Mexican Governorships (cont.)

| State           | PRI |    | * PAN |    | PRD |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
|-----------------|-----|----|-------|----|-----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|---|---|
|                 | 85  | 86 | 87    | 88 | 89  | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 |   |   |
| Nayarit         |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Nuevo León      |     |    |       |    |     |    |    |    |    |    |    |    | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | * | * |
| Oaxaca          |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Puebla          |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Querétaro       |     |    |       |    |     |    |    |    |    |    |    | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | * | * |
| Quintana Roo    |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| San Luis Potosí |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    | *  | *  | *  | *  | *  | *  | *  | *  | * | * |
| Sinaloa         |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Sonora          |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Tabasco         |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Tamaulipas      |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Tlaxcala        |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    | *  | *  | *  | * | * |
| Veracruz        |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |
| Yucatán         |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    | *  | *  | *  | *  | *  | *  | *  | *  | *  | *  | * | * |
| Zacatecas       |     |    |       |    |     |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |   |   |

**Note:** In 2009 elections, the PRI candidate won in Nuevo León, Querétaro, and San Luis Potosí. In Sonora, the PAN candidate won.

This is indeed a distinct trait of local politics in Mexico: electoral competition typically occurs among the three political parties that have national representation. In addition to the Institutional Revolutionary Party (PRI), there is the center-right National Action Party (PAN), and the left-leaning Party of the Democratic Revolution (PRD). Patterns of competition are, however, dissimilar across states. Recent analyses of federal elections at the state level show that states in Mexico have a tendency to move towards a bipartisan regime where competition centers around three dyads: PRI-PAN, PAN-PRD, or PRI-PRD (Klesner 2005). This trait seems to be true for local elections as well, where the competition is also centered between two political parties.

The process of political change also affected legislative politics. By 1985, the PRI dominated in all state legislatures, which gave local executives ample leverage to determine the allocation of resources and implementation of public policy. However, at the beginning of the 1990s, the PRI's control began to fade due to the growing support for opposition candidates in the north and center of Mexico. The breaking point came in the early 1990s; when the PRI had lost legislative majorities (and, therefore, the ability to reform local constitutions) in five states. By 1995, the PRI retained a legislative majority in only twelve states. Ten years later, the PRI had a legislative majority in only one state. An interesting note about these changes is the emergence of governments (of any party) with no legislative majority (and even minority governments), which demonstrates the relevance that legislative elections have gained in the last decade (figure 2.3).

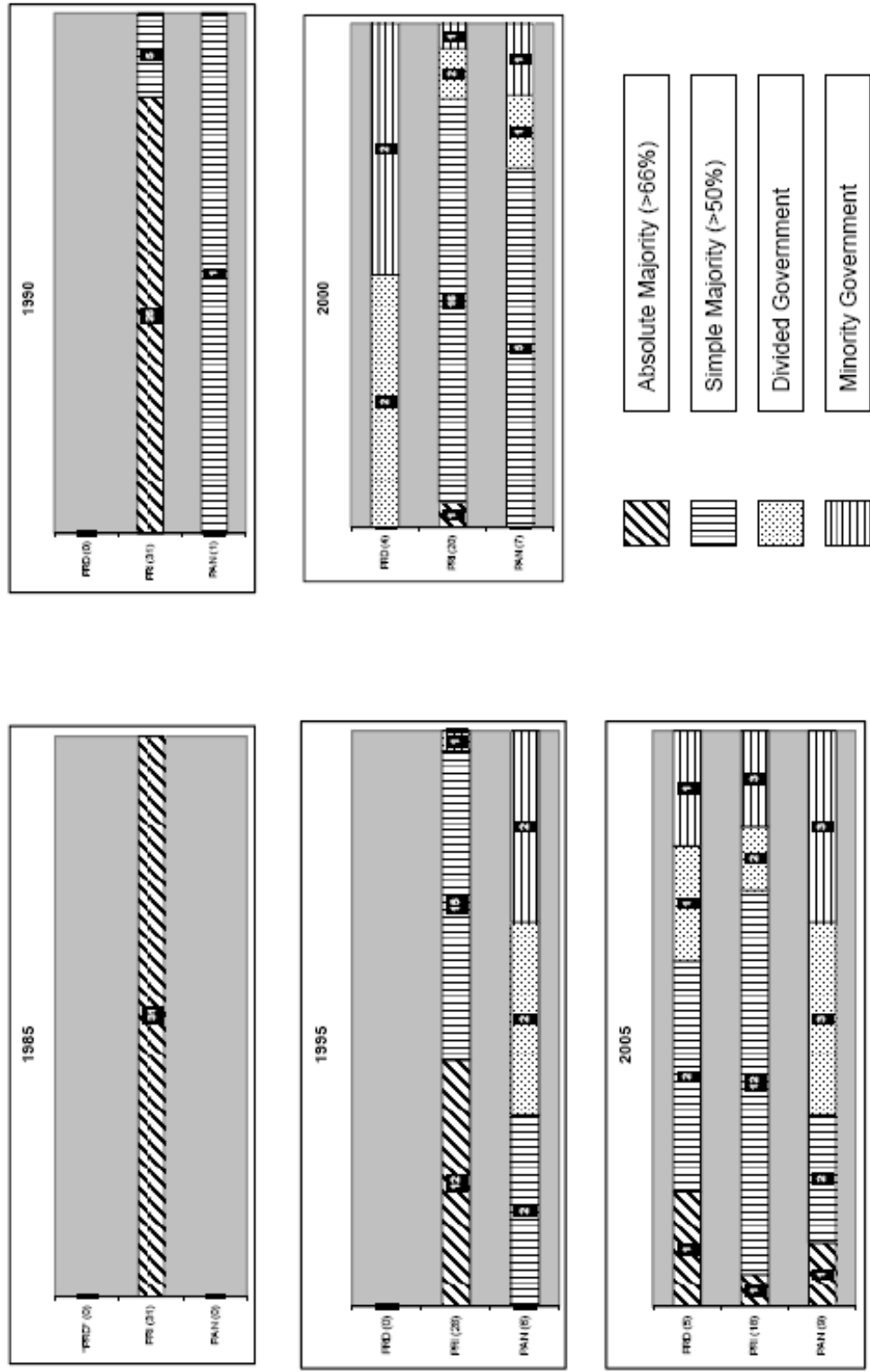


Figure 2.3: Partisan Affiliation of Local Executive and Legislature (1995-2005)

An additional way to observe the transformation of state politics is by looking at the changes in the effective number of legislative parties or the number of political parties with representation in the local legislature (ENLP) (Molinar Horcasitas 1991).<sup>59</sup> Table 2.7 organizes the states according to two criteria: the party system each state had in 1995 (rows) and the party system of each state in 2005 (columns).

**Table 2.7:** Effective Number of Legislative Parties, 1995-2005

| Party System Change<br>1995 - 2005 |   |  |  |                                       |
|------------------------------------|---|--|--|---------------------------------------|
| 2005 \ 1995                        | Hegemonic   | Two-party  | Plural Bipartism   | Multipartism                          |
| Hegemonic                          | Coahuila<br>Guanajuato<br>Hidalgo<br>Nayarit<br>Oaxaca<br>Puebla<br>Queretaro<br>Quintana Roo<br>San Luis<br>Potosí<br>Tamaulipas | DF<br>Jalisco<br>Morelos<br>Tabasco<br>Tlaxcala            | <b>Campeche</b><br>Colima<br>Chihuahua<br>Guerrero<br>Sonora<br>Veracruz | <b>Chiapas</b><br>Mexico<br>Zacatecas |
| Two-party                          | Durango   | Baja California<br><b>Nuevo Leon</b><br>Sinaloa<br>Yucatan | Baja California<br>Sur   | Michoacan                             |
| Plural Bipartism                   |   | <b>Aguascalientes</b>                                      |  |                                       |
| Multipartism                       |   |  |  |                                       |

<sup>59</sup> The effective number of legislative parties is an index that counts the number of parties according to their relative "size." The most common alternative is the (Laakso and Taagepera 1979) formula. I use the method suggested by Molinar Horcasitas.

In table 2.7, I organize the states in four categories (Klesner 2005). The first one is a hegemonic-party system and refers to a situation of one-party dominance ( $1 \leq \text{ENLP} < 1.5$ ) and, therefore, a low level of political competition. The second category is a two-party system, which corresponds to situations where two parties effectively compete ( $1.5 \leq \text{ENLP} < 2$ ). The third category, plural bipartism, refers to situations where two parties compete, but there is a third minor party whose participation affects final resolutions ( $2 \leq \text{ENLP} < 2.5$ ). Finally, multipartism applies when three or more parties effectively compete ( $2.5 \leq \text{ENLP}$ ).

In those states that lie along the diagonal in table 2.7 (the shaded areas), the number of relevant players was the same in both years. Take Hidalgo and Nuevo León as examples. The former maintained a hegemonic party system (by the PRI), and the latter maintained a two-party system (PAN-PRI). In the states that are above the diagonal, the number of players increased from 1995 to 2008, and, therefore, the probability of having policy discrepancies between branches of government should also have increased. In those states that are below the diagonal, the number of legislative players decreased from 1995 to 2008, leading to a higher concentration of power.

In sum, during the past thirty years, Mexico has lived a slow process of political change that has dramatically transformed not only the internal politics of Mexican states, but also the relationship between levels of government. Mexican federalism is now different from what it was thirty years ago. The process, however, is not an outcome of a deliberate process, but a

consequence of the sum of several factors that gave local governments more leverage to decide internal affairs.

### 2.3. Research Strategy

Similarities and differences among Mexican states offer a unique opportunity to study the influence of resources and incentives on the legislative oversight of bureaucratic agencies. However, and despite the methodological advantages of comparing Mexican states,<sup>60</sup> there are some practical complications that emerge when undertaking a comprehensive comparative analysis of Mexico's thirty-one states and the Federal District. The most important limitation is the difficulty in obtaining accurate and/or historical data. Only recently did state legislatures begin to keep records -such as the daily congressional digest or a catalog of legislative decrees- and make them available. However, even now, few states offer this information in electronic format. Indeed, in the handful of cases where information is available through a Web site, in the best of the cases the data are limited to the last five years, and in the worst of cases they include only the current legislature. The availability of data improves when the research is done on site (either at the congressional library or in the legislature's archives). However, the poor organization of the data significantly reduces the tractability of the

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<sup>60</sup> The similarities and differences among Mexican states allow me to follow a "most similar case" research design. See (Lijphart 1975; Snyder 2001).

information and therefore the possibility of a systematic research of the thirty-one Mexican states.

Difficulties in obtaining relevant information, in addition to the impossibility of comparing some of the available data, forced me to follow a three-pronged strategy: (1) When possible, I analyze the situation of the thirty-one states using aggregate data; (2) for the analysis of the main aspects of legislative oversight, I analyze four states in detail (Aguascalientes, Campeche, Chiapas, and Nuevo León), where I conducted (3) on-site research and in-depth interviews with local politicians.<sup>61</sup> Moreover, my analysis begins in 1995 because, as figure 2.4 shows, it was not until 1995 that electoral competition emerged in local politics. The period that began in 1995 coincides with several accounts that establish the mid-1990s as the turning point for electoral democracy in Mexico. See (Beer 2003; Aziz Nassif 2003; Klesner 2005).

I chose Aguascalientes, Campeche, Chiapas, and Nuevo León because these states are representative of the variation that prevails in the country relative to level of development and political competition. The states of Aguascalientes and Nuevo León are praised for their economic development and their ability to attract foreign direct investment (see table 2.4). In contrast, Campeche and Chiapas are representative of the struggle for economic development that is challenging many states in the country. Both states are

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<sup>61</sup> Appendix 2 provides details about the interviewees and dates. I have also included in the appendix the survey instrument that I employed.

located in the south, and an important share of the population in both states is indigenous. Campeche is, nonetheless, better positioned than Chiapas. Not only is the level of human development in Campeche superior to that of Chiapas, but it is also above the national average. Chiapas is the second worst state in Mexico in terms of human development; only Oaxaca ranks lower.

These four states are also representative of the political variation that characterizes the country. Nuevo León has remained a two-party system for the past thirteen years; however, the control of the state executive has changed twice in this period (from PRI to PAN in 1997 and back to PRI in 2003). Campeche and Chiapas exemplify the growing political competition within the states. In Campeche, the PRI has never lost the executive or control of the legislature. However, it faces a growing level of competition from opposition parties, and this fact has certainly affected the party's traditional way of doing politics.

Chiapas is a unique case in Mexico. It was in this state that the indigenous insurgency of the Zapatista Army of National Liberation (EZLN) erupted in the early hours of 1994. The Zapatista rebellion was a painful reminder that there are still *Many Mexicos*, as Lesley Simpson correctly noted decades ago (Simpson 1967). Chiapas held widely anticipated elections in 1995 to renew the local congress and the state executive; in that year, the PRI lost the governorship and the legislative majority. However, in the following legislative election (2001), the PRI regained a legislative majority, and a well-



known former *priísta* –who suddenly endorsed an opposition party- won the governorship. Even though the PRI has never again won the governorship of Chiapas, it still retains its muscle in the state.

Aguascalientes offers a contrasting example. In 1995 Aguascalientes's political system was considered an example of plural bipartism. By 2008 the PAN had won enough power to control the legislative majority and almost all municipalities. What is special about Aguascalientes is not the process of political concentration per se but the fact that the beneficiary of this concentration is the National Action Party.

In sum, the cases I have selected represent three situations that will be relevant for the analysis of political incentives that I present in chapter four. The first situation is the “no change situation,” and it is represented by the state of Nuevo León. The second situation refers to an increasing dispersion of political power, and it is represented by the cases of Campeche and Chiapas. The third situation is the concentration of political power; here the state of Aguascalientes is the example.

The following chapters present the analysis of legislators' strategies to oversee bureaucratic agencies. Chapter three analyzes how legislators' resources determine their plans and stratagems to keep tabs on bureaucrats. It shows how limited resources lead local legislators to focus their oversight actions on the review of public accounts (*fiscalización*). Chapter four shows how political incentives directly affect legislative institutions (and processes) to

monitor bureaucratic agencies, using as an example the process of reviewing public accounts.

### **Chapter 3**

#### **Legislative Oversight: The Relevance of Legislative Resources**

In chapter one, I discussed how legislators' oversight effort depends on their incentives to monitor bureaucratic agencies, but the success of this effort (i.e., bureaucratic accountability) hinges upon legislators' capability to identify wrongdoings, gather information, and affect the utility function of bureaucratic agencies. These abilities depend in turn on legislative resources, which include the sum of legislators' constitutional powers to affect the margin of discretion and bureaucratic activities (*de jure* abilities), but they also refer to the level of legislative professionalization (for example, expertise, time, staff) and to more mundane resources, such as economic assets.

In this chapter, drawing on information about Mexican legislatures and direct interviews with local legislators, I show how legislative resources impact legislators' ability to keep tabs on bureaucratic agencies. The main finding is that, even though local legislatures in Mexico are constitutionally empowered to affect legislation (and, therefore, the margin of discretion), feeble and scarce resources obliterate these institutional advantages and make local legislators rely strongly on one specific type of oversight: the ex post review of public accounts. However, problems of design and (again) resources constrain the real impact of this monitoring technique. The principal implication is that scarce resources weaken legislators' ability to oversee bureaucratic behavior. In particular, as legislators' ability to influence the margin of discretion

decreases, their reliance on *centralized oversight* tends to increase. However, the effectiveness of these techniques is limited, and the result is a congress that barks but rarely bites.

This chapter is organized into three sections. The first section explains legislators' resources for overseeing bureaucratic agencies, which include constitutional provisions and legislators' professionalism. In the second section, I present data about the actual strategies legislators employ to monitor bureaucratic agencies; and the third section summarizes the findings.

### 3.1. Legislative Resources

Legislators' resources are factors that affect their ability to carry out the three *basic* legislative functions: to represent, to legislate, and to control. By definition, a legislator is the agent of a specific constituency. She represents it, she intervenes on its behalf in the definition of public policy (which includes the allocation of resources), and, finally, she is entitled to review and verify that the actions taken by governmental agencies adhere to these directives. In this section, I concentrate on factors that affect legislators' ability to perform these functions in a two-step approach. In a first step, I review the constitutional powers of local legislatures to both intervene in the policy decision making process -which determine the legislature's ability to bargain and restrain the executive's power- and to oversee bureaucratic agencies. Then, admitting that the analysis of constitutional provisions might be (as it usually is) misleading about the real role of legislatures, I bring the analysis back to "the real world"

and investigate whether legislators have the resources to actually use their formal powers, mainly legislators' level of professionalization. For this, I pay attention to three variables commonly analyzed to determine the level of legislative professionalization: wages, length of sessions, and staff support.<sup>62</sup> The ultimate goal is to distinguish the potential functioning from the actual operation of local legislatures.

### 3.1.1 Constitutional Provisions: Legislators' Ability to Set the Margin of Discretion and Control Bureaucratic Agencies

In presidential regimes, legislation and policy are usually the result of inter-branch bargaining; thus, enacting legislation requires the consent of both the executive and the legislature. Constitutional design determines the relative abilities of the executive and legislators to make law and policy; in particular, the legislative powers granted to the executive determine her ability to influence legislation vis-à-vis the parliament.

Legislative powers allow the executive to either "defend the status quo" (reactive power) or "establish a new one" (proactive power) (Shugart and Haggard 2001). The best example of a reactive power is the executive veto, "the institutionalized ability to say no" (Cameron 2000). A veto is the executive's power to block initiatives proposed by legislators.<sup>63</sup> There are two varieties of executive veto: either the executive can veto the entire bill

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<sup>62</sup> See (Squire 2007) for a general explanation.

<sup>63</sup> Indeed, the threat to veto a specific piece of legislation can be enough to either frustrate legislators' initiative or to make legislators accommodate to the executive's preferences. See (Magar 2001; McCarty 2000; Kiewiet and McCubbins 1988; Cameron 2000).

(package veto) or the executive can veto just a particular provision within a bill (item veto). An item veto is a more powerful instrument in bargaining over policy than the package veto, because it allows the executive to obstruct parts of the bill to which she objects without rejecting those sections of the bill that she supports. Thus, the final outcome is more likely to be closer to the executive's ideal when the executive has the item veto than in situations when she has a package veto (Kiewiet and McCubbins 1988; Baldez and Carey 2001). In either case, however, the strength of a veto hinges upon the provisions for overriding it.

All state constitutions in Mexico grant local executives the power to veto legislation; with the exception of Baja California Sur, this veto power is a package veto. In twenty-eight states (and the Federal District), local constitutions require a two-thirds vote to override the executive's veto; however, in fifteen states, local legislation indicates that this vote should consider only those members *present in session*, as supposed to *all members* of the legislature. This difference is not irrelevant since the minimum quorum required for a legislative session to occur is a simple majority (50% plus one). Thus, a two-thirds vote of present members to override the executive's veto translates into a requirement of 33% of the total number of legislators (66% of 50%). The vulnerability of the executive's veto is even greater in three states (Nayarit, Oaxaca, and Yucatán), where the veto can be overridden by a simple majority. In Oaxaca and Yucatán this vote is counted on the basis of *present*

*members* in session. Thus the governor's veto can be overridden with the approval of just 25% of legislators (50% of 50%) (see table 3.1).

**Table 3.1: Veto Power of Mexican Governors**

| State            | Total Veto | Partial Veto | Veto Override | Total or Present | Equivalent |
|------------------|------------|--------------|---------------|------------------|------------|
| Aguascalientes   | 1          |              | 0.66          | t                | 0.67       |
| Baja California  | 1          |              | 0.66          | t                | 0.67       |
| BC Sur           | 1          | 1            | 0.66          | t                | 0.67       |
| Campeche         | 1          |              | 0.66          | p                | 0.33       |
| Chiapas          | 1          |              | 0.66          | p                | 0.33       |
| Chihuahua        | 1          |              | 0.66          | p                | 0.33       |
| Coahuila         | 1          |              | 0.66          | t                | 0.67       |
| Colima           | 1          |              | 0.66          | t                | 0.67       |
| Distrito Federal | 1          |              | 0.66          | p                | 0.33       |
| Durango          | 1          |              | 0.66          | p                | 0.33       |
| Guanajuato       | 1          |              | 0.66          | t                | 0.67       |
| Guerrero         | 1          |              | 0.66          | t                | 0.67       |
| Hidalgo          | 1          |              | 0.66          | t                | 0.67       |
| Jalisco          | 1          |              | 0.66          | p                | 0.33       |
| Mexico           | 1          |              | 0.66          | t                | 0.67       |
| Michoacán        | 1          |              | 0.66          | t                | 0.67       |
| Morelos          | 1          |              | 0.66          | t                | 0.67       |
| Nayarit          | 1          |              | 0.5           | t                | 0.50       |
| Nuevo León       | 1          |              | 0.66          | p                | 0.33       |
| Oaxaca           | 1          |              | 0.5           | p                | 0.25       |
| Puebla           | 1          |              | 0.66          | p                | 0.33       |

**Table 3.1: Veto Power of Mexican Governors**  
(cont.)

| State           | Total Veto | Partial Veto | Veto Override | Total or Present | Equivalent |
|-----------------|------------|--------------|---------------|------------------|------------|
| Querétaro       | 1          |              | 0.66          | t                | 0.67       |
| Quintana Roo    | 1          |              | 0.66          | t                | 0.67       |
| San Luis Potosí | 1          |              | 0.66          | p                | 0.33       |
| Sinaloa         | 1          |              | 0.66          | p                | 0.33       |
| Sonora          | 1          |              | 0.66          | p                | 0.33       |
| Tabasco         | 1          |              | 0.66          | p                | 0.33       |
| Tamaulipas      | 1          |              | 0.66          | p                | 0.33       |
| Tlaxcala        | 1          |              | 0.66          | p                | 0.33       |
| Veracruz        | 1          |              | 0.66          | p                | 0.33       |
| Yucatán         | 1          |              | 0.5           | p                | 0.25       |
| Zacatecas       | 1          |              | 0.66          | t                | 0.67       |

**Source:** Author's calculations, based on information from local constitutions as of April 2009

The best example of a proactive –reversionary- power is the executive's ability to issue decrees that have the force of law, which enables the executive to promulgate new legislation (Shugart and Carey 1998).<sup>64</sup> In some cases, the decree is only in force temporarily since it needs the approval of congress to become formal legislation (as, for example, in Brazil). In other cases, the legislature explicitly delegates decree powers to the executive (for instance, in Argentina). In either case, a decree is a strategic device available to the executive that allows her to influence the legislative agenda by introducing a

<sup>64</sup> As opposed to decrees that just proclaim administrative or regulatory decisions. These types of "*decretos*" are similar to "executive orders." See (Shugart and Carey 1998).



matter that the legislature otherwise would never have discussed.<sup>65</sup> In Mexico, no state constitution grants decree power to the governor.<sup>66</sup>

An additional example of the legislative power of the executive is the exclusive authority to initiate specific legislation. This power can be reactive or proactive. As reactive power, this prerogative allows the executive to prevent changes in the status quo by simply not initiating a bill. This effect is reinforced when legislators face explicit restrictions in the amendments they can make to the executive's proposals. As proactive power, the exclusive authority to initiate legislation allows the executive to encourage a change in the status quo by proposing a bill.

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<sup>65</sup> In combination with veto power, a decree permits the executive to set the "reversionary point," which constrains the options available to the legislature.

<sup>66</sup> However, all governors have regulatory decree powers.

**Table 3.2:** Legislative Powers of State Governors

|   | Variable         | Country/State           | Total Veto       | Partial Veto | Decree power | Agenda power |   |
|---|------------------|-------------------------|------------------|--------------|--------------|--------------|---|
| <b>Executive Power Influence on the Legislative Process</b> | <b>High</b>      | 6                       | <i>Argentina</i> | 2            | 2            | 2            | 0 |
|   |                  | 4                       | <i>Chile</i>     | 2            | 0            | 0            | 2 |
|   |                  | 4                       | <i>Colombia</i>  | 0            | 0            | 2            | 2 |
|   |                  | 4                       | <i>Peru</i>      | 0            | 0            | 2            | 2 |
|   |                  | 3                       | <i>Brazil</i>    | 0            | 0            | 2            | 1 |
|   |                  | 3                       | <i>Ecuador</i>   | 1            | 0            | 2            | 0 |
|   |                  | 2                       | <i>USA</i>       | 2            | 0            | 0            | 0 |
|   |                  | 2                       | Aguascalientes   | 2            | 0            | 0            | 0 |
|   |                  |                         | Baja California  |              |              |              |   |
|   |                  |                         | Coahuila         |              |              |              |   |
|   |                  |                         | Colima           |              |              |              |   |
|   | Guanajuato       |                         |                  |              |              |              |   |
|   | Guerrero         |                         |                  |              |              |              |   |
|   | Hidalgo          |                         |                  |              |              |              |   |
|   | México           |                         |                  |              |              |              |   |
|   | Michoacán        |                         |                  |              |              |              |   |
|   | Morelos          |                         |                  |              |              |              |   |
|   | Queretaro        |                         |                  |              |              |              |   |
|   | Quintana Roo     |                         |                  |              |              |              |   |
|   | Zacatecas        |                         |                  |              |              |              |   |
|   | 1                | <i>Mexico (federal)</i> | 1                | 0            | 0            | 0            |   |
|   | 0                | <i>Nicaragua</i>        | 0                | 0            | 0            | 0            |   |
| 0   | <i>Paraguay</i>  | 0                       | 0                | 0            | 0            |              |   |
| 0   | <i>Nayarit*</i>  | 0                       | 0                | 0            | 0            |              |   |
| <b>Low</b>  | 0                | BC Sur                  | 0                | 0            | 0            | 0            |   |
|   |                  | Campeche                |                  |              |              |              |   |
|   |                  | Chiapas                 |                  |              |              |              |   |
|   |                  | Chihuahua               |                  |              |              |              |   |
|   |                  | Distrito Federal        |                  |              |              |              |   |
|   |                  | Durango                 |                  |              |              |              |   |
|   |                  | Jalisco                 |                  |              |              |              |   |
|   |                  | Nuevo León              |                  |              |              |              |   |
|   |                  | Puebla                  |                  |              |              |              |   |
|   |                  | San Luis Potosí         |                  |              |              |              |   |
|   |                  | Sinaloa                 |                  |              |              |              |   |
|   |                  | Sonora                  |                  |              |              |              |   |
|   |                  | Tabasco                 |                  |              |              |              |   |
|   |                  | Tamaulipas              |                  |              |              |              |   |
|   |                  | Tlaxcala                |                  |              |              |              |   |
|   | Veracruz         |                         |                  |              |              |              |   |
| 0   | <i>Oaxaca**</i>  | 0                       | 0                | 0            | 0            |              |   |
|   | <i>Yucatán**</i> |                         |                  |              |              |              |   |

**Table 3.2: Legislative Powers of State Governors**  
(cont.)

| Variable  | 0  | 1  | 2  |
|---|--|--|--|
| <b>Total Veto</b>   | No veto or the veto can be overridden by majority vote           | No veto on budgetary issues, but a veto is allowed on other issues. A qualified majority vote is required to override the veto | Veto power applies to all types of legislation. A qualified majority vote is required to override the veto   |
| <b>Partial Veto (with authority to publish elements not vetted in the law)</b>    | No partial veto  | Partial veto on some legislation. A qualified majority vote is required to override the veto                                   | Partial veto on all types of legislation. A qualified majority vote is required to override the veto.        |
| <b>Decree power</b>   | Not stipulated   | Allowed  |  |
| <b>Exclusive authority to propose legislation in specific public policy areas</b> | Not stipulated or applies only to the introduction of the budget | Stipulated, including for non-budgetary laws, but without specifying restrictions on possible reforms initiated by congress    | Stipulated, including for non-budgetary laws and with restrictions on possible reforms initiated by congress |

**Sources:** Author's calculations, based on information from local constitutions as of April 2009 and (Shugart and Haggard 2001)

At the state level in Mexico, largely paralleling what occurs at the federal level, the governor is the only actor entitled to initiate legislation related to the annual budget (however, this power is still limited because local constitutions set a deadline for this proposal to be introduced). There are no provisions in any state constitution that prevent legislatures from amending the executive proposal beyond the requirement that any change that implies new or additional expenditures should be accompanied by adjustments in the law governing revenues.

Combinations of legislative powers of the executive determine the strategies the executive will employ to influence the legislative process. In so doing, these powers also affect legislators' strategies to influence legislation or the margin of discretion (Kiewiet and McCubbins 1988; Cameron 2000;

Groseclose and McCarty 2001; Magar 2001). In table 3.2, I follow the methodology of Matthew S. Shugart and Stephen Haggard (2001) to present this information about Mexican states and also to compare it with information from other presidential regimes. As the table shows, local executives in Mexico are restrained in their unilateral constitutional powers.

An additional aspect that is clearly relevant in determining the relative power between state governors and local legislatures in Mexico is the period that local constitutions grant to the executive to review and comment upon any legislation previously approved in the legislative plenary. State constitutions grant the executive a specific time period in which to consider approved legislation and inform congress about any observation or objection she may have. If the executive does not have any observation, she must publish the new legislation in the official gazette of the state. No legislation is in force unless it is published.

Until recently, not publishing a legislative decree (“silent veto”) was a common strategy that local executives used to bypass the limitation of their (formal) veto, given that the governor did not face any challenge for delaying the publication of a legislative decree or for not publishing it at all in the official gazette. However, this situation changed recently due to a Supreme Court ruling that empowers state legislatures to publish any legislation or resolution adopted by due legislative process when the governor fails to make observations or to publish the legislation within the period designated by the local constitution (SCJN 2006). By making the limits set by the local

constitution enforceable, the Supreme Court ruling revived a constraint on the executive which may force state governors to negotiate with legislators on the passage of controversial legislation.<sup>67</sup>

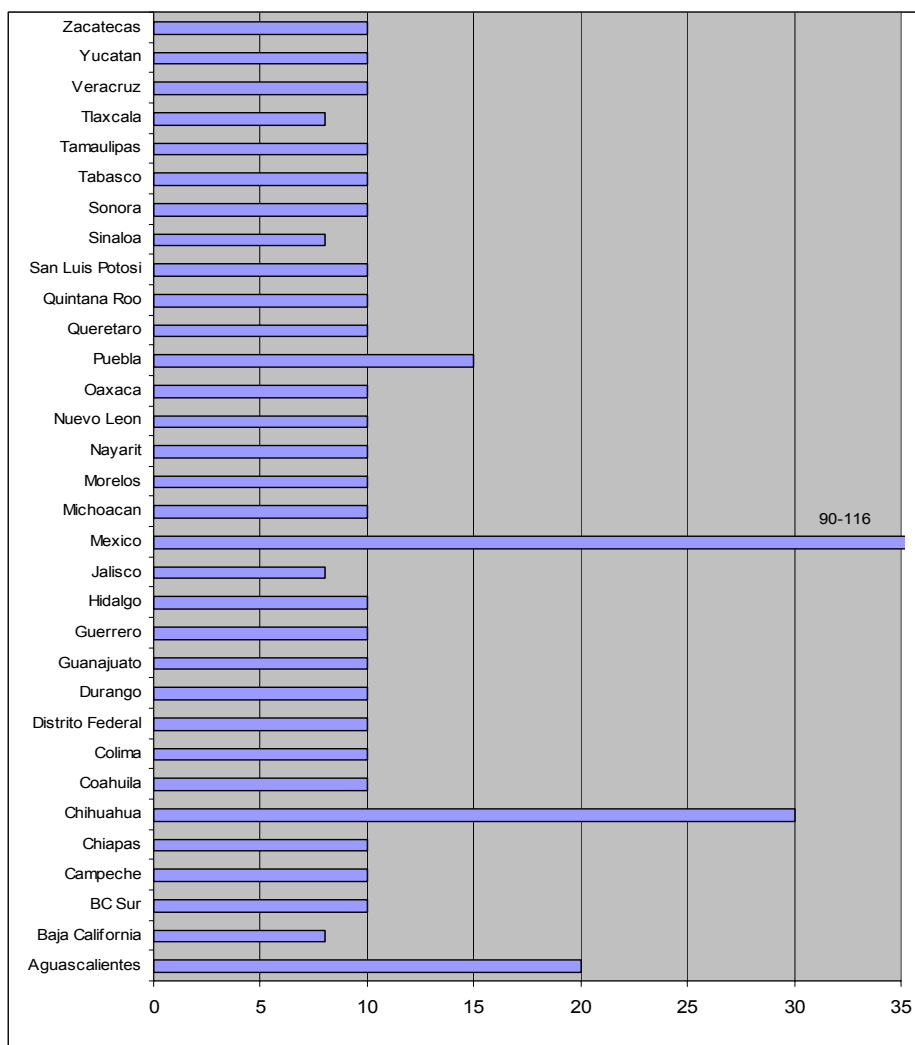
Take, for example, the case of Jalisco. In this state, the local executive has only eight calendar days to make any observation. Additionally, the congress can declare any matter urgent; which shortens the period to three days. According to the state constitution, a bill is considered approved if the executive does not send any observation back to the legislature within this period. The executive then has fifteen days to publish this legislation; otherwise, the legislature can do it itself. In cases where the executive has made “comments” on the legislation (e.g., vetoed it) but the chamber has overridden the “observations,” the executive has only eight days in which to publish the new law.

The period granted to the executive to make observations generally varies, from 30 days in Chihuahua to 8 days in Baja California Sur, Sinaloa, and Tlaxcala. The extreme case is the State of México, where the executive has the entire legislative session (which runs between 90 and 116 days) (figure 3.1). As the period to make observations shortens, the executive loses her ability to negotiate in advance on legislation, such that state legislatures may have more leverage to “impose” legislation. In the presence of an opposition legislature, these nuances will certainly affect the balance of power

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<sup>67</sup> It is too early to observe the effect of the Supreme Court’s decision on the balance of powers within Mexican states, but there is no doubt that this resolution changes bargaining terms since it weakened the “silent veto” that executives retained for themselves.

between branches of government (at the very least, it may affect the cost of negotiation for the executive).<sup>68</sup>



**Figure 3.1: Constitutional Period for Executive Review**

**Source:** Author's calculations, based on information from local constitutions as of April 2009

<sup>68</sup> Another relevant difference among state constitutions is the period granted to the legislature to evaluate the budget proposal submitted by the executive. On average, local legislatures have thirty-five calendar days to evaluate this proposal, which contrast with the sixty-eight days federal deputies have for the same purpose. Only eight states are above the national threshold. Particularly relevant are Michoacán, Guerrero, and Morelos, whose local representatives have 102, 77, and 75 calendar days, respectively. At the other extreme is Tamaulipas, whose constitution grants only five calendar days for budget review; and the states of Durango, Quintana Roo, Tabasco, and Zacatecas, whose constitutions grant fifteen days for the same purpose. As the period to analyze the budget proposal shortens, the discretionary power of the executive increases.

In sum, local legislatures in Mexico are better positioned than is usually assumed. At least on paper, state legislatures in Mexico have the constitutional support not only to initiate legislation but also to amend it or block it. Therefore, legislators in Mexico have policy decision power, which in effect gives local legislatures the constitutional capability to set the margin of discretion. These constitutional provisions mean that Mexican governors, like the federal executive, are among the weakest executives from a comparative perspective, a surprising result given their dominant position in fact in local politics. However, similar to what occurred at the federal level some years ago, the real source of power for local executives is not their constitutional provisions but their political clout (Flammand 2004; Hernández Rodríguez 2008).

In spite of these constitutional capabilities, what usually happens empirically is that local deputies rarely challenge the executive's legislative agenda, and they have limited involvement in the initiation of legislative proposals. Local legislators confirm this to be the case: "I think [most of the legislative work focuses] on reviewing initiatives introduced to congress," said a local legislator from Aguascalientes. In terms of proportional allocation of effort, he continued, "there is a smaller share [of time devoted] to push our own initiatives and ideas [...], I would say that 30 percent [of my time] is about generating a new initiative and 70 percent is about [discussing] legislative

initiatives introduced by the governor.”<sup>69</sup> In Chiapas, a local legislator identified a similar pattern: “I would say that 30 percent [of legislative initiatives come from legislators]; 70 percent are introduced by the state governor or other federal entities or government offices.”<sup>70</sup>

This situation may be changing given the increase in electoral competition and the surge of political opposition in local politics. A local legislator from an opposition party in Aguascalientes offered an example of this when he argued that most legislative proposals came from local legislators, which constituted a

significant difference with what was the usual practice, where the executive sent the initiative, the legislative process began and the proposal was passed [...]. Today, this is not the case. Usually there are even five or six different proposals on the same topic from each of the political parties. The real problem is the politicization of issues.<sup>71</sup>

Differences in opinion between these two legislators about the participation of the local legislature in setting the legislative agenda are due to the fact that they were talking about different aspects of legislative work. While the first legislator was focusing on initiatives that are discussed and approved, the second concentrated only on those initiatives that are actually introduced (regardless of what happens to them during the legislative process). Only a systematic analysis of legislative proposals and decrees could explain this “controversy.”

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<sup>69</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>70</sup> He added, “It is a small percentage, but sometimes it is impossible to do more. It is not because of the capability of each legislator, but the capability of the people around you.” Fabián Camacho, PRD, Chiapas (2004-2007).

<sup>71</sup> Luis Estrada, Convergencia, Aguascalientes, (2004-2008).



An unambiguous example of the executive's prevalence in setting the legislative agenda is her power to determine the state's budget, which is a fundamental tool for policy design. In Nuevo León, a local legislator from the party in opposition to the government's party explained:

Regarding the state budget, the governor has ample autonomy because once the budget has been passed [by congress], [the governor] can make transfers or modify the budget without authorization [from the legislature]. He only informs about these changes in the annual report of public accounts. Thus, at the end, all of our exhaustive and exhausting efforts during the final days of the year to pass the state budget –moving [resources] from here to there, passing an austerity plan, or reassigning money to priority areas that we felt were more relevant for the people- [are futile] because if we are successful in changing the budget, the governor can modify it, no matter what, using his power to transfer resources or make adjustments [...].<sup>72</sup>

This situation is not unique to Nuevo León. In the state of Campeche, the role of legislators in setting the state's budget is also limited. “There is no analysis; there is no debate [...]. We only received a small list [of numbers]; that's all. It's a mockery,” a legislator from this southern state complained. He continued:

The state budget has to be ready by December 20<sup>th</sup> [and] any change that happens after [the approval] is never discussed in the legislature [...]. The truth is that [...] the budget is passed without assurance that it will be real. Why? Because when the budget is passed here, there is no knowledge about the federal budget. [Thus there is no certainty about the exact amount of federal transfers the state will receive.]<sup>73</sup>

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<sup>72</sup> Ranulfo Martínez, PAN, Nuevo León (2006-2009).

<sup>73</sup> Aníbal Ostoa, Convergencia, Campeche (2003-2006). One of the major successes of this legislator's party in his local Congress was to make (some) secretaries and other public servants appear before Congress and explain why and for what they needed the resources requested in the governor's budget proposal. However, his party could not make this process mandatory.

There is little debate and discussion when setting the legislative agenda. A clear example of the irregularity of legislative activity is the erratic performance of legislative committees, where the bulk of legislative decisions are reached.<sup>74</sup> In Aguascalientes, a legislator claimed, “Notwithstanding that the organic law of congress establishes that we [committee members] should meet twice, sometimes there is no quorum! Sometimes I am the only one, and the [committee] meeting has to be postponed because God knows where the legislators are.”<sup>75</sup> In Campeche, a former legislator declared:

Legislative committees do not work here. Only a few of them operated to some degree: the constitutional issues committee [...], the oversight committee [...]. I was part of the education committee, but it never met, never. I guess only once to discuss whether to declare “the day of the fish” in the state [...].<sup>76</sup>

In Nuevo León, a former independent legislator stated, “there is no debate in the plenary and there is no debate in committees. [Legislators] are illiterates; nobody writes, nobody reads.” She explained that this apathy was due to the prevalence of a legislative majority not only in the congress but also in legislative committees. Thus the incentives for minority parties to devote time analyzing initiatives were minimal, and the majority did not need to devote any effort.<sup>77</sup> This trend, however, appears to be affected by the level of fragmentation within the legislature. For example, in Chiapas, the situation seemed to be different. During the LXII Legislature (2004-2007), where no

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<sup>74</sup> For a recent analysis (Gonzalez 2009).

<sup>75</sup> José L. Ovalle, PVEM, Aguascalientes (2004-2007).

<sup>76</sup> Margarita N. Duarte, Convergencia, Campeche (2003-2006).

<sup>77</sup> Lilita Flores, Independent, Nuevo León (2003-2006).

political party had a simple majority (the PRI had a plurality), legislative committees were the principal arena for debate and the place where decisions were actually taken. A former legislator explained:

You mentioned that there were no major debates in the plenary session. Debates occurred before, precisely because there is no clear legislative majority. Each legislative fraction analyzes and gives its point of view before we enter a [committee] session [...]. Each [party] coordinator gives the party's point of view and [...] discussions begin. Sometimes it is a little bit slow, but at the end, we have passed the legislation unanimously. The plenary session is only for the vote.

This legislator added, “[...] sometimes we did nothing for three months, but then in one special session [*sesión extraordinaria*] we passed a whole legislative package. In other words, if we do not pass any legislation in the plenary, it is because we are working on getting a consensus.”<sup>78</sup>

If legislators do not –or cannot- devote time to legislative analysis, what are the activities that consume most of their time? Casework is the common answer. Attending to constituents' demands takes “practically 50 percent of a legislator's time.”<sup>79</sup> “Let's see,” a legislator from Aguascalientes declared, “out of eight hours of work, three are for committee meetings, legislative work and the generation of new legislation and proposals, and five go to casework.”<sup>80</sup> In Chiapas, according to one interviewee, “a legislator is more advocate than legislator.”<sup>81</sup>

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<sup>78</sup> Flor de María Coello, PVEM, Chiapas (2004-2007).

<sup>79</sup> José L. Ovalle, PVEM, Aguascalientes (2004-2007).

<sup>80</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>81</sup> Flor de María Coello, PVEM, Chiapas (2004-2007).

This is a surprising trend given the prohibition against consecutive reelection in Mexican legislatures, which –according to multiple analyses– dissolves the electoral connection. One explanation for the relevance that casework has as a legislative priority might be the increase in electoral competition in legislative and municipal elections, which has forced potential candidates to make a special effort to gain name recognition. In Nuevo León, a former legislator explained:

The tradition [of devoting resources from the legislative budget to do casework] was over in the legislature I was part of [2003-2006]. There was no money left for casework. If a legislator wanted to do it, he or she could do it with their own resources. There were several legislators who actually did it (they even donated police patrols), motivated, of course, by their aspiration to become mayors [...]. I do not know how or why they were allowed to do that. The role of a legislator was wiped out [...].<sup>82</sup>

Not all legislators give priority to casework. Within local legislatures, there is some sort of division of labor: Senior legislators (for instance, a party leader) devote their time to the analysis of legislative proposals, while novice legislators (or legislators with less political clout) devote most of their time to responding to their constituents' demands. A local legislator in the state of Nuevo León, who had served as local and federal legislator three times before, detailed:

I never did casework, I had different roles: in [one of the legislatures that I was part of] I devoted my time to oversight [*fiscalizar*] and to analyzing the budget. In the last [legislature I belonged to], I spent my

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<sup>82</sup> Alfonso Robledo. PAN, Nuevo León (2003-2006).

time just legislating. I guess 70 percent of my time was devoted to legislative analysis.<sup>83</sup>

In some cases, senior legislators hire special personnel to help them respond to their constituents' demands, "I have this office to do legislative work [...],"<sup>84</sup> explained a local legislator from Aguascalientes who had thirty years of experience in (federal and local) public administration. "Usually I do not get involved in casework; I have an assistant at my office over in the congressional building who takes care of all casework issues. That individual is in charge of solving trivial cases, such as somebody's problem with electricity or gas services [...]" According to this legislator, the burden of casework makes legislators "set their legislative work aside"; as a result, most of the time there are "only a few legislators attending to legislative matters."<sup>85</sup>

In sum, legislative activity -creation of new laws, effectiveness of legislative initiatives, reform of the executive's proposals, etc.- is weak in local legislatures. One explanation is the decades-long legacy of local legislators' exclusion from policy decision making. Authoritarian politics empowered the state bureaucracy at the expense of a proactive legislature, a common pattern across Latin America. On the other hand, Mexican legislatures (and Mexican local politics in general) are still struggling with the consequences of an overwhelming federal government that gave little room for autonomy. For decades, the federal government dictated policy guidelines to the states and

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<sup>83</sup> Jorge H. Padilla, PVEM, Nuevo León (2003-2006).

<sup>84</sup> The interview took place in his main office located in downtown Aguascalientes instead of at the congressional building.

<sup>85</sup> Luis E. Estrada, Convergencia, Aguascalientes (2004-2007).

established what was feasible in terms of policy and what was impossible to undertake. However, as I will try to demonstrate in the following pages, the level of legislative professionalization is also an important reason.

These testimonies indicate that, despite the fact that local constitutions grant legislators ample capabilities to affect the legislative agenda (and therefore the margin of tolerance), instances of active and effective involvement seem to be scarce and heavily dependant on legislators' level of seniority. In consequence, setting the margin of bureaucratic discretion is not the immediate strategy legislators follow to induce compliance. This is the case, in part, because they have limited ability to effectively debate the executive over the policy agenda. Mexican state congresses are reactive legislatures, and as such their main instruments of legislative oversight are biased toward direct mechanisms of bureaucratic monitoring. However, as we will see in the following pages, local legislators in Mexico make an uneven use of these mechanisms.

## 3.2. Resources for Bureaucratic Oversight

### 3.2.1. Professional Legislators? An Assessment of Legislative Professionalization

Even the use of direct mechanisms of oversight requires the ability to analyze public affairs, propose legislation, and debate the executive's positions and proposals. In the end, a clear understanding of the legislative process is a necessary condition to keep the government accountable

(Stapenhurst et al. 2005). This is particularly important for activities such as budget approval and, therefore, oversight. As Sidiqq Osmani clearly explains, “[w]ithout a proper understanding of how the budget has been implemented in relation to its goals (i.e., whether the outcomes have diverged from the objectives, and if so, why), it is impossible to identify failures, to assign culpability and to hold anyone accountable” (Osmani 2002). In sum, an effective legislature requires professional legislators.

Usually, studies on legislative professionalization analyze three variables: legislators’ wages, length of legislative sessions and the availability and support of professional staff.<sup>86</sup> The logic is as follows: An “adequate” wage reduces the incentives for legislators to divide their time and attention between their legislative work and other activities that could supplement their income. The idea is that an attractive wage will prevent legislators from being distracted by their private activities. However, stopping legislators from dividing their time is not the only reason a good salary encourages professional legislators. A good remuneration also attracts better-qualified members and may induce novice legislators to pursue a legislative career, not

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<sup>86</sup> See (Squire 2007) for a complete discussion about legislative professionalism and its measurement in US states, and see (Jones et al. 2002) for a study of legislative professionalism in the Argentinean context. Jones et al. do not consider the same variables as Squire; instead, they look at how electoral incentives (specifically, the influence of party machines) affect legislative behavior and the organization of the legislative institutions. Jones and his coauthors clearly show how electoral incentives have created a vicious cycle, where legislators have neither the will nor the capabilities to influence or affect public administration.

only at the local level but also at the federal level. In sum, a satisfactory salary influences the probability of having full-time legislators.<sup>87</sup>

A second variable is the length of legislative sessions. The theory establishes two effects of legislative sessions on the probability of having professional legislators. On one hand, long legislative sessions reduce legislators' opportunities to devote time to non-legislative activities (which, in turn, increases the need for good economic compensation). On the other hand, as the legislative session extends, so does the legislators' familiarity with the usually intricate legislative processes.

Finally, the third variable refers to the presence of qualified staff to give legislators informational and analytical support to analyze public issues and advance public policy proposals. The support of competent staff increases legislators' ability to influence the policy process.

In Mexico, local constitutions forbid legislators from carrying out any other political or governmental job, except those related to teaching or academia. This regulation, however, does not require legislators resign from their professional activities. There are no systematic statistics that allow us to determine how many local legislators renounce other professional activities and become full-time representatives. However, it is not rare to find legislators that come back to state congresses after serving a term at any of the federal chambers or that come back to the state legislature after one term out of

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<sup>87</sup> Indeed, an additional variable for analyzing legislators' professionalism is the characteristics of legislators' political careers; for instance, whether or not legislators have previously occupied an elective or appointive office or even party posts; see (Jones et al. 2002).



congress.<sup>88</sup> In other words, being a legislator or pursuing a legislative career is an option despite the prohibition against immediate reelection.<sup>89</sup>

One obvious reason for this is that being a legislator is an attractive job in Mexico. The average wage of a local legislator in Mexico is around US\$4,359 per month (63,775 Mexican pesos), thirty-nine times the national minimum wage.<sup>90</sup> This salary is, of course, even more attractive when the state is poor (figure 3.2).

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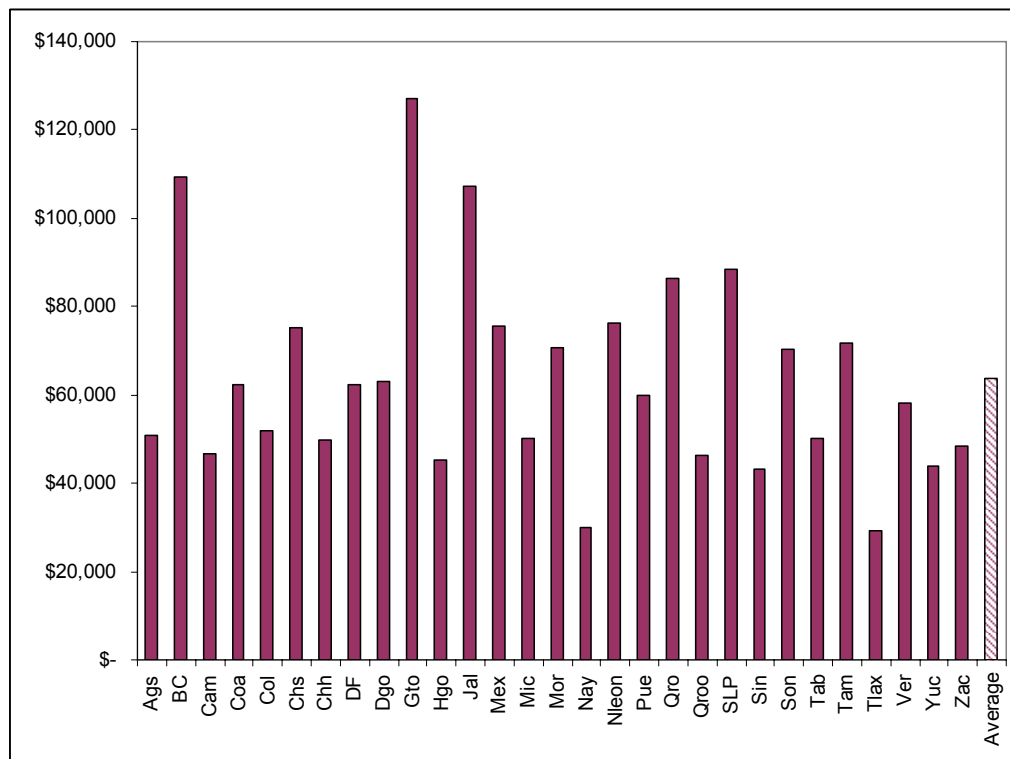
<sup>88</sup> Joy Langston and Javier Aparicio found that many professional politicians not only begin their careers at the state level (in municipal councils or the state legislature), but they also come back to the local arena after serving at the federal congress for one term. This study is particularly relevant because it employed a database of career paths of 1,800 federal deputies from three consecutive federal legislatures. See (Langston and Aparicio 2008).

<sup>89</sup> There are no systematic data on legislative careers in the states, but at the federal level it is usual to find legislators that had previous legislative experience (even up to five terms). For instance, during the elections of July 2009, the Institutional Revolutionary Party (PRI) “reelected” 25% of its deputies. For more details, see (Reforma 2009).

<sup>90</sup> This is the average of 28 states and the local assembly of Mexico City (no data were available for Baja California Sur, Guerrero and Oaxaca). Data updated to December 2008. I compute the average using the net amount that is reported as salary; thus, I left out the money allocated to casework. In some states, the information does not clarify whether the salary was before or after taxes or whether the amount reported included extra compensations or benefits. In any event, the most likely consequence of a measurement error is to underestimate the legislators’ wage. The exchange rate as of February 19, 2009, was: 1 US dollar: 14.63 Mexican pesos.

The minimum wage for 2009 as reported by the Treasury Secretariat is MX\$54.80 or US\$3.74 per day or MX\$1,644 equivalent to US\$112. 37 per month.

See [www.banxico.org.mx/polmoneinflacion/estadisticas/laboral/laboral.html](http://www.banxico.org.mx/polmoneinflacion/estadisticas/laboral/laboral.html).

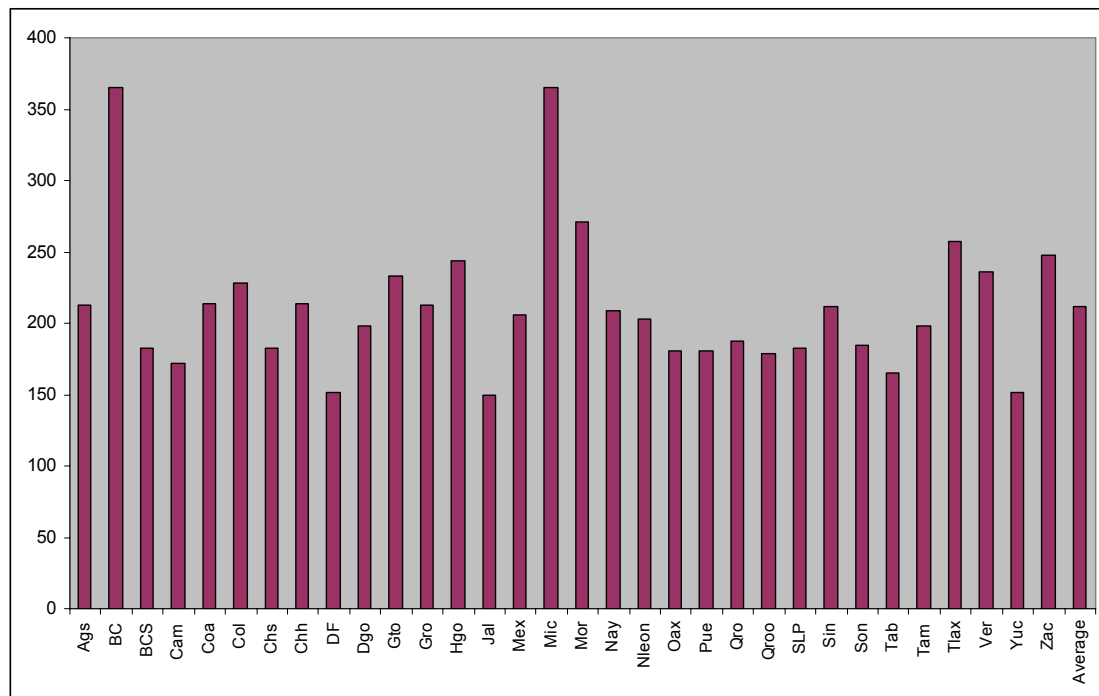


**Figure 3.2:** Legislators' Salaries, December 2008 (current Mexican pesos)

**Source:** Data gathered by the author as reported by each state legislature

Looking at the length of legislative sessions in terms of calendar days per year (according to state constitutions), we find that local legislative sessions average 211 days per year.<sup>91</sup> At one extreme are the states of Baja California and Michoacán, whose legislative sessions last the whole calendar year; on the opposite end are the legislatures of Yucatán and Jalisco, with sessions of 151 and 150 days, respectively (figure 3.3).

<sup>91</sup> The sum of all legislative sessions per year as indicated by the state constitution or congressional law. These figures refer to the total number of calendar days that constitute a legislative session; in other words, it is not equivalent to the number of plenary sessions. A legislative session is the time period in which legislators should be devoted to legislative work (plenary or not).



**Figure 3.3:** The Length of Legislative Sessions (calendar days)

**Source:** Author's calculations, based on information from state constitutions as of 2005

Regarding staff support, local legislators receive two types of help: the aid of personal advisors and assistance from two congressional offices, the legislative research institute and what it is known as the supreme audit institution.<sup>92</sup> The role of a legislative research institute is to help all legislators, regardless of party affiliation or position within the legislature. Today, nineteen state legislatures have a legislative research office (some of these are brand

<sup>92</sup> "Supreme audit institution" is a loose translation of what it is commonly called *entidades fiscalizadoras superiores* in Spanish, *institutions supérieures de contrôle des finances publiques* in French, or *Obersten Rechnungskontrollbehörden* in German. For a general idea of what a supreme audit institution is, see the International Organization of Supreme Audit Institutions at <http://www.intosai.org>.

new).<sup>93</sup> Despite their rationale, not all local deputies view the legislative research institutes as a source of support. Direct interviews with local legislators revealed that these institutes mainly provide support on technical (legislative) issues, but they do not respond to legislators' specific demands. My interviews point to two possible reasons: a focus in these institutes on senior legislators (or on legislators that belong to the legislative majority), and limited resources.

An example of the first situation (a favorable treatment for some legislators) is the divergence in the opinion of two legislators from the state of Campeche. The first legislator belonged to the PRI, the majority party and the strongest political party in the state, while the second legislator was a member of Convergencia, a small opposition party. The *priísta* legislator declared:

The state legislature has advisors for all legislators, and some [committees] have specific advisors [...]. I honestly believe that we all make use of the support of those advisors, who were there to help everybody, without consideration of political party affiliation.<sup>94</sup>

In contrast, according to the Convergencia deputy,

We did not have any sort of support at the very beginning. There is a group of advisors in the legislature that help the majority party [...]. You have to fight within congress and request the president of the Great Committee [the leader of the party that has the legislative majority and also the leader of the legislature] for that support. That is how we were

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<sup>93</sup> Information about staff, budget, and resources in these institutions is scarce and dispersed. It is difficult to assess with accuracy the extent to which these institutions provide effective support to all legislators. I used "freedom of information" legislation to request this information directly to local congresses. Twenty-one legislatures provided this information. (In two states I found information on the legislative research institute posted at the legislature's Web page, but the legislature did not answer the question). I have no further information on the seven other states. This information is current as of Winter 2009.

<sup>94</sup> Martha Irene Novelo, PRI, Campeche (2003-2006).

able to get two advisors for my legislative group. We finally got the resources. In the end, we only worked with one [advisor], a lawyer, who nevertheless did not have training in the creation of laws, but he was really helpful.<sup>95</sup>

A former legislator from the same state but from the previous legislature described a similar situation:

It happens that I was a specialist in fiscal auditing, which helped me cope with the lack of advisors; however, that does not mean that I did not need them. When we began [as legislators] we really tried [...]. We asked for new positions [*plazas*] to be created. We suggested a new organizational chart, but we did not receive even one post. Only promises. [...] Whoever is in charge now will face similar problems: too much work. [...] I did not have a moment of rest [...].<sup>96</sup>

In Chiapas, for example, a 'senior' member of the legislative research institute clearly explained:

[The institute] was created in 2003 and it is composed of researchers [...] that assist legislators, principally legislative coordinators [party leaders] [...]. There is research work related to the procedure and content of a [legislative] proposal, and there is an aspect of support related to other [constitutional] faculties that the legislature undertakes, among which are the review of public accounts, the procedure to give permits to municipal officials, procedures related to the disincorporation of state assets, appointments to the Judicial Power, or constitutionally autonomous entities, etc [...]. In sum, the work [we do] is organized in two groups: the technical aspect and the legislative aspect.<sup>97</sup>

Other accounts indicate that these institutes do not have sufficient resources (monetary and human) to provide adequate support. In the case of Chiapas mentioned above, the Legislative Research Institute had six

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<sup>95</sup> Aníbal Ostoa, *Convergencia*, Campeche (2003-2006).

<sup>96</sup> Miguel Angel Montejo, *Campeche*, PAN (2003-2006).

<sup>97</sup> Interview with José Luis Ilchs, researcher at the Legislative Research Institute of Chiapas. January 31, 2007.

researchers that provided assistance to forty legislators organized (at the time) in five legislative groups. In Aguascalientes, for instance, the legislative research institute was created during the LVIII Legislature (2001-2004).

However,

[...] It did not receive support; in other words, it did not operate. In this Legislature (LIX, 2004-2007), [the institute] was formalized, a committee was created, we invited an expert to become general director, we also invited researchers and coordinators. And now we finally have the structure completed.<sup>98</sup>

In Nuevo León, there is a legislative research institute that, nonetheless, “does not conduct any kind of research.” Instead, the work of the legislative research institute is just “to prepare and adjust legislative rulings.” Moreover, this institute does not have, “even by the luck of the draw,” any academics or experts as part of its personnel.<sup>99</sup>

Finally, research institutes seem to be exposed to high staff rotation because of the absence of civil service provisions. In consequence, legislative staff is vulnerable to dismissal once the three-year period of the legislature ends (“everybody is out after three years”)<sup>100</sup> or because they received their post as payment for their political support for a specific legislator or authority.<sup>101</sup>

Unfortunately, parliamentary groups distribute [administrative] posts in the state legislature as if these were “booty.” It’s a long-standing

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<sup>98</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>99</sup> Jorge H. Padilla, PVEM, Nuevo León (2003-2006).

<sup>100</sup> Jorge H. Padilla, PVEM, Nuevo León (2003-2006).

<sup>101</sup> This is also true for other administrative units within the legislature, such as the archival center or the legislative library. This was the case with the staff of the Legislative Archival Center of the State Legislature of Aguascalientes (2004-2007).

tradition. We ended up with advisors who are cousins, brothers-in-law, or people getting payback for a political favor. They usually hired these people without any attention to whether they had the appropriate background to be a legislative advisor [...]. In Aguascalientes, we just created the legislative research institute which, in theory, should provide specific information about specific topics on the legislative agenda. However, [people] get in through cronyism and friendship, and they hire people who don't have the right preparation for the job.... Thus, we cannot depend on the information [this institute] generates.<sup>102</sup>

This situation is not unique to Aguascalientes; these circumstances also occur in other states. For example, local legislators in Chiapas declared:

Sometimes our [legislative] advisors were with us during the campaign, [...] so we have to set legislative considerations aside to repay them for that favor [...]; However, they certainly are uninformed about legislative issues. We lack advisors that have legislative [experience].<sup>103</sup>

Circumstances are different regarding supreme audit institutions (SAIs), formerly known as *Contadurías Mayores de Hacienda*.<sup>104</sup> In some states, these legislative institutions were created in the 19<sup>th</sup> century or at the time the state gained formal recognition (the only exception is Nuevo León, where the SAI was not created until 1992). Supreme audit institutions are by far the most structured, staffed, and well-resourced institutional supports that legislators have in Mexico. An SAI is an office that supports legislators in the auditing of public resources (mainly, but not exclusively, in the auditing of public offices from the three branches of government and municipal governments). The central goal of an SAI is to prevent legal transgressions, waste of resources or

<sup>102</sup> Luis E. Estrada, *Convergencia, Aguascalientes (2004-2007)*.

<sup>103</sup> Fabián Camacho, *PRD, Chiapas (2004-2007)*.

<sup>104</sup> In Mexico, supreme audit institutions are also known as Auditoría Superior, Órgano Superior de Fiscalización, Entidad Superior de Fiscalización, or Contaduría Mayor de Hacienda.

the use of public funds for private benefit (Manjarrez 2001). In sum, the SAIs are the watchdogs over the state's financial integrity and also the guarantors that the information presented by bureaucratic offices is accurate and credible (Dye and Staphenurst 2000).

Similar to what occurs with regard to legislative research institutes, information about SAIs is scarce and sometimes unavailable. The information I present in this chapter comes from a direct survey that was sent to all SAIs during the fall of 2007.<sup>105</sup> During the course of the following year, twenty-one responded, some providing only partial information.

There is significant variation among local SAIs regarding human and capital resources, which may have an effect on the ability of these institutions to effectively perform their duties. Human capital, a fundamental aspect, is usually the major challenge. In 2007, a local SAI in Mexico had 178 staffers, on average, of which 109 have auditing responsibilities. Variations are relevant, however. At one extreme are Aguascalientes, which had 45 personnel (39 auditors, 86.67%), and Yucatán, with 150 workers (130

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<sup>105</sup> This survey was part of a research project I coordinated between the fall of 2006 and the winter of 2008. This data is drawn primarily from a 45-item questionnaire (mostly closed questions) that was sent directly to local Superior Audit Institutes between October 2007 and August 2008. A total of twenty-one responses (twenty from entities in the Federal District) were received. We were sometimes able to complete the information from the questionnaires with requests for specific information or with available statistical information. This research was financed by the Arthur and Flora Hewlett Foundation and hosted by the UCSD Center for US-Mexican Studies. The project title was *Government Accountability in Mexico: An Evaluation of Supreme Auditing Institutions in Mexico* and it included nine empirical analysis. Research reports are available at the Center for US-Mexican Studies website [www.usmex.ucsd.edu](http://www.usmex.ucsd.edu) or upon request to the author. However, a summary of the comparative analysis and details are in (Rios-Cazares and Pardinás 2008)



auditors, 86.7%). At the other extreme was the Federal District (Mexico City), with 417 employees (113 auditors, 27.1%) (table 3.3).

**Table 3.3: SAI Personnel**

| <b>State</b>        | <b># Total</b> | <b>Auditors</b> | <b>% auditors</b> |
|---------------------|----------------|-----------------|-------------------|
| Aguascalientes      | 45             | 39              | 86.7              |
| Baja California     | 289            | 224             | 77.5              |
| Baja California Sur | 50             | 42              | 84                |
| Campeche            | 87             | 49              | 56.3              |
| Chihuahua           | 139            | 88              | 63.3              |
| Colima              | 67             | 51              | 76.1              |
| Distrito Federal    | 417            | 113             | 27.1              |
| Durango             | 94             | 80              | 85.1              |
| Guanajuato          | 223            | 111             | 49.8              |
| Hidalgo             | 143            | 84              | 58.7              |
| Jalisco             | 305            | 126             | 41.3              |
| México              | 390            | 255             | 65.4              |
| Morelos             | 117            | 84              | 71.8              |
| Nayarit             | 96             | 57              | 59.4              |
| Nuevo León          | 187            | 159             | 85                |
| Puebla              | 225            | 84              | 37.3              |
| Querétaro           | 95             | 69              | 72.6              |
| Sonora              | 105            | 78              | 74.3              |
| Veracruz            | 261            | 182.7           | 70                |
| Yucatán             | 150            | 130             | 86.7              |
| Zacatecas           | 162            | 96              | 59.3              |
| <b>Average</b>      | <b>174</b>     | <b>105</b>      | <b>66</b>         |

**Source:** (Rios-Cazares and Pardinas 2008)

Interviews with employees of local SAIs indicated that one of the major problems for these institutes was the continuous rotation of personnel. Indeed, it was common for brilliant SAI employees to be recruited by the very same offices these employees audited, lured away with offers of much more

attractive salaries.<sup>106</sup> Additional challenges facing the SAIs in regard to personnel are listed in table 3.4.

**Table 3.4:** Major Challenges for Local SAIs on Personnel Management

| Problem                                 | Answer<br>(% of answers that identified the indicated factor as relevant)  |
|---|--|
| <b>Not enough personnel</b>             | 57.14%<br>(Ags, BCS, DF, Dgo, Gto, Hgo, Jal, EdoMex, Mor, Nay, Ver, Yuc)   |
| <b>Rotation of employees</b>            | 23.81%<br>(Ags, Cam, Gto, Jal, NLeón)  |
| <b>Lack of capability</b>               | 19.05%<br>(BC, Chh, Hgo, Qro)  |
| <b>Insufficient budgetary resources</b> | 66.67%<br>(Ags, Cam, Col, DF, Dgo, Hgo, Mor, Nay, Qro, Son, Ver, Yuc, Zac)   |
| <b>Other</b>                            | Need of civil service (Colima)<br>Need of more flexibility to increase the number of auditors (Puebla)<br>Infrastructure (Yucatán) |

**Source:** (Rios-Cazares and Pardinas 2008)

As table 3.4 shows, limited budget was an important challenge, and it was also the variable in which there is significant variation among states. For instance, the SAI of Jalisco was the best financed in 2007, with almost US\$9 million (\$8,961,039). This figure is much larger than the budget allocated for Aguascalientes, Baja California Sur, Colima, Campeche, State of México, Morelos, and Nayarit. In contrast with Jalisco, the SAI of Baja California Sur received only US\$539,986 (Rios-Cazares and Pardinas 2008).

<sup>106</sup> Author's communication with personnel from the Legal Department (*Direcciones Jurídicas*) of various SAI at the conference "Fiscalización, Consecuencias Jurídicas," [Auditing, Juridical Consequences] Puebla, July 13-15, 2006.

Differences in financial resources are even more evident if we compare per capita budget and the percentage of the total legislative budget allocated to each SAI. As table 3.5 shows, the State of Mexico is at the bottom of the list, with one peso per capita. In contrast, Quintana Roo, Colima and Tlaxcala invest 57, 35, and 31 pesos, respectively (the Federal Supreme Audit Institution invested 7.5 pesos per capita on oversight activities in 2007).

A final comparison is the percentage of the legislative budget that is allocated to SAIs. The federal congress allocated 11.21% of its budget to the SAIs. At the state level, this percentage oscillates between a low of 1.4% in the State of México and highs of 60.9% and 50.1% in Chiapas and Baja California, respectively (table 3.5).

**Table 3.5: SAI Budget (2007)**

| State            | Pesos per capita<br>2007 |
|------------------|--------------------------|
| Quintana Roo     | 57.0                     |
| Colima           | 35.5                     |
| Tlaxcala         | 31.1                     |
| Baja California  | 27.7                     |
| Tabasco          | 27.5                     |
| Campeche         | 27.4                     |
| Zacatecas        | 23.6                     |
| San Luis Potosí  | 22.3                     |
| Coahuila         | 22.1                     |
| Querétaro        | 21.6                     |
| Chiapas          | 20.9                     |
| Distrito Federal | 20.6                     |
| Veracruz         | 19.6                     |
| Jalisco          | 19.5                     |
| Sonora           | 18.1                     |
| Chihuahua        | 17.4                     |

**Table 3.5: SAI Budget (2007)**  
(cont.)

| State               | Pesos per capita<br>2007 |
|---------------------|--------------------------|
| Nuevo León          | 16.8                     |
| Nayarit             | 16.5                     |
| Hidalgo             | 16.5                     |
| Puebla              | 16.3                     |
| Baja California Sur | 15.5                     |
| Guerrero            | 14.4                     |
| Morelos             | 12.3                     |
| Aguascalientes      | 11.4                     |
| Durango             | 10.4                     |
| Guanajuato          | 9.8                      |
| ASF (National)      | 7.5                      |
| Oaxaca              | 7.2                      |
| Sinaloa             | 5.5                      |
| Edo de Mexico       | 1.0                      |

Source: (Rios-Cazares and Pardinas 2008)

Resources, however, are not correlated with the number of bureaucratic offices SAIs must oversee. Taking just the number of offices from the state's (centralized) public administration and the number of municipalities in the state, we find that the SAI of Tlaxcala is supposed to monitor the public accounts of 26 entities and 60 municipalities, while the SAI of Sinaloa oversees the public accounts of 12 entities and 18 municipalities (table 3.6). While it is true that financial resources do not guarantee an effective performance by the SAI, they do increase the probability. The data I just presented indicate that the SAIs confront a challenging task.

**Table 3.6:** Oversight Universe of Local SAIs

| State               | State agencies<br>(central<br>bureaucracy) | Municipalities |
|---------------------|--|----------------|
| Aguascalientes      | 13   | 11             |
| Baja California     | 22   | 5              |
| Baja California Sur | 26   | 5              |
| Campeche            | 14   | 11             |
| Chiapas             | 18   | 118            |
| Chihuahua           | 16   | 67             |
| Coahuila            | 14   | 38             |
| Colima              | 14   | 10             |
| Distrito Federal    | 20   | 16             |
| Durango             | 16   | 39             |
| Guanajuato          | 12   | 46             |
| Guerrero            | 18   | 81             |
| Hidalgo             | 15   | 84             |
| Jalisco             | 21   | 126            |
| México              | 17   | 125            |
| Michoacán           | 20   | 113            |
| Morelos             | 17   | 33             |
| Nayarit             | 13   | 20             |
| Nuevo León          | 17   | 51             |
| Oaxaca              | 15   | 570            |
| Puebla              | 18   | 217            |
| Querétaro           | 14   | 18             |
| Quintana Roo        | 14   | 8              |
| San Luis Potosí     | 19   | 58             |
| Sinaloa             | 12   | 18             |
| Sonora              | 12   | 72             |
| Tabasco             | 14   | 17             |
| Tamaulipas          | 14   | 43             |
| Tlaxcala            | 26   | 60             |
| Veracruz            | 15   | 212            |
| Yucatán             | 18   | 106            |
| Zacatecas           | 17   | 58             |

**Source:** Author's calculations, based on information from local legislatures

Legislators' opinions regarding the role of the SAIs vary widely. Some legislators said they do not trust the work of these institutions at all because they perceive them as easily manipulated or overtly partisan. Despite these opinions, the SAIs are considered, by internal and external actors alike, to be the principal institutional mechanism at hand for legislators to oversee bureaucratic agencies (and municipal governments).

Notwithstanding the existence of these institutions (the legislative research institute and the SAI), a rank-and-file legislator tends to rely heavily on his/her own advisors instead of looking for information or advice from congressional offices (for reasons, I have already outlined). Consider an example from Chiapas: "sometimes we had to ask for outside advice [...] usually when it comes to the review of public accounts."<sup>107</sup> In some cases, legislators declared that the support they received came from friends or advocacy groups. "I only have one advisor, but I have two or three friends with whom I talk about general topics," said a *priísta* legislator from Chiapas.<sup>108</sup> The scarcity of support is even greater when the legislator belongs to the legislative minority or is an independent:

There are few, very few advisors because if you do not belong to a political party, they [other legislators] really limit you. I spent almost a year without any legislative support. I had to pay [advisors] out of my salary. When things were really specific, I looked for people who were truly involved in social struggles [...]. For issues related to fiscal matters, I hired people with experience in these topics but who were involved in fiscal justice [...], a lot of social activists [...].<sup>109</sup>

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<sup>107</sup> Flor de María Coello, PVEM. Chiapas (2004-2007).

<sup>108</sup> Ruth Morales, PRI, Chiapas (2004-2007).

<sup>109</sup> Lilita Flores, Independent, Nuevo León (2003-2006).

The key point here is that legislators usually cover the cost of a personal advisor or a personal assistant out of their own pocket. Indeed, almost all legislators I interviewed paid for their advisors. One example comes from Aguascalientes: “I had to hire some advisors,” said the president of the Legislative Committee for Public Servants. He continued:

[I hired] a lawyer specialized in labor law and a political scientist, because I preside over a legislative committee that nobody knew about or understood [...]. I needed to understand how to apply the law to public servants, how to understand public servants as employees of government [...] and how to be vigilant that the executive, the legislative and the judicial branches of government –and the municipalities– support their workers [...].<sup>110</sup>

In some cases, the legislature provides a stipend for legislators to hire assistants: “I had two advisors, a lawyer and a former legislator. I paid their salaries with the resources I have. All of us receive some resources to pay one, two, or as many advisors as you can with the [fixed] amount you receive.”<sup>111</sup> This legislator had two advisors, and a fellow deputy “only had one, a legal advisor.”<sup>112</sup> In Nayarit, a legislator explained: “Obviously, if we had more personnel, the work would be faster, more efficient and maybe with better results, but we paid out of pocket for those [two] advisors.”<sup>113</sup>

“I always had advisors,” explained a legislator from Nuevo León, “lawyers that helped me with the juridical writing and style.” He added, “there

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<sup>110</sup> Abel Sánchez, PRD, Aguascalientes (2004-2007).

<sup>111</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>112</sup> José L. Ovalle, PVEM, Aguascalientes (2004-2007).

<sup>113</sup> David Rivera, PAN, Nayarit (2005-2008).

was no support [from the legislature] in that regard. Even if the legislature had had resources, the payment is tiny. I always devoted some portion of my salary [to pay for advisors]. Otherwise, it would have been impossible to have this support.”<sup>114</sup>

In some instances, deputies from the same political party pool resources and hire one or two advisors. “We belong to the PRI, we are four, [...] we pool resources and keep a ‘unit’ of advisors. There are four people, including a lawyer (that has experience as a mayor), a teacher (that has experience as a legislator and labor union leader) and a secretary.”<sup>115</sup> In Campeche, the thirteen *panista* legislators pooled resources to hire five advisors, who mainly supported the review of public accounts (because one *panista* legislator presided over the oversight committee).<sup>116</sup> Similarly, eleven *panista* legislators in Nuevo León combined resources in order to hire “three or four” lawyers.<sup>117</sup>

In sum, staff support for local legislators is insufficient at best and really precarious at worst. The majority of local legislators receive help from personal advisors, and most of them incur a personal cost to obtain this support. Legislative institutions –at least legislative research institutes- are not viewed as an alternative. The weakness of legislative support doubtless has an effect on the level of professionalization of local legislators.

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<sup>114</sup> Jorge H. Padilla, PVEM, Nuevo León (2003-2006).

<sup>115</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>116</sup> Interview with Carlos Rosado, PAN, Campeche (2006-2009).

<sup>117</sup> Alfonso Robledo, PAN, Nuevo León (2003-2006).

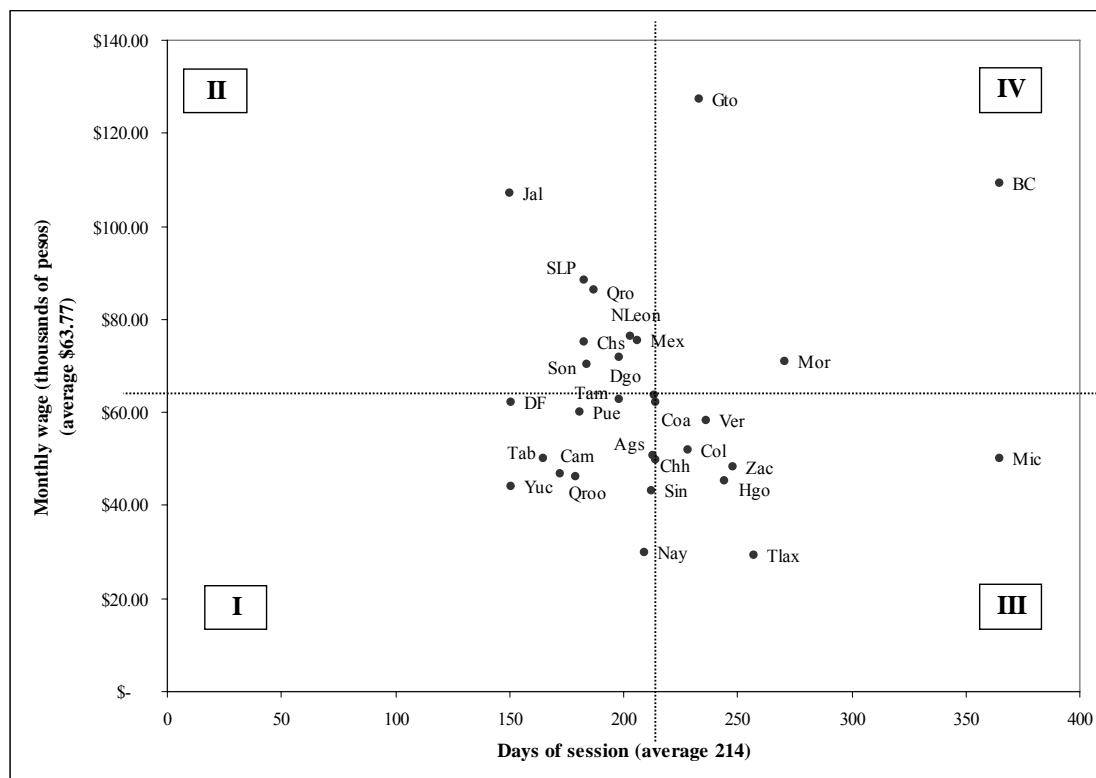


To better illustrate the situation of the states in terms of professionalization, I plot information for 28 states and the Federal District regarding legislators' wages and the length of a legislative session in figure 3.4.<sup>118</sup> I divided the figure into four panels, taking as the origin point the intersection of the averages. Although this figure is only descriptive, it gives an approximate idea about the variation of legislative professionalization among states. Following the theory briefly explained before, the closer a state is to the origin (quadrant I), the lower the level of legislative professionalization would be (keeping the availability of staff constant). Exactly the opposite happens with those states that are in the upper right (quadrant III); in these states, not only do legislators have an attractive wage, but the length of the sessions allows them to become familiarized with legislative processes (these should be the most professional legislators). In quadrant II we find the legislatures that offer attractive economic remuneration, but the length of sessions may not allow legislators to get familiar with the legislative processes. Finally, in quadrant IV are those legislatures where deputies have the opportunity to familiarize themselves with legislative processes, but their wage is below average (which may be a disincentive).<sup>119</sup>

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<sup>118</sup> It was not possible to find information on Baja California Sur, Guerrero and Oaxaca. I do not include a proxy about legislative staff and support because, as I just noted, this information is not systematic.

<sup>119</sup> An additional aspect of professional legislators is legislative expertise. The political ambition in Mexico (and in most Latin American countries) is progressive (in the case of Mexico, because reelection is forbidden). Information about legislators' previous experience is scarce, and it is impossible to draw sound conclusions from the data available.



**Figure 3.4:** Legislators' Salaries and Length of Legislative Sessions

**Source:** Author's calculations, based on information from local constitutions and state legislatures

The general conclusion applies to all state legislatures: the level of professionalization of local representatives is poor. Local legislators recognize this situation as a fact. In Aguascalientes, a legislator explained,

The legislature's performance leaves a lot to be desired. I do not believe that an academic degree makes a person. I think [we] need to combine academic training with previous and ongoing [legislative] training. The goal is to yield better results as legislators [instead of going] to the tribunal and arguing based on our gut feelings. [It is important] for me to have all the detailed information I need about the subject under discussion. That may help me get a better idea of what the priorities are from the legislative point of view [...]<sup>120</sup>

<sup>120</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

An eloquent anecdote from the same state is the following:

There have been legislators who have taken part in the legislative debate, asking to legislate in matters [that belong exclusively to the] federal jurisdiction, which, of course, is impossible [...]. [There are] legislators who have come to the congressional podium and said, literally, “the legislature L, X and stick” [rather than correctly expressing the legislative session number as an ordinal number]. In other words, some legislators do not know roman numerals [sic]. This makes for a legislature with low debate and little earnestness in its legislative work.<sup>121</sup>

Some legislators consider that part of the reason for this low level of professionalism is that:

People keep viewing [legislators] as government servants who never legislate [...] A lot of people come to us looking for solutions to their economic problems or to help them solve problems with a specific government agency [...] Thus, legislators are still perceived as the government advocates that they were for more than seventy-five years.<sup>122</sup>

However, other legislators consider that the poor quality of the legislative work is due to the fact that the majority of legislators have no legislative (or political) experience. “For the majority of legislators, this is their first time in office [...]. Thus, even if we had a professional career [...], those who really know about the legislative process are the advisors.”<sup>123</sup>

Legislators feel that they need more “training and general knowledge”<sup>124</sup> and that it is necessary to create “a legislative career, a parliamentary career, instead of having the legislative body turn over every

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<sup>121</sup> Abel Sánchez, PRD, Aguascalientes (2004-2007).

<sup>122</sup> Abel Sánchez, PRD, Aguascalientes (2004-2007).

<sup>123</sup> David Rivera, PRI, Nayarit (2005-2008).

<sup>124</sup> Ruth Morales, PRI, Chiapas (2004-2007).

three years.”<sup>125</sup> Immediate reelection and even a recall election for legislators are among the strategies some legislators feel would strengthen the professionalization of legislative activity.

Local legislatures in Mexico are powerful on paper but fragile in reality. This is an endogenous problem since legislators have the capability to change their status and even their resources. This characteristic is an aspect of legislative politics that deserves special treatment (and partisan discipline seems to be the best factor to explain it). However, for now, the relevant question is how this combination of professionalization and legal powers works when it comes to the oversight of bureaucratic agencies.

### 3.3. Congressional Oversight at Work

To identify legislators’ strategies to relate to and eventually control bureaucratic agencies, I conducted direct interviews with local legislators based on open questions but also on two brief “surveys.”<sup>126</sup> The first survey addressed factors that may raise legislators’ attention about the performance or functioning of bureaucratic agencies. The second survey is about the strategies legislators may undertake to get information on bureaucratic agencies’ activities and to request an account of such activities.

The first survey included ten statements, and legislators were asked to rank each one according to how relevant it is in causing them to pay attention

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<sup>125</sup> Arturo Velasco, PT, Chiapas (2004-2007).

<sup>126</sup> Appendix 2 provides details about the interviewees and dates. I have also included in the appendix the survey I employed.

to a bureaucratic agency. The factor considered the most important to trigger legislators' attention is a poor response or an inadequate answer from a bureaucratic agency to the legislators' request for information. This aspect was particularly relevant for those legislators who belong to the political opposition:

I never have access to secretariats. They have been instructed not to open their doors to us [...].

*Author.* Not even by a formal legislative petition?  
It was requested, but no secretary attended, by orders of the governor.

*Author.* And there is no sanction?  
It could be. But we need an agreement of all legislative fractions. Since there are legislative parties that are indebted to the governor, sanctions will never occur.<sup>127</sup>

Legislators from minority parties are specially affected by this trend. They have to be constantly reminding governmental offices about their information request until they receive a response.<sup>128</sup>

With all honesty, I should tell you that we are "transparent" with senior public servants. Yet despite our investiture as legislators [...], it takes days and days for my assistant to put me in touch with personnel from the government. Thus we have to go directly to the office of these public servants until they give us an audience. Occasionally, they take our phone calls; however, this never happens with the secretary or the deputy secretary [...]. For those at my level, it is quite difficult to be heard.<sup>129</sup>

Legislators explained that there are instances when they actually receive a response, but not necessarily the information requested, such that

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<sup>127</sup> Roberto Ortiz, PRI, Chiapas (2004-2007), talking about Governor Pablo Salazar Mendiguchía, Independent, (2000-2006).

<sup>128</sup> Guillermo Gómez, PRD, Nuevo León (2006-2009).

<sup>129</sup> Zeferino Juárez, PT, Nuevo León (2006-2009).

they must have recourse to the recently introduced freedom of information legislation:

Yes, we can make use of the [state's] transparency commission, but it is also a nightmare, a whole series of paperwork. After three or four months you may get a favorable resolution to obtain the information [...] sometimes partial information [...] because the legislation allows each secretariat to determine which information should be withheld or kept confidential.<sup>130</sup>

Regarding the use of resources by bureaucratic agencies, this situation intensifies. "Sometimes they do not give us the right information. Thus we have no idea whether the concepts they use are right or wrong [...]. I have requested information [about the disbursement of resources], and we do not get an answer." This legislator (from the opposition PAN), concluded: "If you ask somebody from the PRI [the governor's party], you will get exactly the opposite answer."<sup>131</sup> A contrasting example is the opinion of a legislator from the PRI in Campeche, the governor's party:

You get a prompt response [from the governmental agencies]. You do not need to go to the fourth floor [of the government offices] to ask for information or to ask the governor to listen to you. You just open the communication channels with the government secretariats.<sup>132</sup>

In some cases, the limited communication between government bureaucrats and legislators is due to the attitude of the legislators themselves.

"I belong to the opposition. I had no need to talk with the government [...]. I

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<sup>130</sup> Arturo Marmolejo, PRD, Nayarit (2005-2008). In a recent analysis about state commissions for government transparency and the enforcement of the freedom of information legislation, I found that few states have explicit criteria to designate information as reserved or confidential. See (Ríos Cázares and Cejudo 2009).

<sup>131</sup> Renulfo Martínez, PAN, Nuevo León (2006-2009).

<sup>132</sup> Martha Irene Novelo, PRI, Campeche (2003-2006).

never requested any information,” explained the former president of the oversight legislative committee (who belongs to the main opposition party in Nuevo León).<sup>133</sup> In some cases, however, members of legislative minorities followed specific strategies to increase their leverage and communication with public servants. For instance, legislators from Convergencia, the third political force in the state of Campeche, decided to introduce themselves to the main bureaucrats of the state government:

The first thing we [the three members of Convergencia] did as local legislators was to visit every single state and federal offices with a dual goal in mind: that we establish good communications with state secretaries and with federal delegates. We asked them for transparency and open doors, and we also asked them not to look at us as judges or critics of their work. We wanted them to know that we seek to establish a mutual collaboration [...]. And we did it again at the end of the legislative period. We went and thanked them [...].<sup>134</sup>

A second, equally relevant factor that triggers legislators’ attention was an indication of malfeasance or inadequate implementation of public policies. However, these indicators were irregular. Sometimes information came from citizens’ demands or directly from state government’s reports. “How do we know what’s happening in bureaucratic offices? Through those reports, but also via complaints we received from citizens’ associations [...].”<sup>135</sup>

All interviewees declared a low trust in government officials. None of the legislators I interviewed considered that there were guarantees in place such that public servants are effectively monitored by the state’s comptroller

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<sup>133</sup> Alfonso Robledo, PAN, Nuevo León (2003-2006).

<sup>134</sup> Margarita N. Duarte, Convergencia, Campeche (2003-2006).

<sup>135</sup> He added: “We just need to teach citizens the adequate mechanisms to make their complaints valid, to make them legal [...].” Carlos Rosado, PAN, Campeche (2006-2009).

general, who is the principal authority for investigating and sanctioning malfeasance and poor implementation of policy. In this regard, a legislator from Aguascalientes asked, “Who appointed the state’s comptroller general? The governor did. There is an understanding regarding the limits of sanctions and monitoring.”<sup>136</sup> The comptroller general’s function is “to cover up shameful situations involving current governments.”<sup>137</sup> The state comptroller works to support the governor, not to evaluate or monitor her; “it finds whatever the government wants or needs it to find.”<sup>138</sup> Again, an example from Aguascalientes:

A concrete situation: two public servants in the previous administration, that of Governor Felipe González, were involved in malfeasance which –oddly enough- was not detected by the [legislative] supreme audit institution. These offenses were, instead, identified by the comptroller general’s office, which decided to sanction these two individuals by forbidding them to hold any public office [in the state’s bureaucracy] for twelve years [...]. There is an important political confrontation between the current governor and the previous one. Thus the advice, the warning, is quite clear: it is about getting even [*ajuste de cuentas*]; no oversight, no monitoring. [...]. When there are obvious cases of malfeasance, [the comptroller] has buried them, resulting in total impunity for the wrongdoers.<sup>139</sup>

The second survey made reference to thirteen different strategies legislators may employ to either gather information about bureaucratic agencies or simply to monitor them. In this survey, legislators were asked to indicate how frequently or sporadically they employ each of these strategies (which were based on formal oversight powers; see table 3.7). The most

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<sup>136</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>137</sup> Abel Sánchez, PRD, Aguascalientes (2004-2007).

<sup>138</sup> Ranulfo Martínez, PAN, Nuevo León (2006-2009).

<sup>139</sup> Luis E. Estrada, Convergencia, Aguascalientes (2004-2007).



common way legislators gather information about a bureaucratic agency is by responding to citizens' petitions that require a review of specific public works (i.e., casework). However, some interviewees complained that their fellow legislators rarely participate in inspection tours originally proposed by citizens or public servants. In the state of Aguascalientes, a legislator complained:

Sometimes we are called to oversee public works. For instance, they are working on a very important work that cost 600 million pesos. Ten legislators were convened [...]. There were four of us monitoring the Calles Reservoir. The state government invited us to see two big sewer systems, each more than four meters in diameter. Twenty-seven legislators were invited, of which only two attended. Here things are not running the way they should. I am glad we only had one year left as legislators.<sup>140</sup>

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<sup>140</sup> José L. Ovalle, PVEM, Aguascalientes (2004-2007).

**Table 3.7: Constitutional Oversight Powers of State Legislatures in Mexico**

| State            | Annual Report of the Executive | Congressional Hearings (by constitutional mandate) | Special Hearings | Investigative Committees | Special Investigations/ Audits | Review and Auditing of Public Accounts | Total |
|------------------|--------------------------------|--|------------------|--------------------------|--------------------------------|--|-------|
| Aguascalientes   | 1                              | 1  | 1                |                          |                                | 1                                      | 4     |
| Baja California  | 1                              |  |                  | 1                        |                                | 1                                      | 3     |
| BC Sur           | 1                              | 1  | 1                |                          |                                | 1                                      | 4     |
| Campeche         |                                |  | 1                |                          |                                | 1                                      | 3     |
| Coahuila         | 1                              | 1  | 1                | 1                        |                                | 1                                      | 5     |
| Colima           | 1                              |  |                  |                          | 1                              | 1                                      | 3     |
| Chiapas          | 1                              |  |                  |                          |                                | 1                                      | 2     |
| Chihuahua        | 1                              | 1  | 1                |                          |                                | 1                                      | 4     |
| Distrito Federal | 1                              | 1  | 1                |                          |                                | 1                                      | 4     |
| Durango          | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Guanajuato       | 1                              |  | 1                |                          | 1                              | 1                                      | 4     |
| Guerrero         | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Hidalgo          | 1                              | 1  | 1                |                          |                                | 1                                      | 4     |
| Jalisco          | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| México           | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Michoacán        | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Morelos          | 1                              |  | 1                | 1                        | 1                              | 1                                      | 5     |
| Nayarit          | 1                              |  |                  |                          |                                | 1                                      | 2     |
| Nuevo León       | 1                              |  |                  |                          |                                | 1                                      | 2     |
| Oaxaca           | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Puebla           | 1                              |  |                  |                          |                                | 1                                      | 2     |
| Querétaro        | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Quintana Roo     | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| San Luis Potosí  | 1                              |  | 1                |                          |                                | 1                                      | 3     |

**Table 3.7:** Constitutional Oversight Powers of State Legislatures in Mexico (cont.)

| State      | Annual Report of the Executive | Congressional Hearings (by constitutional mandate) | Special Hearings | Investigative Committees | Special Investigations/ Audits | Review and Auditing of Public Accounts | Total |
|------------|--------------------------------|--|------------------|--------------------------|--------------------------------|--|-------|
| Sinaloa    | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Sonora     | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Tabasco    | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Tamaulipas | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Tlaxcala   | 1                              |  | 1                | 1                        |                                | 1                                      | 4     |
| Veracruz   | 1                              |  |                  |                          |                                | 1                                      | 2     |
| Yucatán    | 1                              |  | 1                |                          |                                | 1                                      | 3     |
| Zacatecas  | 1                              |  | 1                | 1                        |                                | 1                                      | 4     |
| Total      | 32                             | 6  | 24               | 5                        | 3                              | 32                                     | 3     |

Source: Author's calculations, based on information from local constitutions as of April 2009

The second most common strategy legislators employ to acquire information about the performance of a bureaucratic agency is by establishing direct personal communication with the staff of the agency. However, I have already outlined the problems legislators face when attempting to gather relevant information. In this regard, legislators' opinions lead to three conclusions: first, the communication must be between the legislator (and not his or her staff) and the public servant. Second, the communication improves as the clout of the legislator increases. Deputies from minority political parties, or newcomers to the political arena, face difficulties when trying to communicate directly with high-ranking public servants. In these cases, the communication is usually with subordinates who are less able to give an effective response. Finally, communication from public servants to legislators occurs only when there is a public problem that could affect "the image of the governor."<sup>141</sup>

The eleven remaining strategies were rarely pursued. On average, local legislators had never used their power to veto bureaucratic actions, and they rarely rely on committee or congressional staff to evaluate bureaucratic agencies (for reasons already explained).

Regarding special hearings –a constitutional power of twenty-four legislatures- or the creation of investigative committees, interviewees declared that the first rarely occur and the second do not operate properly or, rather, have minimal impact. For example, in Aguascalientes, only the Finance

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<sup>141</sup> Zeferino Juárez, PT, Nuevo León (2006-2009).

Secretariat is mandated by law to attend a congressional hearing. The other public servants are not so required, although they usually attend committee meetings.<sup>142</sup> In Campeche, “hearings never occur,” said a legislator from Convergencia; “the only hearings we had were those we pushed for regarding the state’s budget. We thought it was important to have the secretariats present their budget proposal in person. Eventually, this process was institutionalized.”<sup>143</sup> Sometimes high-level bureaucrats can be summoned by legislators, but only with the governor’s permission. If this authorization is not given, the secretariat need not appear before congress (Chiapas). A similar situation occurs in the state of Nuevo León:

Special hearings? Nothing at all. They never want to come, at least not on a regular basis [...]. [Special hearings] are commonly requested; however, what happens here is that the law is written in such a way that [...] the secretary has to request authorization from the governor.

*Author.* Then, if the governor does not give his authorization and there is no hearing, you -as legislators- cannot mandate it?

No. Only the governor has that power.<sup>144</sup>

In other cases, a special hearing requires the consent of a legislative majority. Thus, when minority legislators wish to summon a public servant, the legislative majority (usually associated with the government’s party) have blocked the initiative.

Regarding investigative committees, experiences are mixed. Some legislators argue that these committees are common (Aguascalientes), while

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<sup>142</sup> Francisco Díaz, PRI, Aguascalientes (2004-2007).

<sup>143</sup> Aníbal Ostoa, Convergencia, Campeche (2003-2006).

<sup>144</sup> Lilita Flores, Independent, Nuevo León (2003-2006).

others explained that none were ever constituted (Campeche) or that their impact is so minimal as to pass unnoticed. “Special investigative committees are created constantly,” said a legislator from Convergencia in Campeche. “I have never been part of one, I do not want to; it is not in my interest, because those special committees only spread gossip [and there is] never any positive outcome from having them.”<sup>145</sup>

The most common strategy that local legislators employed to oversee the state bureaucracy was through the support of the supreme audit institutions, which generally face severe operational challenges or are not deemed completely trustworthy (Rios-Cazares 2006). Moreover, legislators cannot track the administrative or sanctioning process that derives from the working of this institution. The majority of the interviewees recognize that following up on a sanctioning process is almost impossible. Even if legislators are able to confirm a case of corrupt or unsatisfactory performance, they cannot directly implement a sanction (as we will see in the following chapter), nor can they follow up on all cases in order to demand that the authorities in charge effectively implement a sanction. For example, the president of the legislative committee for public servants in the state of Aguascalientes complained that legislators

wore themselves out, and at the end, the only thing we got was to contribute to getting a public servant fired, and that’s it. They never make compensation for the damage or return the money [...]. To track

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<sup>145</sup> Aníbal Ostoa, Convergencia, Campeche (2003-2006).

[this process] takes a huge effort [one we cannot undertake]. We either legislate or we devote our time to denounce and investigate.<sup>146</sup>

There are two major problems legislatures face when trying to enforce sanctions to bureaucratic agencies or municipal governments: First, the vagueness of legislation; and second, the lack of complete autonomy for congress to enforce sanctions.

A vague legislation has two important consequences. The first one is the political manipulation of the SAI and the auditing reports. In some states (e.g., Zacatecas) the SAI report receives the same treatment of any other committee resolution; it is not considered different. In consequence, legislators can approve, reject or even modify the SAI report (a situation that actually occurred in the state of Zacatecas).<sup>147</sup> For some local deputies the approval of the SAI report is just the agreement with the actions of the SAI and the public accounts committee;<sup>148</sup> however, for other legislators to give the approval of the SAI report implies that legislators approve the corruption identified in the document.<sup>149</sup> The lack of agreement about the status of the SAI report and the meaning of the approval lead to the manipulation of reports for political purposes. This problem intensifies when legislators discuss the approval of municipal government accounts since deputies tend to “trade” the approval of one account for some other legislation. The crucial problem is the absence of

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<sup>146</sup> Abel Sánchez, PRD, Aguascalientes (2004-2007).

<sup>147</sup> Staff member of the Zacatecas SAI (Dirección de Asuntos Jurídicos). Interview July, 2006

<sup>148</sup> Interview Luis E. Estrada, local legislator Aguascalientes (2004-2007), Convergencia, February, 2007

<sup>149</sup> Interview Flor de María Coello, local legislator, Chiapas (2004-2007), PVEM, January 2007

homogeneous criteria to approve or reject these documents which distorts the principle of impartiality.<sup>150</sup> The manipulation of the SAI and its report increases when the SAI has no autonomy.<sup>151</sup>

The second consequence of a vague legislation is the uncertainty about sanctions when the subject of sanction is not an individual but a group of individuals, such as the municipal council or bureaucratic boards. The confusion in almost all states revolves around how to allocate responsibilities and therefore, how to distribute the weight of the penalty without affecting the basic rights of the public servant, such as the right to appeal. A similar situation of vagueness occur when the state legislation categorize the actions of the SAI as an administrative act and as such request the SAI to abide the administrative procedures legislation.<sup>152</sup>

The second problem state legislatures face in enforcing sanctions is related to the reliance of state legislatures on non-legislative institutions to implement pecuniary, administrative or criminal sanctions. In almost all states, administrative sanctions are, in the best of the situation, delegated to the agency's comptroller or to the office of the municipal comptroller. In the worst of the cases, the sanctions are just recommendations the legislature made to

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<sup>150</sup> See (Pineda 2007)

<sup>151</sup> Hidalgo is an example of the pressure local deputies exert on SAI. The SAI report for 2004 ended with no recommendation or sanctions to bureaucratic agencies, but specified multiple observations to municipal governments that were opposed to PRI. The PRI controls the governorship, the state legislature and the majority of the municipal governments in the state.

<sup>152</sup> In the state of Durango, the public servant under sanctioning process (procedimiento de responsabilidades) can appeal the decision issuing a request of reconsideration (recurso de reconsideración). If after reviewing the case, the SAI sustains the sanction, the public servant can appeal the decision to the administrative tribunal of the state which immediately transforms the status of the SAI from a legislative entity to another bureaucratic agency. Staff member of Durango SAI (Dirección de Asuntos Jurídicos). Interview July, 2006



these offices which left the decision to enforce the sanction to the comptroller office (which in the case of bureaucratic agencies, is appointed by the state executive). When the comptroller enforces the sanction, the public servant has at hand all juridical mechanisms, such as the *amparo* (injunction or appeal), that allows him to either delay or elude the penalty. In these cases, neither the congress nor the SAI can intervene because neither of them is the authority the public servant is appealing against (the authority is the comptroller). In the *amparo*, the state congress can only participate as “third party”. The immediate outcome is that given the existence of expiration deadlines (*plazos de prescripcion*), the situation that motivated the sanction and the sanction could vanish in the complicated labyrinths of *amparo* trials.

When sanctions are economic, the enforcement is usually delegated to the state treasury; but there is no legal mechanism that allows the SAI to demand the state treasury to implement the sanction. Again, the purpose of the sanction can get lost by a non-legislative entity. A similar situation happens with criminal sanctions. The SAI or the legislature can request the public prosecutor’s office to initiate the prosecution of a specific public servant, but neither the SAI nor the legislature can unilaterally participate in the preliminary inquiry phase of the process which is the fundamental piece to successfully prosecute an individual.<sup>153</sup>

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<sup>153</sup> Mexico faces important challenges in the administration of justice due to weaknesses of public prosecutor’s office at the state and federal level. See (Zepeda Leucona 2007)

### 3.4. Concluding Remarks

These survey findings suggest that local legislators in Mexico rarely employ the formal instruments of legislative oversight at their disposal. The answers I received during my interviews suggest a poor level of legislative professionalism as the main reason for this situation. There is a perennial amateurism among local legislators in Mexico that is reflected in ignorance about the legislative process in general and a limited knowledge about congressional oversight powers. Mexico's "amateur" legislators are the result of a set of institutional factors, including the electoral system. It has been well documented that the characteristics of the Mexican electoral system not only sever the "electoral connection" between the electorate and representatives, but they also limit the possibility that a legislator will develop policy expertise.

Mexico's strict term limits are merely a synonym for amateurism. Indeed, the interviews show some sort of division of labor within local legislatures in Mexico: those legislators with long experience in government (either local or federal, executive or legislative) tended to be focused on discussion of the legislative agenda or the debate surrounding the legislative details (behind closed doors, of course), while the newcomers to congress tended to be devoted to casework. The result is that few legislators legislate, and even fewer actually oversee.... Thus, who is watching the executive?

Local legislators in Mexico do not employ the constitutional resources they have at hand to influence policy direction (thus, changing the margin of discretion is not a strategy of bureaucratic control). Instead, legislators tend to

restrict their legislative oversight to a review of the use of public money -not necessarily the *efficient* use of public money but just the review of how agencies report having spent public resources. This task is always delegated to the supreme audit institution, as the interviews clearly indicated. Most legislators have strong opinions regarding the worth, impartiality, quality, etc. of the SAIs. However, none of them offered a clear alternative. SAIs are not only the sole (and unique) oversight instrument; they are also a strategic device.

Today, the review of public accounts is the only systematic instrument of legislative monitoring of bureaucratic agencies. However, SAIs' human and financial resources lead one to think that the performance of these institutions is also limited. At the end, a SAI with weak human capital or scant financial resources transforms the legislative oversight responsibility into an *unfunded mandate*, into a commission with no real possibilities for action.<sup>154</sup> In the following chapter I present information on these institutions and discuss how political incentives have shaped their attributes and affected their performance.

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<sup>154</sup> According to the US Congressional Glossary, an *unfunded mandate* is a public political obligation or government program that does not receive sufficient funding for its execution. See <http://www.c-span.org/guide/congress/glossary/unfunded.htm> (accessed October 15, 2008).

Some data presented in this chapter is drawn from the following working paper:

Ríos-Cázares, Alejandra and Juan Pardinás. "Hacia la reforma constitucional: las entidades de fiscalización superior en México". CIDE, Documento de Trabajo División de Administración Pública num. 219, 2008.

[Ríos-Cázares, Alejandra and Juan Pardinás. "Towards Constitutional Reform: The Supreme Auditing Institutions in Mexico". Working Paper Series 219, México: CIDE- Public Administration Department, 2008].

## **Chapter 4**

### **Accountability at Risk: The Influence of Electoral Competition on the Legislative Oversight**

In chapter one, I explained how the significance of a policy dimension is directly affected by the level of divergence on policy goals and preferences between legislators and the executive (what is commonly called the separation of purpose between legislators and the executive). The model hypothesizes that as the separation of purpose increases so does the incentives for legislative oversight. In this chapter, I present a qualitative analysis of the influence that separation of purpose may have on the active oversight of legislators as explained in the previous chapter (direct oversight) by looking at the correlation between the political competition and the proposals to reform local supreme audit institutions, which are the main institutional instrument of oversight for local legislators in Mexican states.

In particular, I evaluate the effect electoral competition has on legislator decision to improve bureaucratic oversight. I argue that as the political regime becomes more competitive, the probability of a conflict between the executive and congress over policy increases, which motivates legislators to improve their ability to monitor bureaucratic agencies. Yet, by increasing the number of actors involved in the policy-making process, electoral competition might equally limit legislators' ability to design control strategies or to commit to them.

Thus, electoral competition creates three hypothetical scenarios. First, when electoral competition is low and political power is highly centralized, the oversight of bureaucratic agencies takes place within the political machine that controls power. The regulation of agencies could be active and even effective, but it is hidden from outside view. The oversight in this scenario is “internal”. Second, when electoral competition affects the distribution of political power, the institutional balances of presidential regimes are set in motion which may bring government actions to the public sphere. Oversight in these circumstances is “external”. The third scenario occurs when the heterogeneity of preferences is such that even if legislators would like to openly regulate bureaucratic agencies, the fragmentation of the party system prevents legislators from agreeing on effective mechanisms to publicize and monitor the actions of the government. In consequence oversight is “hindered”.

To analyze the relationship between electoral competition and legislative oversight empirically, I compare the legislation on Supreme Auditing Institutions (SAI) and its reforms in Mexican states.<sup>155</sup> As explained before, SAI assist local legislatures in the annual review of public accounts which is a straightforward mechanism of legislative control. A glance at the situation in the Mexican states suggests the quality of the SAI depends on the fragmentation of political power. The detailed study of four states (Aguascalientes, Campeche, Chiapas and Nuevo León) shows that electoral competition encourages reforms that aim, at least on paper, to strengthen the

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<sup>155</sup> As stipulated by the legislation current in 2005.

local SAI. However, this initial analysis also shows that attempts to improve them take place as a strategic preemption when political actors forecast demise in their political power and influence.

I build this argument on the premise that elections are the necessary condition for a responsible government (i.e. good governance), but they are not sufficient. I follow the claim that the “transition to a modern, legitimate democracy requires more than contested elections” (Rose-Ackerman 2004).

Legislators’ incentives to monitor bureaucratic agencies are determined by whether bureaucratic actions affect legislators’ interests or the interests of legislators’ constituencies such as organized interest groups or the electorate. When incentives are present, the likelihood of using available resources to check on bureaucratic agencies increases and so does the probability that legislators will look for additional mechanisms to enhance their ability to control bureaucrats. However, when incentives are absent, even in the presence of resources, the bureaucracy will not be subject to legislative control. Thus, bureaucratic accountability *to legislators* is more likely to occur when legislators have the incentives and the resources to exert control (table 4.1).

**Table 4.1:** Conditions for Bureaucratic Accountability

| CONDITIONS FOR BUREAUCRATIC ACCOUNTABILITY |     |   |                                       |
|--|-----|---|---------------------------------------|
|  |     | <i>Capability to execute instruments of control</i> |                                       |
|  |     | Yes   | No                                    |
| <i>Incentives</i>                          | Yes | Bureaucratic accountability                         | Imperfect bureaucratic accountability |
|  | No  | No bureaucratic accountability                      | No bureaucratic accountability        |

As explained in chapter one an important influence on legislators' incentives is the discrepancy over policy between the executive and legislators.<sup>156</sup> When there is a coincidence in policy preferences between legislators and the executive, legislators have no motivation to invest resources in monitoring the actions of the bureaucracy. Indeed, legislators are better off by delegating most of the burden back to the executive. In this situation, bureaucratic agencies could be controlled by either formal means such as the executive's office of the comptroller general, or informal methods such as the disciplinary measures commonly used in political machines (e.g., ostracism). Thus, when the level of conflict between branches of government is low, the control of the bureaucracy could be effective, but it will be "hidden" and government actions will remain concealed.

In contrast, when policy preferences between legislators and the executive differ, the likelihood that bureaucratic agencies will deviate from the legislative mandate is higher than in the previous situation. Consequently, as the discrepancy over policy increases, the probability that legislators engage in oversight activities is higher. Moreover, as this disagreement expands to different policy areas, so does legislators' motivation to maximize the monitoring of bureaucratic agencies. Government actions are exposed.

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<sup>156</sup> Such disagreement is ubiquitous in presidential democracies because the executive and legislators have each their own constituency; their particular source of legitimacy. Thus, even if the executive and legislators militate in the same political party, the executive's constituency will never be the same as a legislator's constituency: the former is national whilst the latter is usually regionally specific (Shugart 1995; Shugart and Haggard 2001; Shugart and Carey 1992). A classic example is an executive concerned with raising the general share of tax revenue while legislators are concerned with not having their principal constituencies affected with higher taxes.



By increasing the level of conflict between branches of government, electoral competition motivates legislators to create or improve their monitoring of bureaucratic agencies. Yet, by multiplying the number of legislative parties, intense electoral competition may well obliterate the ability, not the incentives, of legislators to monitor the bureaucracy. Because legislative monitoring requires some agreement among legislative majorities to design and enforce bureaucratic controls, high electoral competition might render a similar outcome to low electoral competition: weak legislative oversight. In one case, feeble oversight will result from legislative negligence (i.e. no incentives); in the other case, weak control is due to ineffectiveness. Rephrasing Macintyre's analysis of governance, a legislature where the decision-making power is either severely centralized or severely fragmented is much more likely to be futile in controlling the executive's bureaucracy (Macintyre 2003).

In sum, by producing conflict over policy, electoral competition creates incentives for legislators to monitor bureaucratic agencies; consequently, when there is electoral competition, the expectation is to observe better quality of bureaucratic controls or attempts to improve them with respect to situations where policy conflict is absent. However, if legislative fragmentation is severe, chances are that legislators will be unable to create, improve or even enforce bureaucratic controls.

In this chapter, I present an empirical analysis of how electoral competition and policy conflict influence the status of Supreme Auditing

Institutions (SAI) in Mexican states. I concentrate on this type of legislative control because it implies an overall synchronization of legislators' actions and also because it is the main instrument for bureaucratic oversight and control.

#### 4.1. Empirical Analysis

##### 4.1.1 Supreme Auditing Institutions: The Control of Public Resources

Local legislatures are responsible not only to legislate in all areas related to the state's government, but also to approve and examine the state's and each municipality's public accounts, as explained in chapter two. Congresses carry out this responsibility with the assistance of a Supreme Auditing Institution (SAI) (usually known in Spanish as *Contadurías Mayores de Hacienda, Auditorías Superiores* or *Órganos Superiores de Fiscalización*) which is an entity that supports legislators in the detailed scrutiny and auditing of public expenditures, and provides an opinion on how executive agencies have spent public resources (DFID 2004). The main objective of a SAI is to ensure that "public funds are used according to the rules and procedures" (UNDP 2004: 96) and that the executive implements public policies according to legislative intent.<sup>157</sup> Thus, to identify changes in legislators' oversight effort, I look at the legislation that regulates local SAIs as they were in 2005 and any attempts to reform SAI legislation before that date.

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<sup>157</sup> In the majority of presidential regimes, these institutions are part of the legislative branch; however, SAI can have a special status as in Brazil. (Melo, Pereira, and Figueiredo 2009; Taylor and Buranelli 2007)

In Mexico, the evaluation of the public accounts of one fiscal year (January 1–December 31) begins in the first quarter of the following year when the state executive and all municipal councils submit their financial reports to the legislature. When a report is submitted directly to congress, the Public Accounts Committee<sup>158</sup> turns it over to the SAI, which in turn examines the report and conducts audits on specific agencies or municipal governments. When necessary, the SAI elaborates a “list of remarks” (*pliego de observaciones*) that basically requests bureaucratic agencies or municipal governments to further clarify their use of public resources or to provide the rationale for specific actions.<sup>159</sup> In order to avoid potential sanctions, bureaucratic agencies and municipal governments are asked to respond to these inquiries within a (sometimes) specified period. Once clarifications have been made, the SAI then submits a final report to the Public Accounts Committee, which in turn presents it to the general assembly for approval.<sup>160</sup> The process ends with the approval of the SAI’s report and the publication of the legislative decree in the state’s official gazette.

Despite the fact that the procedure to review and audit public accounts is quite similar among Mexican states (and Latin American presidential

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<sup>158</sup> I use the term “public accounts committees” to refer to all legislative committee in charge of receiving the public accounts and turning them over to the SAI. The public accounts committee is usually known as *Comisión de Vigilancia*, *Comisión de Vigilancia de la Contaduría Mayor de Hacienda*, *Comisión de Vigilancia del Órgano de Fiscalización Superior*, or some other variant of this.

<sup>159</sup> Although there is a trend that requires SAIs to review the performance of bureaucratic agencies and not only to review their use of resources, in developing countries the work of the SAI is mainly focused on reviewing the accuracy of government accounts. See (Santiso 2004b) for a review of SAIs in Latin America.

<sup>160</sup> Some states require administrative agencies to submit partial reports to the SAI, which in turn submits partial reviews to the public accounts committee.

regimes more generally), auditing legislation and the characteristics of the local SAI do, in fact, differ. For instance, in some states, the regulation of the financial report and the process for its review is reasonably specific about the deadlines for submission and evaluation, while in other states the legislation is totally vague.<sup>161</sup> There is also a relevant variation in the autonomy and political independence granted to local SAIs. To compare the SAIs, I evaluate two broad institutional features: political autonomy, and the authority of the SAI to initiate the sanctioning process of bureaucratic agencies or public servants.<sup>162</sup>

The first variable refers to the political autonomy of SAI directives, which is fundamental to avoid encroachment of interests or biased reviews. Moreover, political autonomy is strongly correlated with the ability to decide the working agenda (e.g., what institutions to audit) and the administrative organization of the institution (or whether the main officers of the SAI are subordinated to an authority different from the SAI director) and also with whether the SAI can set its own budget proposal.<sup>163</sup>

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<sup>161</sup> See (Figueroa 2005, 2007; Pardinias 2003) for an evaluation of Mexican states and (Figueroa 2007) for a summary of the international context.

<sup>162</sup> To my knowledge, there are two similar attempts to measure the quality of an SAI. First, the UNDP Report on Democratic Development in Latin America evaluates the situation of "oversight institutions" in 18 countries using an index of three variables (UNDP 2004). The first two refer to the procedures for appointing and dismissing directors of the SAI, and the third factor summarizes the ability of the SAI to enforce its resolutions. The second example is Carlos Santiso's index on the quality of SAIs in Latin America (Santiso 2006). Santiso proposes a normalized index of four factors: independence of the institution, perception of credibility, timeliness of audit reports, and the enforcement measurement as provided by the aforementioned UNDP 2004. For Mexico, there has been only one exercise to compare state legislation regarding auditing and budget review. This is the comprehensive 100-point index developed by Aimeé Figueroa and a team of researchers at the University of Guadalajara (Figueroa 2005). Although Figueroa's index evaluates each state's SAI, its goal is to assess the quality of all legislation related to the review of public accounts (*fiscalización*).

<sup>163</sup> A complete analysis of SAI is at (Rios-Cazares and Pardinias 2008)

I assess political autonomy by evaluating the process of appointment and dismissal of the director according to the following criteria. An appointment process that requires a legislative supermajority instead of a plurality guarantees the participation of multiple interests -and compromise among them- and prevents a single group from imposing its preferred option. I value supermajority higher than any alternative; however, in Mexican legislatures, there are different types of “supermajority” for these appointments. In some states, the law requires a supermajority of the *total* members of congress, while in other states the requisite is a supermajority of *present* members in session. Given the fact that in all states the minimum condition for a quorum is fifty percent plus one of the total members, an appointment that only requires two-thirds of members present could be equal to only approximately 35% of total deputies. For this reason, I rank the appointment procedure in the following way: supermajority of *total* members receives three points; super majority of present members and majority of total members receive two points; and those cases where the appointment only requires a plurality, depends on the approval of the public accounts committee or where the procedure is not specified receive one point. I use the same criteria for the dismissal procedure and then I add both values; therefore, the political independence variable ranges from 1 to 6, where six is the best scenario.<sup>164</sup>

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<sup>164</sup> In May of 2007, the Federal Congress passed a constitutional reform that made mandatory for all local constitutions to adopt a two thirds vote of present members as the thumb rule to appoint the director of the SAI. This reform was part of a presidential proposal aimed to

The final variable, quasi-judicial power, refers to the *de jure* ability of the SAI to sanction bureaucratic agencies or municipal councils. The SAI receives one point if it can initiate the sanctioning process against those offices indulging in malfeasance or improper behavior; the SAI receives no points in any other case (i.e. when their decisions are “binding but lack the legal weight to ensure their implementation” (UNDP 2004: 96) or when sanctions require the approval of the floor).

Table 4.2 presents a summary of these variables for all states. For example, in Quintana Roo, the SAI is independent to determine its budget (and also the agenda and the internal organization of the institution). Moreover, the director of the SAI is appointed (and dismissed) by supermajority of total legislative members and, finally, the SAI is vested with the power to request directly and implement its own sanctions. By contrast, in Baja California Sur the budget of the SAI, as well as the working agenda of the institution, is proposed and evaluated by the Public Accounts Committee; furthermore, deputy directors of the SAI require the approval of congress. There is no explicit mention of the process for appointment and dismissal of the director of the SAI (and there is no explicit legislative procedure for appointment or dismissal of administrative personnel in general), so it is fair to

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strengthen the governmental accountability of state governments. The proposal included major reforms to governmental accounting system of the federal government and mandated local governments to homogenize their accounting systems by 2011. The reform also mandated all state governments to create “state evaluation councils” akin to the National Evaluation Council (CONEVAL) in order to evaluate systematically public policies. The final goal of this broad reform was to facilitate the transition to “performance based budgeting”. See (Gobernacion 2007)

assume the director could be appointed or dismissed by plurality of present members. Finally, all final resolutions of the SAI (e.g., sanctions) should be approved by the legislature.

**Table 4.2:** Political Autonomy and Quasi-judicial Powers of Local SAI

| EAI Legislation<br>Relevant Variables |      |                       |                    |
|---------------------------------------|------|-----------------------|--------------------|
| State                                 | DATE | Quasi-judicial Powers | Political Autonomy |
| ags                                   | 1981 | 0                     | 2                  |
| bc                                    | 2004 | 0                     | 6                  |
| bcs                                   | 2002 | 0                     | 2                  |
| cam                                   | 2000 | 1                     | 4                  |
| chh                                   | 1995 | 0                     | 2                  |
| chs                                   | 2003 | 1                     | 6                  |
| coa                                   | 1989 | 1                     | 3                  |
| col                                   | 1988 | 0                     | 2                  |
| df                                    | 1999 | 0                     | 2                  |
| dgo                                   | 2001 | 1                     | 4                  |
| gro                                   | 2002 | 1                     | 4                  |
| gto                                   | 2003 | 0                     | 6                  |
| hgo                                   | 1971 | 0                     | 4                  |
| jal                                   | 2003 | 0                     | 6                  |
| mex                                   | 2004 | 0                     | 6                  |
| mic                                   | 2003 | 1                     | 4                  |
| mor                                   | 2003 | 1                     | 4                  |
| nay                                   | 2000 | 1                     | 5                  |
| nleon                                 | 1992 | 1                     | 2                  |
| oax                                   | 1995 | 0                     | 2                  |
| pue                                   | 2001 | 0                     | 6                  |
| qro                                   | 1986 | 1                     | 3                  |
| roo                                   | 2003 | 1                     | 6                  |
| sin                                   | 1997 | 0                     | 2                  |
| slp                                   | 1993 | 0                     | 2                  |
| son                                   | 1985 | 0                     | 2                  |
| tab                                   | 2003 | 0                     | 4                  |

**Table 4.2:** Political Autonomy and Quasi-judicial Powers of Local SAI

| EAI Legislation<br>Relevant Variables |      |                              |                       |
|---------------------------------------|------|------------------------------|-----------------------|
| State                                 | DATE | Quasi-<br>judicial<br>Powers | Political<br>Autonomy |
| tam                                   | 2001 | 0                            | 2                     |
| tla                                   | 2001 | 1                            | 4                     |
| ver                                   | 2000 | 1                            | 6                     |
| yuc                                   | 2004 | 1                            | 2                     |
| zac                                   | 2000 | 1                            | 6                     |

**Source:** Local legislation.

#### 4.1.2 A Glimpse to the States

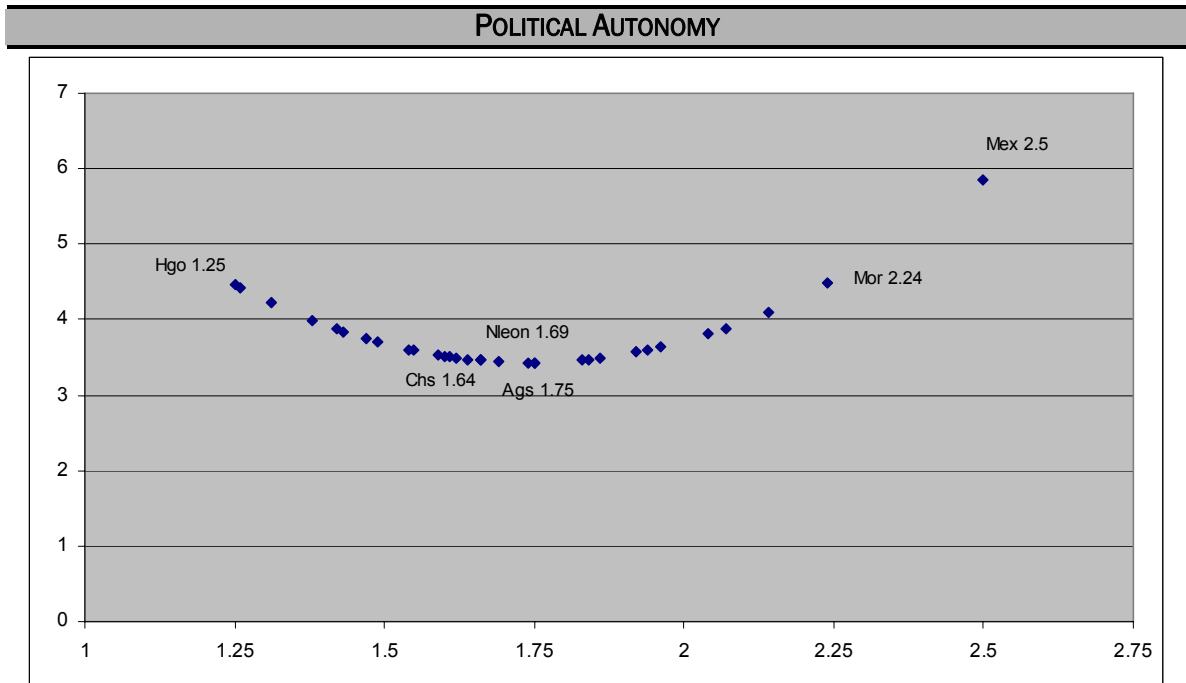
To compare the 32 states, I employ the ENLP in each state for the period 1995-2005. Specifically, I regress each of the aforementioned variables on the ENLP (see table 4.3)<sup>165</sup>. The probability of granting quasi-judicial powers to the SAI increases as the ENLP rises; however, around 1.94 ENLP this probability starts to decline. By contrast, the level of political autonomy increases as the value of the ENLP moves to the extremes -specifically when this indicator is lower than 1.54 or higher than 1.92 (i.e., two-party system).

**Table 4.3:** Regression Results

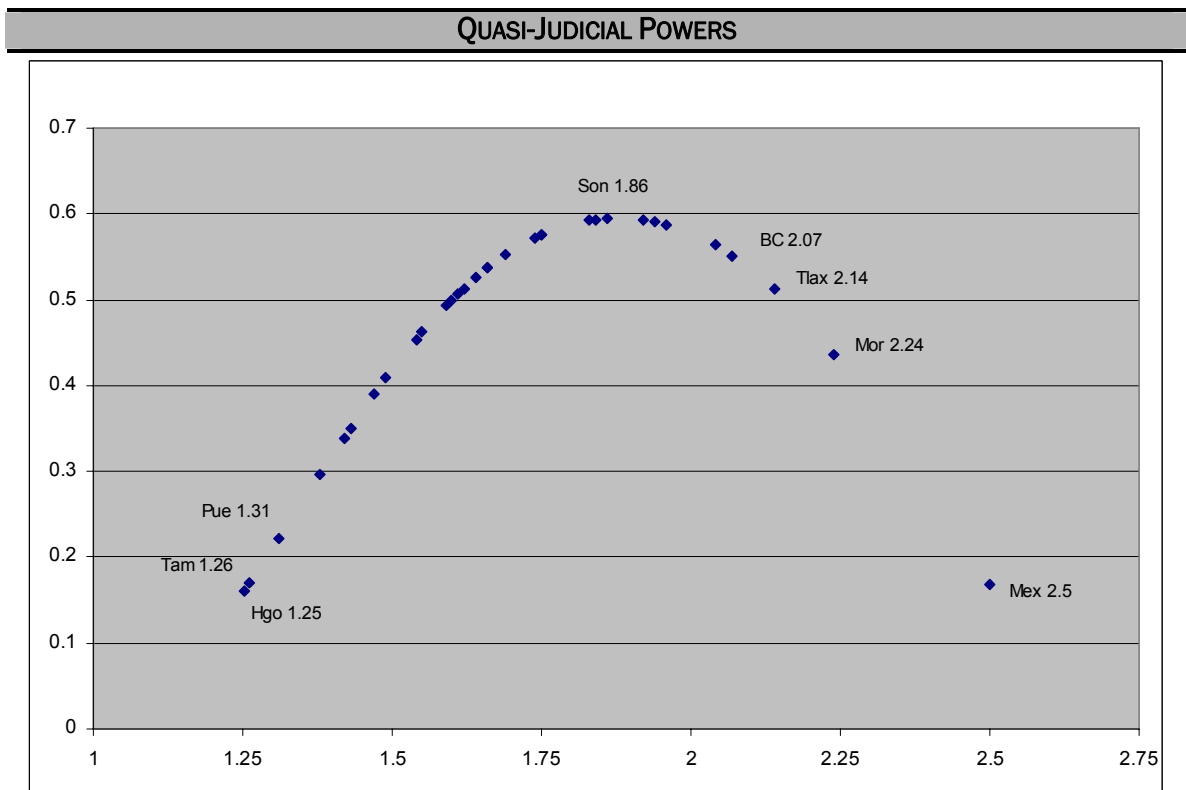
| STATISTICAL RESULTS                               |        |                            |                     |
|---|--------|----------------------------|---------------------|
| DEPENDENT VARIABLE                                | CHANGE | SIGNIFICANCE<br>*5%; **10% | COEFFICIENT<br>(SE) |
| Pol. Autonomy on<br>ENLP <sup>2</sup><br>(linear) | +      | YES*                       | 4.23<br>(2.12)      |
| Quasi-jud on ENLP <sup>2</sup><br>(*probit)       | -      | YES**                      | -3.11<br>(1.81)     |

<sup>165</sup> The discrete nature of some of the dependant variables motivates the use of probit specifications in addition to the linear projection.





Linear regression. Fitted Values (IV: ENLP<sup>2</sup>)



Probit. Fitted Values (IV: ENLP<sup>2</sup>)

**Figure 4.1: The Relationship between Variables**

To understand what these statistical relations suggest, it is important to bear in mind that political autonomy of the SAI directives prevents –in theory– the institution from biasing its decisions and actions against (or in favor) of one specific interest while the ability to independently initiate sanctions prevents any negotiation of penalties among interested parties. Consequently, the ideal arrangement is a SAI with a high level of political autonomy and the ability to independently impose penalties. But as figure 4.1 shows the trends of both variables move in opposite directions: when the political autonomy increases, the probability of granting quasi-judicial powers decline. This situation is clear when the number of legislative players tends to one (concentration of power) or when it tends to three (fragmentation of power). For the former case, the obvious question is about the guarantees to political autonomy since the appointment procedure could be easily determined by the dominant party.<sup>166</sup>

A similar situation occurs with granting quasi-judicial powers. With low fragmentation, the legislative majority can easily stop (or initiate) a sanctioning process. With high fragmentation, chances are the penalties are bargained among legislative players, which eliminates the advantages of an autonomous SAI.

Reversing this logic may help to explain the low level of political autonomy when the competition for political power is centered on two main

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<sup>166</sup> In six of the nine states whose ENLP is below 1.54 (Coahuila, Hidalgo, Puebla, Oaxaca, Quintana Roo and Tamaulipas), the executive has never lost control of the state legislature; and in two additional cases (Chihuahua and Guanajuato), the executive regained control of the legislature after one period of divided government (which occurred at the beginning of the period under study). In the last case, Veracruz, the governor did not have legislative majority, but his party retained the legislative plurality.

actors. Under these circumstances, granting quasi-judicial powers but denying autonomy seems to be a reasonable action when political influence can easily change hands (thus the interests of political parties are not fully protected from reversals) and when the political costs (or benefits) of sanctioning or not sanctioning a specific bureaucratic agency are high. What is the central point of these results? The most important insight is that the status of the SAI's seems to be dependent on the political conflict not only among branches of government, but also among legislative actors.

To better understand the reasons and logic for institutional improvement, I now turn to the analysis of four cases that I selected with the aim to represent the variation in electoral competition (recall chapter 2): Campeche, Chiapas and Aguascalientes exemplify cases of change; Nuevo León is the non-change case. An additional characteristic is that neither in Campeche nor in Nuevo Leon, did the executive ever lose the legislative majority during the period under study.

According to the argument set forth in section one, the expectation is to observe attempts of reform in those states where electoral competition increased (i.e. ENLP is larger) because conflict over policy between branches of government was more likely to occur. In contrast, no attempts of reform should be the characteristic in those states where political power remained concentrated. The results, however, are mixed. Reforms occurred in Campeche, Chiapas and quite lately in Nuevo León. No change has taken

place in the state of Aguascalientes. Now, I turn to the account of these situations.

#### 4.1.3 Campeche and Chiapas<sup>167</sup>

Campeche and Chiapas are small economies located in the Southeast of the country. Yet the state of Campeche is one of the most productive states due to the influence of the oil industry, while Chiapas' economy is mainly based on agriculture and services (Crosta and OECD 2003). Campeche also differs from Chiapas in level of human development. As of 2001, the state of Chiapas occupied the 32<sup>nd</sup> place, while Campeche was the 9<sup>th</sup> place on this measure.<sup>168</sup>

Campeche is organized in eleven municipalities that elect the local council in statewide elections every three years. As in most states in Mexico, legislative elections are concurrent with elections for mayors; and every second cycle, legislative elections coincide with the election for governor. The state congress has 35 deputies, 21 elected by plurality and 14 by proportional representation. To be eligible for proportional representation seats, a party must reach a minimum vote of 3% in two-thirds of the single-member districts. By contrast, in Chiapas, elections for legislators and municipal governments

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<sup>167</sup> This and the following section are based on archival research and interviews with legislators from all political parties in the states of Aguascalientes (legislature 2004-2007), Campeche (legislature 2000-2003 and 2003-2006), Chiapas (legislature (2001-2004) and Nuevo León (2003-2006 and 2006-2009) and staff members of SAI. I interviewed 23 legislators for one hour approximately. Interviews with legislators included presidents of the public accounts committee. Interviews were conducted between November 2006 and February 2007. Conversations with staff members of local SAI took place in July 2006.

<sup>168</sup> As of 2003, Chiapas had a Human Development Index of 0.7114, while Campeche ranked at 0.8240. The national average was 0.7965. See (UNDP 2004).

have not been concurrent with the gubernatorial election since 1995. Chiapas has 118 municipal governments and the state legislature has 40 members, of which 24 are elected by plurality in single-member districts and 16 are designated by proportional representation. In Chiapas the requisites to allocate proportional representation seats are less restrictive than in Campeche: only 2% of total vote in half of the single-member districts is required for the allocation of seats.

The legislature in Campeche is organized in 16 legislative committees, and until 2000, the main congressional government institution was the High Committee (*Gran Comisión*) which centralized all agenda and appointment procedures into one specific committee dominated by the majority party. In Chiapas, the legislature is organized in 40 committees and, like Campeche, the high committee was replaced by a more plural administration in the late 1990's. In both states, the legislature holds sessions twice per year (in Campeche for 172 days and in Chiapas for 183 days); the fall period is devoted to the discussion and passage of the state's and municipal income and expenditures laws, while in the spring period, deputies are mainly focused on the evaluation and approval of public accounts. In both states the work of legislative committees is not regular –except for a handful of committees- and in none of these states is there a permanent staff for legislative committees. Indeed, there are committees that never meet and that have no staff whatsoever. Usually, support services focus on helping the president of the

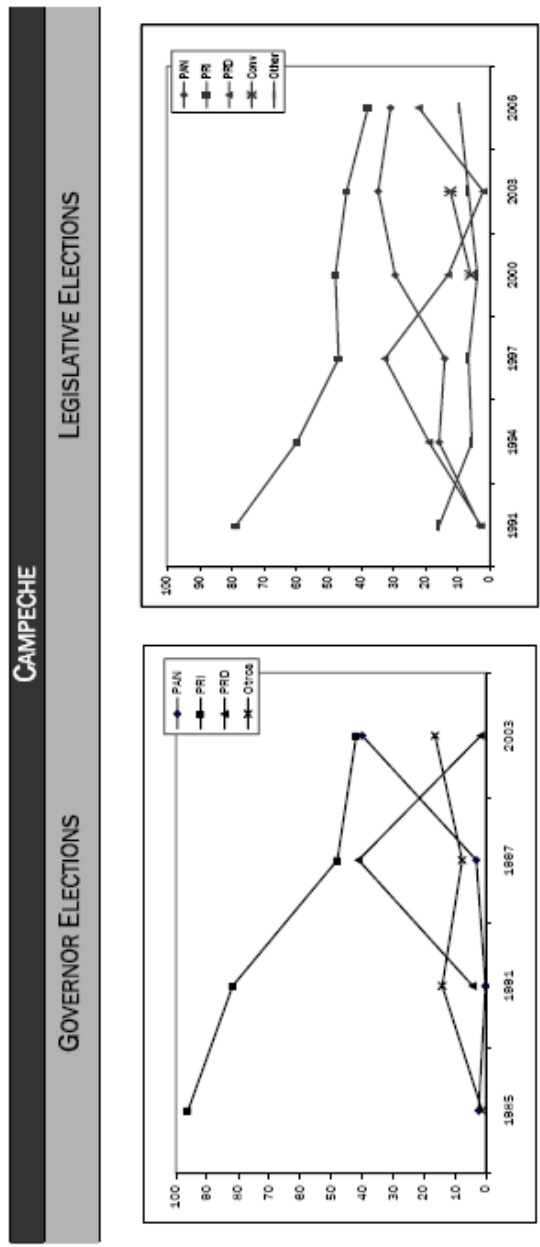
chamber or the most important committees, which are usually related to budget issues.<sup>169</sup>

Despite the fact that the PRI has never lost a gubernatorial election in Campeche, politics in the state are plural; indeed, the strength of the opposition in Campeche increased significantly in the past years (see figure 4.2). A clear instance of this change is that although the PRI remains in control of the governorship, it lost the majority in 1997 and since then has retained a fragile plurality. The elevated volatility and heterogeneity of the vote in legislative, but mainly municipal elections indicates that seats in congress and municipal governments are far from secure for any political party.<sup>170</sup>

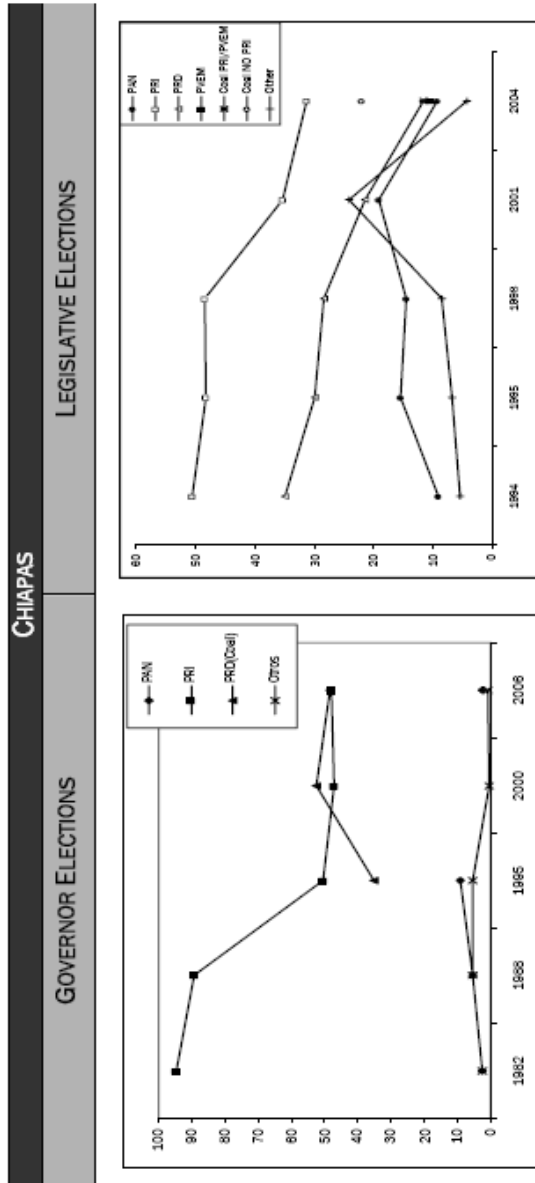
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<sup>169</sup> The state of Chiapas has a Legislative Research Institute; however, its resources are quite limited and the personnel of the institute responds mainly to the president of the congress. See chapter three.

<sup>170</sup> To characterize the electoral processes in each state, I measured the volatility and the heterogeneity of the vote per political party. In both Campeche and Chiapas, legislative elections are fairly stable on average, while municipal elections are less predictable. Electoral volatility is higher in Chiapas at the municipal level than in Campeche. In both states, the “candidate effect” is quite significant, and the influence of this effect is also higher for municipal elections. See (Morgensten and Potthoff 2005) for a comprehensive explanation of these concepts and their measurement.



**Figure 4.2:** Electoral results Campeche and Chiapas  
(% of Vote per Political Party)



**Figure 4.2:** Electoral results Campeche and Chiapas (% of Vote per Political Party) (cont)



In Chiapas, the PRI lost the governorship to a broad coalition of political parties in 2000; however, the PRI retained its stronghold in the legislative elections of 2001 with 60% of the seats (see figure 4.2). In the legislative elections of 2004, the PRI won a plurality in the legislature (40% of the seats), which led to a new government without legislative majority in 2006 when the PRI lost the governorship by the slimmest of margins against a coalition of PRD and other parties.<sup>171</sup> One important note about politics in Chiapas is that in the last two gubernatorial elections (2000 and 2006), opposition candidates to the PRI were former *priistas*.<sup>172</sup> These characteristics of the executive in Chiapas made the relationship between the governor and the legislature unique since the group of local legislators that supports the governor's initiatives ranges across different political parties.<sup>173</sup>

*Legislative Reform.* In Campeche and Chiapas between 2000 and 2003, state legislatures reformed local legislation or the state constitution to

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<sup>171</sup> It should be recalled that elections in Chiapas have been non-concurrent since 1995, after the uprising of the Zapatista army forced the local government to call local elections. Elections for governor occurred in 1994, 2000 and 2006. Legislative elections took place in 1994, 1995, 1998, 2001 and 2004.

<sup>172</sup> Before becoming governor in 2000, Pablo Salazar Mendiguchía was a *priista* senator and had a long history in the public sector as a *priista*. Salazar worked as a public official in the state from the late 1970s until the insurrection of the Zapatista movement in 1994. Salazar worked as general secretary of government after the insurrection (January-February 1994) and then was elected senator for Chiapas (PRI) for the period 1994-2000. Juan Sabines, elected as governor in 2006, was an active member of the PRI since his youth until April 2006, when he resigned from the party and became the candidate of the leftist coalition led by the PRD. Before becoming governor, Juan Sabines was mayor of Tuxtla Gutiérrez, the capital of the state.

<sup>173</sup> As some members of the legislature (2004-2007) expressed it, political differences between a "leftist governor" and a *priista* majority in the legislature are usually solved by intense negotiations; indeed, an informal agreement exists among political factions in congress to solve all grievances and differences in closed-door committee meetings.

transform the old *Contaduría Mayor de Hacienda* into a new SAI. Reforms in these states were aimed at reducing the opacity in the use of public resources by granting the SAI the power –and autonomy- to oversee the state executive and municipal governments in their use of public resources; however, the legislative history of these reforms differs greatly. Only in Campeche was the initiative to transform the SAI advanced by legislators themselves. In Chiapas, the reform was a controversial proposal by the local executive.

In Campeche, the creation of an SAI required the reform of a simple statute, the legislature's organic law. The proposal for a new organic law was introduced by all parliamentary coordinators of the three major parties in the state: the PRI, PAN and PRD. The initiative included major changes to congressional organization: First, it abolished the internal regulations (*reglamento*) and concentrated all organizational rules in just one piece of legislation; second, the new law gave minority parties broader representation in the internal administration of the chamber (e.g., directive boards); and third, the initiative created the new SAI and gave the "first minority" (i.e., the legislative party that is the second political force in congress) the right to preside over the committee of oversight (or public accounts committee). The reform was passed by majority (only one vote against by an independent legislator) in June 2000 and was in force by September of the same year.

A reform that increased the power of the "minority" parties (PAN and PRD) and that boosted their ability to oversee a PRI-dominated bureaucracy was no doubt attractive to the opposition; but why did the PRI supported it?

One possibility is that PRI politicians, in anticipation of a favorable election for the opposition, preferred to pass this legislation when they had enough bargaining power to introduce or block particular provisions. The reform was passed just weeks before the midterm elections in a context where *panista* candidates were gaining unusually strong support. An additional possibility is that *priistas* supported this legislation in order to transfer the power to review municipal finances from the legislature to a more autonomous institution in light of the increasing electoral competition at the municipal level, where support for PRI candidates had been declining since the middle 1990's.<sup>174</sup>

In Chiapas, the reform that transformed the *Contaduría Mayor* into an SAI followed a long and winding road. In sharp contrast with Campeche, the new legislation in Chiapas was not an initiative of local legislators but a proposal of the state executive. In October 2001, Pablo Salazar, the recently elected governor, sent a series of legislative proposals to the outgoing legislature (1998-2001). There were three relevant initiatives in this package. The first was a proposal to increase the required vote to amend the constitution from plurality to two-thirds of legislators present. The second proposal suggested changes to the legislature's organic law in order to reduce the influence of the majority party in the governing of congress, and the third proposal was the replacement of the *Contaduría Mayor* by a new SAI.

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<sup>174</sup> The PRI lost one of the state's ten municipalities to the PRD in 1997 (Champton). Three years later, the PRI won ten out of eleven municipal governments (Candelaria was just created) and lost one to the PAN (Carmen). In 2003, the PRI lost two municipalities to the PAN, and in 2006 it lost six, three to the PRD and two to the PAN. The interesting note, however, is that after 2000, the majority of party victories at the local level were by plurality and not majority.

All legislative proposals were received, evaluated and approved during an extraordinary session that lasted four days (over a weekend). In that very short period, local legislators of the departing LX congress passed two constitutional reforms (one with the previous procedure and one with the new procedure), managed to receive the consent of 63 municipal governments (the minimum required for a constitutional change) and passed new legislation for oversight of public accounts (*fiscalización*). Almost all of these changes occurred with the consent of 29 out of 40 legislators. One month later, when the LXI congress (2001-2004) began activities, the dominant *priista* fraction (40%) submitted a constitutional dispute to the National Supreme Court. On April 22, 2003, the Supreme Court decided the LX Congress had committed several procedural errors and requested the LXI Congress reinstate the process. In August 2003, the legislature repeated the process, approved the constitutional reforms and evaluated three alternative proposals for new legislation on oversight of public accounts: the original initiative submitted by the local executive, a proposal signed by the parliamentary groups of PAN, PRD, PT and two independent deputies, and a third proposal submitted by the parliamentary group of the PRI. The public accounts committee only presented the *priista* proposal for approval, and it was passed unanimously on August 18<sup>th</sup>.

The state governor managed to win approval for this legislative package in 2001 because he was able to profit from factional disputes within the *priista* group in the departing LX congress. Seventeen of the twenty-six *priista*

deputies cooperated with the recently elected governor to pass those reforms one week before their official term came to an end. These seventeen *priistas* were expelled from the party soon after, and some of them became vocal leaders and representatives of minor political leftist parties in the state after they were evicted from the PRI. *Priista* legislators in the LXI congress reacted against the reforms not only because changes to the organic law of congress undermined their bargaining power with respect to the executive, but also because the SAI would be in charge of overseeing municipal governments, a political space where the PRI was still dominant though in decline.

In Chiapas, the executive set the agenda and local legislators reacted in response. One explanation is that the executive (former *priista*) wanted to weaken the ability of a recalcitrant congress (*priista* majority) to intervene in the functioning of the executive bureaucracy by granting this power to an autonomous institution since the midterm elections envisaged conflict with the incoming legislature. The strong reaction of the *priista* faction reinforces this argument. However, the relative independence finally granted to the SAI was eventually accepted by the PRI because the institutional change allowed all politicians to use the SAI reports on municipal finances either to boast of their honesty and efficiency or to publicize malfeasance by political opponents without having to incur in the political cost of investigating or sanctioning.

A similar situation occurred in Campeche, where a staff member of the local SAI explained: “the great interest of legislators in municipal reports has had two major consequences. First, it has increased the pressure on the SAI

to widely publish the municipal reports, which strengthens the transparency of the oversight process; and second, the same interest has armor-plated the SAI.”<sup>175</sup>

#### 4.1.4. Aguascalientes and Nuevo León

Aguascalientes and Nuevo León are praised as examples of economic development in Mexico. While Nuevo León is the second most important state in the country, Aguascalientes is highly attractive to foreign investment. The economy of both states is mainly based on manufacturing, commerce and services, and both states have a relatively high level of human development.<sup>176</sup>

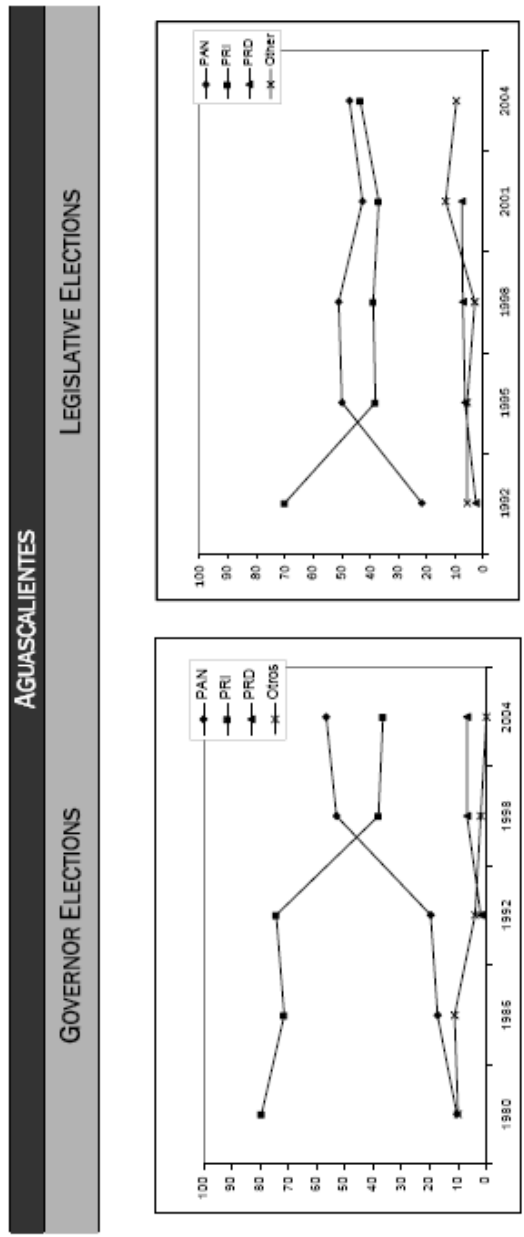
In Aguascalientes and Nuevo León, local elections to renew municipal councils and the state legislature occur every three years, and the gubernatorial elections are held every six. In Nuevo León, there are 51 municipalities and the local legislature has 42 deputies, 26 elected by plurality and 16 by proportional representation. To be eligible for proportional representation seats, the party must reach a minimum vote of 1.5% of the total vote in the state. Aguascalientes has 11 municipalities; 27 legislators –18 elected by plurality and 9 by proportional representation-- and the threshold for proportional representation is 2.5% in two-thirds of the districts.

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<sup>175</sup> Staff member of the Campeche SAI (Dirección de Asuntos Jurídicos). Interview, July 2006.

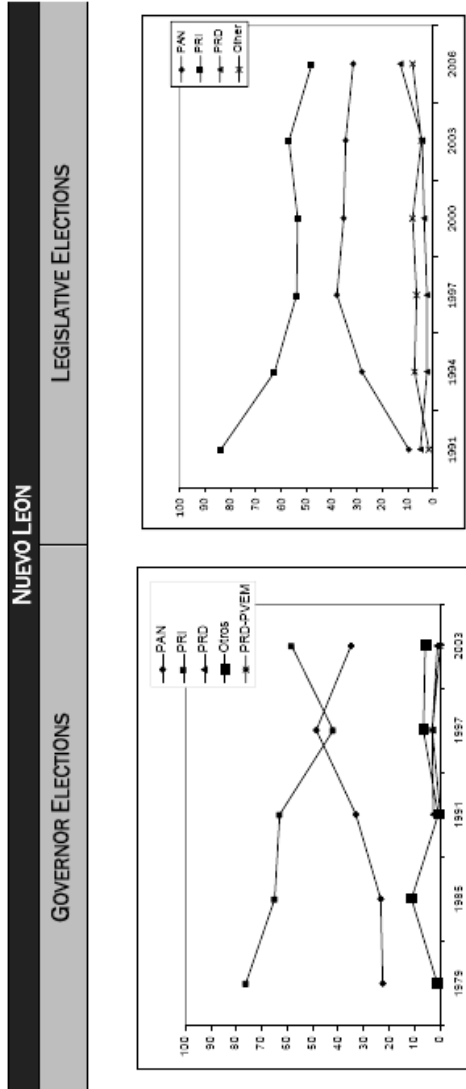
<sup>176</sup> As of 2003, Aguascalientes had a Human Development Index of 0.8272 (6<sup>th</sup> place), while Nuevo León had a 0.8485 (2<sup>nd</sup> place). The national average was 0.7965. See (UNDP 2004).

In Aguascalientes and Nuevo León, legislative elections are generally fairly stable and the competition centers around the PRI and the PAN (see figure 4.3). In Nuevo León, the PRI has more influence than the PAN in municipal elections, but the distribution of the vote is almost even in legislative elections. A similar situation occurs in Aguascalientes with the difference that the PAN is stronger than the PRI in municipal elections.



**Figure 4.3:** Electoral results Aguascalientes and Nuevo León  
(% of Vote per Political Party)





**Figure 4.3:** Electoral results Aguascalientes and Nuevo León  
(% of Vote per Political Party)  
(cont.)

The legislature in Aguascalientes is organized in 22 legislative committees. In Nuevo León, it is organized in 18 committees. In both states, the legislature is in session twice per year for the same number of days (213 days). Similar to other states, the main responsibility of local legislators in the fall period is to discuss the state and municipal income and expenditures laws; and the principal duty in the spring is to evaluate public accounts. Even in these more resourceful states the work of legislative committees is not regular and staff is limited. Most of the legislative work is concentrated in specific committees, such as those concerned with the budget.

In Nuevo León both, the PRI and the PAN have a real possibility of winning the executive office and, therefore, both have few incentives to create mechanisms that could eventually restrict the leverage of the state's executive. In Nuevo León, between 1995 and 2005 no initiative or serious attempt was advanced to transform the characteristics and authority of the congressional *Contaduría Mayor*. Nonetheless, the LXX congress (2003-2006) initiated discussions to transform the SAI on August 10, 2006, and eight days later it approved the new legislation that replaced the *Contaduría Mayor de Hacienda* with a new SAI.

The reform contained two important provisions. The first one was that the law would be in full force until its publication, scheduled for September 16, 2006; in consequence, the responsibility to appoint the director of the SAI was transferred to the new state legislature (LXXI congress). The second provision was that the public accounts committee –in charge of the appointment process

of the new director- should be presided over by the “first legislative minority.” The new legislation also made the public accounts committee responsible for organizing a public consultation and creating a list of possible candidates to preside over the new SAI. To be elected, the candidate needed the support of at least two-thirds of state legislators.

When the reform was passed, the PRI had control of the state’s governorship and the majority in the state legislature. By the time the new legislation was supposed to be in force, the same *priista* executive remained in office, but the majority in the chamber had shifted to PAN. As one legislator explained, “we passed the legislation because we already had the outcome of the elections and we already knew the opposition was the majority in the new congress. We passed the legislation with the clear intention of weakening the legislature and transferring power to the SAI”<sup>177</sup> (elections in the state took place on July 2 and the reform was passed the following month). However, until February of 2007, the public accounts committee of the state legislature – headed by a *priista* legislator- had not initiated the process to appoint the director of the new SAI.<sup>178</sup> Moreover, from conversations with legislators from the PAN and PRI, there is a little possibility of a prompt agreement. The new legislation is not in force, so the previous institution (*contaduría*) was still in charge of reviewing public accounts by February 2007.

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<sup>177</sup> Interview with local legislator of the PVEM, Nuevo León (2003-2006), January 2007.

<sup>178</sup> The director of the Nuevo León *Contaduría Mayor de Hacienda* resigned in the summer of 2006. To date, the *Contaduría* is leaderless but still working.

Similar to the situation in Nuevo León, in the state of Aguascalientes, electoral competition at all levels was between the PRI and the PAN, who together made up 90% of the state legislature. After 1995 and until 2004, the distribution of seats within the congress was such that neither the PAN nor the PRI was able to advance a constitutional reform on its own. In 2004, the situation changed with the overwhelming triumph of the PAN in the legislative elections; however, the combination of a unified government and PAN dominance of almost all state municipalities produced few incentives for *panista* legislators to initiate a reform that would strengthen the monitoring of state bureaucracies and municipal governments.

The unity of the party started to crack in late 2005 and was totally fractured by December 2006, when ten of the eighteen *panista* deputies distanced themselves from the state governor.<sup>179</sup> There were two major consequences of these factional disputes. First, the governor lost 37% of the legislative votes; and second, the fragmentation of the PAN added weight to every vote by a minority legislator, such that the state governor must lobby constantly for these “minority” votes in order to reach at least a plurality to pass any legislation. Until February of 2007, there was no proposal in Aguascalientes to reform the ability of congress to monitor the state executive,

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<sup>179</sup> The dispute reached the national media in December 2006 when deputies opposed to the governor asked the PAN national committee to expel the state governor from the party. The “dissident” legislators called themselves “institutionalists” and argued that the state executive had departed from the principles of the party; however, journalistic accounts sustain that the dispute between the executive and this group of legislators concerned the organization of the state’s fair, which is the state’s most important tourist activity and an important source of local revenue.

despite the new fragmentation and the fact that local legislators indicated that this was necessary.<sup>180</sup>

The cases of Aguascalientes and Nuevo León until 2006 suggest that concentration of power generates no incentives to strengthen the ability of congress to oversee the state and municipal executives. In both cases, the control of municipal governments and bureaucratic agencies –if any- took place behind closed doors, within the party structure.

#### 4.2. Conclusions

The division of government between an executive, a legislature and a judiciary is the distinguishing feature of presidential regimes. The rationale of this organization is to forestall the concentration of political power in one individual or institution. Yet, for this division of power to be effective, there must be some differentiation among the three parts of government so no single interest dominates. Thus, if dividing the government in three branches is the basic tenet of presidential democracies, conflict among them is the critical element (Haggard and McCubbins 2001).

The goal of this chapter was to investigate what factors motivate legislators to strengthen their control over bureaucratic agencies. I analyze whether legislators have engaged in explicit efforts to improve the mechanisms of control and the factors that affect legislators undertaking such

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<sup>180</sup> Interview with local legislators from Convergencia, PRD and a former member of PAN. Aguascalientes (2004-2007), January 2007.

actions. I argued that one relevant factor is the existence of conflict over policy between branches of government and I also explained how electoral competition may increase the probability of having a discrepancy in policy preferences such that higher electoral competition would lead to attempts to improve legislators' ability to oversee bureaucratic agencies.

The empirical analysis of Mexican states suggest that political fragmentation tends to increase the political autonomy of SAI; however, this occurs at the expense of the power of these institutions to initiate sanctioning processes. On the other hand, the analysis of four Mexican states provides an initial support to the claim that electoral competition (and therefore, policy conflict) relates positively with attempts to improve legislative oversight. Institutional reforms in Campeche, Chiapas, and later in Nuevo Leon plus the absence of serious attempts to modify the legislation in Aguascalientes demonstrate this to be the case. In addition, the general comparison of the states indicates the strength of the SAI is dependant on the fragmentation of political power: An effective SAI is guaranteed only if political autonomy coincides with the ability of the SAI to initiate the sanctioning process. Otherwise, the SAI is vulnerable to manipulation even if political power is not dispersed.<sup>181</sup>

Electoral competition also helps to explain the puzzling acquiescence of the state executive in Campeche and the advocacy of the governor in

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<sup>181</sup> An essential factor of the effectiveness of the SAI is however, the enforceability of sanctions. As presented in the previous chapter, SAI are usually limited because they must rely on non-legislative institutions to implement pecuniary, administrative or criminal sanctions.

Chiapas: The consent of the executive in Campeche and the sponsorship on the part of the governor in Chiapas constituted strategic preemption of both executives (and their political parties) as a response to the vulnerability of their power; in Campeche due to electoral demise, in Chiapas due to a recalcitrant legislature. The late reform in Nuevo Leon also supports this idea. Thus, a third conclusion is that the immediate goal of these reforms was to reduce the ability of political adversaries to manipulate the oversight of public accounts.

This chapter also sheds some light on specific aspects of Mexican politics that should be studied further in order to evaluate in detail legislators' review and audit of public resources. Three questions are particularly relevant. First, to what extent is the oversight of public accounts by the SAI an instrument to control political adversaries? Interviews with local legislators and SAI staffers suggest this is the case. Indeed, local legislators seem to devote more time to the review and approval of municipal accounts than the state government accounts.<sup>182</sup> Second, are the SAI properly prepared to conduct the review and auditing of the state bureaucracy and municipal governments? My analysis of SAI's institutional resources indicates that these institutions are short of human and financial resources to conduct their activities. Moreover, the attention to these institutions is brand new. The wave of institutional reforms at the local level began as recently as 2000. It was until this decade

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<sup>182</sup> As reported by the presidents of the public accounts committee in the states of Aguascalientes (legislature 2004-2007), Campeche (legislature 2000-2003 and 2003-2006), Chiapas (legislature (2001-2004) and Nuevo León (2003-2006 and 2006-2009) and staff members of SAI. Interviews with legislators were conducted between November 2006 and February 2007. Conversations with staff members of local SAI took place in July 2006.

that local legislatures have paid attention to the organizational characteristics of SAI and also, it was until these years that SAI gained some leverage as independent and important institutions within the states.

The third question refers to how the SAI, the major instrument of legislative oversight, actually works within the institutional framework of the state. The analysis I presented in this chapter is constrained to the formal structure of the SAI; however, there are multiple questions about how SAI articulate with other local institutions that take part in the accountability process initiated by the SAI, such as the office of the comptroller general, the local treasury, the public prosecutor or the judiciary. There is little empirical work on this topic (indeed, almost none), and the few analyses available show that SAI are unable to hold politicians or agencies accountable mainly because institutional weakness (lack of resources) and their reliance on vague legislation (as explained in the previous chapter) that make the sanctioning process really convoluted and also force SAI to rely on non-legislative institutions to implement pecuniary, administrative or criminal sanctions.

It could be thought that some of these problems can be “easily” solved with a legislative reform. However, as we have seen in some of the cases presented in the previous section, the challenge is not only to reach the “right” level of separation of purpose to incentive local legislators to initiate the change, but also to secure a legislative coalition to pass such reforms. Moreover, this issue is not as simple as it seems. In the constitutional tradition of Latin American countries, the division of labor between the SAI (the



legislative branch) and these institutions (that belong to either the executive or the judicial branch) responds to the logic of separation of powers. This is an ongoing (and fascinating) discussion that deserves careful and more research. However, as I explained in chapter one, when the ability to sanction or to actually affect the behavior of bureaucratic agencies decreases so does the incentives of legislators to involve in active oversight. Instead, legislators will look for alternative to a formal sanctioning process. Thus, a final question refers to the alternative means legislators employ to oversee bureaucratic agencies and municipal governments.

Legislators' oversight of the bureaucracy is a key component of the balance between branches of government and it is a foremost factor of political accountability. To understand how legislators relate to bureaucrats will help to understand the (dis)connections between electoral democracy and good governance, an imperative nowadays that the disenchantment with electoral democracy seems to pervade public opinion in newly democratized presidential regimes

## **Conclusions**

In recent years, the analysis of legislative politics in developing countries has gained relevance in the comparative literature. However, most of this analysis is focused on executive-legislative bargaining or the characteristics of congressional organization. In contrast, the legislative oversight of bureaucratic agencies has received little attention. This neglect is deeply disquieting because the development of new democracies is largely dependent on their ability to deliver the public services that voters desire. In this regard, transparency and accountability in policy making is a keystone of democratic development and political stability.

The goal of this research is to advance the study of the factors that affect legislators' involvement in the oversight and monitoring of bureaucratic agencies during the implementation of public policies. For that, I present a theoretical model in chapter one that shows that legislators' oversight of bureaucratic behavior is always selective. Legislators' strategy responds to the relevance of every policy area and to legislators' resources for monitoring bureaucratic agencies. The key point is that bureaucratic accountability is not, and cannot be, something that happens or does not happen -- like turning a light on or off. Given limited resources, legislative oversight is necessarily discriminatory. Therefore, bureaucratic accountability will never be completely fulfilled (this theoretical result has obvious implications for arguments such as "horizontal accountability." For a discussion on this topic, see (O'Donnell 1998, 2003; Mainwaring 2003).

The main implication from the model is that there will always be policy areas systematically neglected in terms of the legislators' oversight agenda. Thus, there will always be areas where the bureaucracy only responds to executive mandates. Therefore, in the absence of alternative mechanisms to keep bureaucratic behavior under control, such as effective legislation to access public information, these areas will turn into paradises of clientelism and corruption.

The model demonstrates that legislators can improve their ability to control bureaucratic agencies when they are capable of determining the level of bureaucratic discretion, affecting the cost of oversight, and increasing the resources available to them for oversight of bureaucratic agencies. However, there are factors in play that can prevent legislators from successfully undertaking these actions- mainly, limited resources.

The model also shows that bureaucratic agencies respond strategically to legislators' actions. Agencies' decisions to comply or not comply with legislators' mandates depend heavily on the probability that legislators will monitor and sanction them (for instance, that they will be forced to correct the policy outcome they produce). Therefore, if legislators lack the resources to oversee or are unable to have an impact upon an agency's opportunity costs, it is reasonable to expect that bureaucratic agencies will ignore legislators' mandates regardless of legislators' incentives.

The analysis of legislators' resources in Mexican states demonstrates that amateur legislators (as opposed to professional legislators) rarely employ

the formal instruments of bureaucratic monitoring and control at their disposal. Interviews with local legislators indicated as main reasons for this their ignorance about the legislative process and also neglect of their legislative responsibilities. Instead of following up on the actions of the executive in a constant an ongoing manner, local legislators in Mexico rely heavily on ex post mechanisms of oversight and control, typically focused on the review of governmental accounts through the actions of supreme auditing institutions, which lack the capability to complete the “accountability cycle”.

The analysis of how political competition in Mexican states influences legislators’ incentives to effectively monitor the actions of bureaucratic agencies presented preliminary evidence that political plurality could be a double-edged sword for the system of mutual checks in presidential regimes. The cases I presented show that the political uncertainty that comes with increasing electoral competition creates incentives for legislators to develop or improve mechanisms to control the actions of bureaucratic agencies. However, the evidence also shows that political plurality might complicate the ability of deputies to reach legislative agreements to advance their capabilities to control public servants. For instance, while it is true that some of the problems that legislatures (and SAIs) face can be “easily” solved by legislative reform (e.g., vagueness of legislation or the autonomy of the SAIs), fragmentation of power within the legislature might prevent such changes from occurring. Legislative oversight is a legislative decision that faces challenges similar to any other legislative decision; to exist and prevail, legislative reforms

need the support of a legislative coalition. The evidence I presented suggests that any electoral system that propitiates a high concentration or a high dispersion of political power within the legislature will make the achievement of effective legislative monitoring of bureaucratic agencies more difficult.

This research suggests that democratic accountability requires not only legislators who are concerned for their constituents but also legislators who are able to ensure that civil servants faithfully execute the implementation tasks that legislators delegate to them. In this regard, there are two policy implications from my research. First, pouring resources into national legislatures will not translate into effective oversight unless legislators' ability to set policy (margin of discretion) improves and the enforcement of sanctions is secured. Second, effective bureaucratic accountability (democratic accountability) relies heavily on legislators' incentives. Strengthening the "electoral link" between voters and legislators is the first step. In the case of Mexico, there will be no secure accountability without a strong connection between voters and representatives.

How politicians control bureaucrats is of primary importance for the study of development. Analyzing why and how politicians control (or not) the bureaucracy is crucial for understanding the mechanisms that lead to a successful undertaking of the two major challenges of new democracies: the "consolidation" of democracy and the attainment of socio-economic development (Eaton 2003). In the end, it is in the relationship between

politicians and bureaucrats that the connection between democracy and good government resides.

## Appendix 1

$$\begin{aligned} \text{Max } & \sum_K \gamma_k M_k E_k && \gamma_k E_k \geq 0 \\ \text{s.t.} & && \\ & \sum_K M_k C_k \delta_k \leq B && \\ & M_k \leq N_k && \\ & M_k \geq 0 && \end{aligned}$$

Lagrangian Function (Kuhn-Tucker conditions)

$$Z = \sum_K (\gamma_k M_k E_k) + \lambda_1 \left[ B - \left( \sum_K M_k C_k \delta_k \right) \right] + \lambda_{2k} (N_k - M_k)$$

First Order Conditions

$$\begin{aligned} \text{I)} \quad & \frac{\partial Z}{\partial M_k} = \gamma_k E_k - \lambda_1 C_k \delta_k - \lambda_{2k} \leq 0 && \text{and} && M_k \frac{\partial Z}{\partial M_k} = 0 \\ \text{II)} \quad & \frac{\partial Z}{\partial \lambda_1} = B - \sum_K M_k C_k \delta_k \geq 0 && \text{and} && \lambda_1 \frac{\partial Z}{\partial \lambda_1} = 0 \\ \text{III)} \quad & \frac{\partial Z}{\partial \lambda_{2k}} = N_k - M_k \geq 0 && \text{and} && \lambda_{2k} \frac{\partial Z}{\partial \lambda_{2k}} = 0 \end{aligned}$$

### SOLUTION

For I)

$$M_k \frac{\partial Z}{\partial M_k} = 0$$

I.1)

$$\text{If } M_k = 0 \text{ then } \frac{\partial Z}{\partial M_k} < 0$$

$$\gamma_k E_k - \lambda_1 C_k \delta_k - \lambda_{2k} < 0$$

$$\gamma_k E_k < \lambda_1 C_k \delta_k + \lambda_{2k}$$

Legislators do not oversee any agency in k when marginal benefit is less than the marginal cost

1.2)

$$\text{If } M_k > 0 \text{ then } \frac{\partial Z}{\partial M_k} = 0$$

$$\gamma_k E_k - \lambda_1 C_k \delta_k - \lambda_{2k} = 0$$

$$\gamma_k E_k = \lambda_1 C_k \delta_k + \lambda_{2k}$$

Legislators oversee agencies in k when marginal benefits equal marginal costs

\*\*\*\*\*

$$\text{For II) } \lambda_1 \frac{\partial Z}{\partial \lambda_1} = 0$$

$$\text{If } \lambda_1 = 0 \text{ then } \frac{\partial Z}{\partial \lambda_1} > 0$$

$$B - \sum_K M_k C_k \delta_k > 0$$

$$B > \sum_K M_k C_k \delta_k$$

$$\text{If } \lambda_1 > 0 \text{ then } \frac{\partial Z}{\partial \lambda_1} = 0$$

$$B - \sum_K M_k C_k \delta_k = 0$$

$$B = \sum_K M_k C_k \delta_k$$

Consider  $k=1$ ,  $M_1 > 0$

and  $\lambda_{21} > 0$

then  $N_1 = M_1$

if  $B = M_1 C_1 \delta_1$  then  $M_k = 0$  for all  $k > 1$

However,

if  $B = M_1 C_1 \delta_1 + M_2 C_2 \delta_2$

for  $k=2$ ,  $M_2 > 0$  and  $\lambda_{22} > 0$

then  $N_2 = M_2$  and  $M_k = 0$  for all  $k > 2$

(...)



Thus, for  $k=j$   $1 < j \leq K$

$$M_k > 0 \Leftrightarrow B = M_1 C_1 \delta_1 + M_2 C_2 \delta_2 + \sum_{k>2}^K M_k C_k \delta_k$$

$\lambda_{2k} > 0$  such that  $N_k = M_k$  only when potential benefits exceed potential cost (see I.2), otherwise  $\lambda_{2k} = 0$  such that  $N_k > M_k$  and  $M_k \geq 0$

\*\*\*\*\*

For III)  $\lambda_{2k} \frac{\partial Z}{\partial \lambda_{2k}} = 0$

If  $\lambda_{2k} = 0$  then  $\frac{\partial Z}{\partial \lambda_{2k}} > 0$   
 $N_k - M_k > 0$   
 $N_k > M_k$

If  $\lambda_{2k} > 0$  then  $\frac{\partial Z}{\partial \lambda_{2k}} = 0$   
 $N_k - M_k = 0$   
 $N_k = M_k$

## **Appendix 2**

### **Interviews and archival research**

#### **Assesment**

1. What is the most important activity/responsibility of a legislators?  
[Cuál es la actividad/ responsabilidad más importante de un legislador?]
2. What are the two main weaknesses of the State Congress in comparison with other local legislatures in México?  
[Cuáles serían las dos principales debilidades del Congreso estatal en comparación con otras legislaturas de México?]
3. what are the three key elements that will help to make the State Congress stronger?  
[Cuáles serían los tres elementos claves que ayudarían a fortalecer al congreso del estado?]

#### **Resources**

4. In your parliamentary job, do you have personal advisors? Are they enough? how do you get the necessary information? Does Congress give you resources in that regard?  
[En su trabajo parlamentario, usted cuenta con asesores personales? Son suficientes? O cómo se hace de la información necesaria? El congreso le provee de recursos suficientes en este sentido?]

#### **Oversight**

5. What is the legislator's role in the proposal and approval of public policies in the State?  
[Cuál es el papel del legislador en la creación y aprobación de políticas públicas en el estado? [elaborar]
6. What are the most controversial policy areas or the most conflictive policy areas in the state? Which are the least controversial  
[Cuáles son las áreas de política más controversiales o más conflictivas en el estado? Cuáles son las menos controversiales?]
7. how do you follow up the implementation of public policies in the State?  
[Cómo da usted seguimiento a la implementación o ejercicio de las políticas públicas que se deciden en el estado?]
8. This is a list of factors that people in other countries have identified as key to select which bureaucratic offices or governmental programs should receive legislative attention, Could you please review this list and check each line according to the relevance you will give to each factor? You can also mention an extra factor if it is absent from the list.  
Table 1

[Esta es una lista de factores que gente en otros países ha identificado como claves para seleccionar qué oficinas o programas oficiales deben supervisarse. Podría revisar esta lista y marcar cada renglón de acuerdo a la importancia que usted daría a cada factor? También puede mencionar algún factor extra que no se haya indicado. Tabla 1]

9. Could you describe how you or your advisors keep informed about what it is going on at the governmental offices that were under your legislative jurisdiction? Is any of these mechanisms particularly relevant to bring the attention of the members of the committee you belong to? Is there another mechanism that facilitates to you the identification of those issues that require legislative attention?

[Me podría describir brevemente cómo usted o sus asesores se mantenían informados sobre lo que sucedía en las oficinas gubernamentales que estaban bajo su jurisdicción? Alguno de estos mecanismos eran particularmente importantes para llamar la atención de los miembros de la comisión a la que pertenece? Existe algún otro mecanismo que le permita identificar asuntos que requieren atención?]

10. What are the most important legislative mechanisms available to legislators in the State to review and monitor the actions of state bureaucracy, besides the usual activities of the Supreme Auditing Institution?

[Cuáles son las herramientas legislativas más importantes con que cuentan los legisladores del estado para fiscalizar y monitorear las acciones de la burocracia estatal, además de las acciones de la Auditoría Superior del Estado o de la Contaduría Mayor?]

11. From the following list, Could you please indicate which are the oversight techniques most commonly employed?

[De la siguiente lista, por favor indíqueme el tipo de técnicas de supervisión que se emplean de acuerdo a su experiencia TABLA 2]

12. Of those techniques you mentioned, which seem to you more efficient?

[Cuál de estos instrumentos o de los que usted me mencionó le parece el más eficiente o eficaz?]

13. Have you belong to any special legislative committee of investigation? (do you remember any relevant committee?)

[Ha pertenecido a algún comité especial de investigación? (Recuerda uno en particular como relevante?)]

14. What is the central criteria in the evaluation of municipal public accounts?

[Cuál es el criterio central en la evaluación de las cuentas municipales?]

### **Auditing**

15. Have you requested any service or information to the Supreme Auditing Institution? Was the answer satisfactory? Why?

[Usted ha solicitado algún servicio o información de la Auditoría Superior del Estado? Fue satisfactoria la respuesta? Por qué?]

16. Who has more influence in determining what offices or governmental programs to monitor? What is your influence in suggesting or affecting the work of the SAI?

[Quién tiene mayor influencia en decidir qué oficinas o programas de gobierno se deben supervisar? Qué influencia tiene para sugerir o afectar el trabajo de la Auditoría del estado?]

17. What is your opinión about the SAI?

[Cuál es su opinión de la auditoría del estado [seguimiento]]

### **Networks**

18. Is there any contact between you and the State bureaucracy? To what level? Are they receptive?

[Existe contacto con la burocracia estatal? A qué nivel? Son receptivos?]

### **Miscellaneous**

19. Do you think the oversight activities of the Congress have increased, decreased or remained the same in comparison with previous legislatures? What are the factors that may explain this?

[Cree que la actividad de monitoreo y control del Congreso de X ha aumentado, disminuido o sigue igual con respecto a la legislatura anterior o a legislaturas anteriores.

a. A qué atribuye el aumento de esta actividad?

\*\* Factores externos: Creciente complejidad y tamaño del gobierno estatal / una reacción negativa a permitir que el poder ejecutivo centralice poder o abuse del poder / creciente publicidad sobre el valor de monitorear y exigir rendición de cuentas

\*\* Factores Internos: Más y mejor staff, apoyo o personal/ impacto de reformas a la organización del congreso

\*\* Algún otro?

b. A qué atribuye la disminución de esta actividad?

c. A qué atribuye la ausencia de cambios en esta actividad?

20. Do you think that political plurality or competition has helped to make public administration in the State more transparent?

[Usted considera que la pluralidad política ha ayudado a transparentar la administración pública?]

Table 1

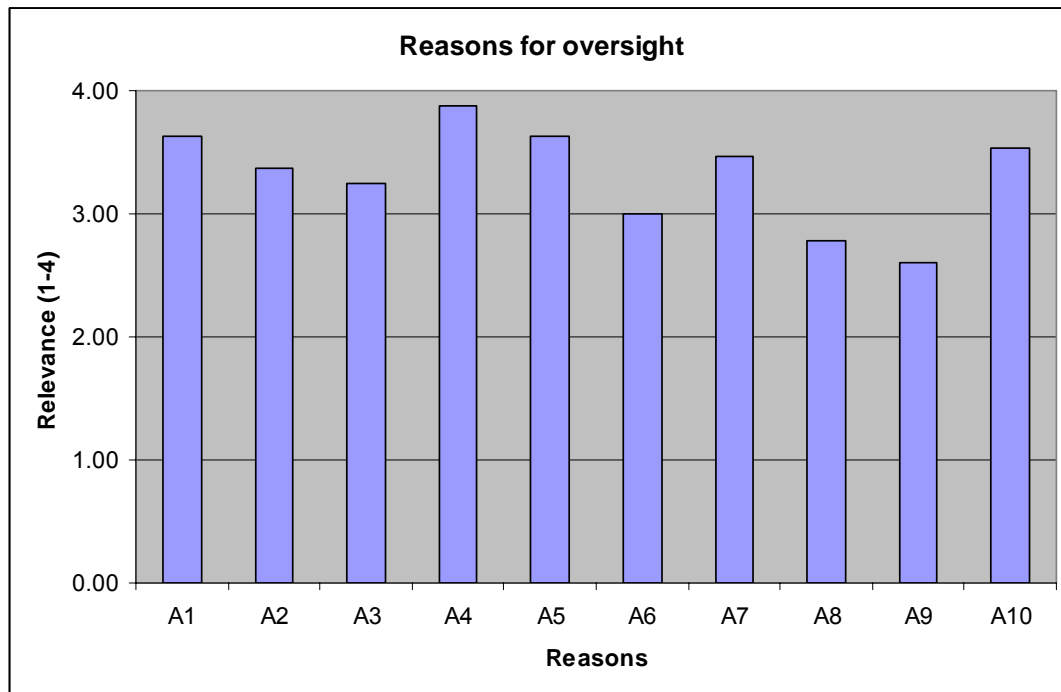
| FACTOR  | Important = 4 / No important = 1 |   |   |   | Do NOT APPLIED/ Did NOT HAPPENED |
|---|----------------------------------|---|---|---|----------------------------------|
|   | 4                                | 3 | 2 | 1 |                                  |
| Scandal for evidence of malfeasance or corruption<br>[escándalo por evidencia de malversación de fondos o corrupción]   | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Crisis in a specific area of public policy<br>[Crisis en un área específica de política pública]  | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Low trust in those in charge of governmental offices<br>[Poca confianza en los encargados de las oficinas de gobierno]  | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Low or null answer of the governmental office to information petitions from you or legislative committees.<br>[Poca o nula respuesta de la oficina de gobierno a peticiones de información de usted o de la(s) comisión(es)]                      | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Suspicion that some governmental program or public policy is not being implemented effectively or efficiently.<br>[Sospecha de que programas o políticas públicas no están siendo implementadas por el ejecutivo de manera efectiva o eficiente.] | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Explicit complaints by the citizenry<br>[Quejas explícitas de la ciudadanía]  | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Conclusion of a program or public policy or reallocation of funds.<br>[Conclusión de algún programa o política pública; o bien proceso de re-autorización de fondos para la continuidad de algún programa o política pública]                     | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Chance to gain public recognition<br>[Oportunidad para ganar atención pública (potencial de publicidad)]  | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Public concern about a specific program or agency.<br>[Preocupación del público sobre un programa u oficina de gobierno del estado en particular.]  | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Disagreement with the actions of the governmental agency<br>[Desacuerdo con las acciones de una oficina gubernamental.]   | 4                                | 3 | 2 | 1 | Do NOT APPLIED/ Did NOT HAPPENED |
| Other factor<br>[Otro factor:]  |                                  |   |   |   |                                  |

Table 2

| TECHNIQUE  | VERY<br>FREQ | FREQ | SOME<br>TIMES | RA-<br>RELY | NE-<br>VE<br>R |
|--|--------------|------|---------------|-------------|----------------|
| Direct communications of your advisors or staff with personnel from the agency.<br>[Comunicación directa de sus asesores o staff con personal de la oficina del gobierno del estado que se trate]  |              |      |               |             |                |
| Direct communications from you with personnel from the agency.<br>[Comunicación directa de usted con personal de la oficina gubernamental]   |              |      |               |             |                |
| Public audience or reports from agencies (by law)<br>[Comparecencias o reportes de oficinas de gobierno del estado por mandato de ley (por ejemplo, comparecencias de glosa)]  |              |      |               |             |                |
| Out of Schedule audiences of public servants from the Executive power.<br>[Comparecencias extraordinarias (no glosa) de servidores públicos del poder ejecutivo del estado]  |              |      |               |             |                |
| Answer to citizens' petitions that require the review of public works or specific projects.<br>[Respuesta a peticiones ciudadanas que implican la revisión de proyectos u obras públicas específicas]  |              |      |               |             |                |
| Investigations from your staff, advisors or your own investigations.<br>[Investigación de su staff, asesores, investigaciones propias]   |              |      |               |             |                |
| Evaluations of programs or public policies by governmental offices.<br>[Evaluaciones de programas o políticas públicas elaboradas por oficinas del gobierno estatal]   |              |      |               |             |                |
| Evaluations of programs or public policies by legislative support offices.<br>[Evaluaciones de programas o políticas públicas elaborados por oficinas de apoyo del congreso (por ejemplo, institutos de investigación legislativa, auditoría del estado o Contaduría Mayor)] |              |      |               |             |                |
| Evaluations of programs or public policies by NGO's or universities, etc.<br>[Evaluaciones de programas hechas por externos (por ejemplo, universidades, ONG's, etc)]  |              |      |               |             |                |
| Special legislative committees<br>[Creación de alguna comisión legislativa especial (por ejemplo, de investigación o seguimiento)]   |              |      |               |             |                |

| TECHNIQUE   | VERY<br>FREQ | FREQ | SOME<br>TIMES | RA-<br>RELY | NE-<br>VER |
|---|--------------|------|---------------|-------------|------------|
| Evaluations of programs or public policies by committee staff.<br>[Evaluaciones de programas hechas por staff de la comisión]   |              |      |               |             |            |
| Legislative control by legislative veto.<br>[Control de las acciones del poder ejecutivo mediante veto o bloqueo legislativo]   |              |      |               |             |            |
| Sometimes, when new initiatives are proposed, the governmental offices present a regulatory impact analysis, if that is the case, do you make use of these analysis? How frequent?<br>[Al proponer nuevas iniciativas las oficinas gubernamentales ofrecen un análisis de impacto regulatorio? Si la respuesta es afirmativa con qué frecuencia emplea estos análisis para informarse sobre las actividades del poder ejecutivo?] |              |      |               |             |            |

### First survey



A1: Corruption scandal

A2: Crisis

A3: Mistrust in public officials

A4: Inadequate or no response of public officials to information requests made by you or the committee you belong to

A5: Doubt that public policies are not being implemented by the executive efficiently or effectively

A6: explicit citizen complaints

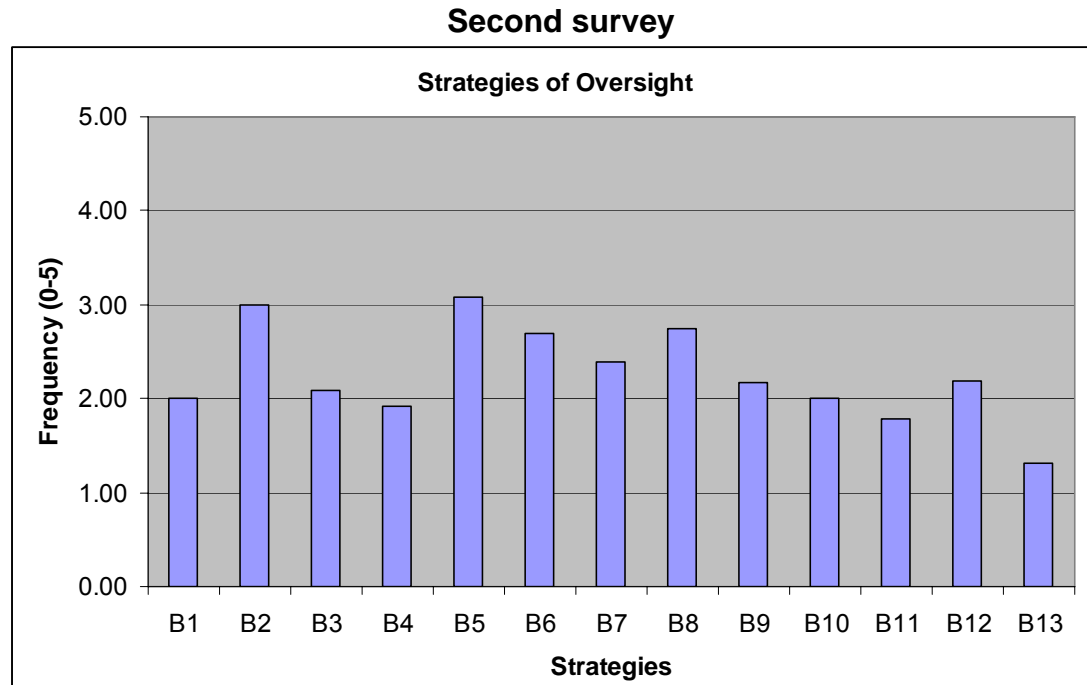
A7: Reauthorization of a government program or its conclusion

A8: Opportunity to gain public attention

A9: Public concern about a specific government program or agency

A10: Disagreement with the actions of a governmental office





- B1: Direct communication of staff or advisors with public officials  
 B2: Personal communication with public officials  
 B3: Hearings mandated by law  
 B4: Request of special hearings of public officials  
 B5: Answer to citizens petitions that require a review of specific public works  
 B6: Research by his/her staff, advisors or own investigation  
 B7: Evaluations of public works or projects made by the state government public officials  
 B8: Evaluations elaborated by legislative agencies (SAI, legislative research institute, etc)  
 B9: Evaluations made by other actors such as academic institutions or NGO's  
 B10: Special investigative committee  
 B11: Evaluations made by the committee staff  
 B12: Legislative veto  
 B13: Regulatory assessment

### List and dates of interviews

| <i>State</i>     | <i>Date</i>      | <i>Activities</i>   | <i>Information and interviewees</i>  |
|------------------|------------------|---|--|
| Puebla           | July 13-15, 2006 | Interviews and Meeting – Personnel State Accounting Office (28 states)                      | Overview - Problems oversight of state bureaucratic agencies and sanction enforcement  |
| Nayarit          | Nov 29 – Dec 1   | • Interviews  | <ol style="list-style-type: none"> <li>1. Arturo Marmolejo (PRD, 2005-2008)</li> <li>2. David Rivera (PAN, 2005-2008)</li> <li>3. Efrén Velázquez (PRI, 2005-2008)</li> <li>4. Gricela Padilla (PRD, 2005-2008)</li> <li>5. Manuel Quintero (IND, 2005-2008)</li> </ol>  |
| Hidalgo          | Dec 5 - 8        | • Archival research   | • Budget Data (1995- 2006)   |
| Morelos          |                  |   | • Budget Data (1995- 2006)   |
| Distrito Federal |                  |   | • Budget Data (1995-2006)  |
| Campeche         | Jan 23-26 2007   | <ul style="list-style-type: none"> <li>• Archival research</li> <li>• Interviews</li> </ul> | <ul style="list-style-type: none"> <li>• Congressional Daily Records and Sessions' summary 1994-2006</li> <li>• Budget Data (1995-2006)</li> </ul> <ol style="list-style-type: none"> <li>1. Miguel Angel Montejo (PAN, 2003-2006)</li> <li>2. Anibal Ostoa (CONV, 2003-2006)</li> <li>3. Margarita Nelly (CONV, 2003-2006)</li> <li>4. Martha Irene Novelo (PRI, 2003-2006)</li> <li>5. Carlos Rosado (PAN, 2006-2009)</li> </ol>                                     |
| Yucatán          | Jan 26           | • Archival research   | • Budget Data (1995-2006)  |
| Chiapas          | Jan 28 – Feb 2   | <ul style="list-style-type: none"> <li>• Interviews</li> <li>• Archival research</li> </ul> | <ol style="list-style-type: none"> <li>1. Arturo Velasco (PT, 2004-2007)</li> <li>2. Fabian Camacho (PRD, 2004-2007)</li> <li>3. Flor de Maria Coello (PVEM, 2004-2007)</li> <li>4. Miguel Ramirez (PAN, 2004-2007)</li> <li>5. Roberto Ortiz (PRI, 2004-2007)</li> <li>6. Ruth Morales (PRI, 2004-2007)</li> </ol> <ul style="list-style-type: none"> <li>• Congressional Daily Records and Sessions' summary 1994-2006</li> <li>• Budget Data (1995-2006)</li> </ul> |

| <i>State</i>   | <i>Date</i> | <i>Activities</i>   | <i>Information and interviewees</i>   |
|----------------|-------------|---|---|
| Aguascalientes | Feb 5 - 9   | <ul style="list-style-type: none"> <li>• Interviews</li> <br/> <li>• Archival research</li> </ul> | <ol style="list-style-type: none"> <li>1. Abel Sanchez (PRD, 2004-2007)</li> <li>2. Francisco Díaz (PRI, 2004-2007)</li> <li>3. Jose L Ovalle (PVEM, 2004-2007)</li> <li>4. Juan M Ramos (PAN, 2004-2007)</li> <li>5. Luis E. Estrada (CONV, 2004-2007)</li> </ol> <ul style="list-style-type: none"> <li>• Congressional Daily Records and Sessions' summary 1997-2004</li> <li>• Budget Data (1995-2006)</li> </ul> |
| Nuevo León     | Feb 12-16   | <ul style="list-style-type: none"> <li>• Interviews</li> <br/> <li>• Archival research</li> </ul> | <ol style="list-style-type: none"> <li>1. Alfonso Robledo (PAN, 2003-2006)</li> <li>2. Jorge H. Padilla (PVEM, 2003-2006)</li> <li>3. Liliana Flores (IND, 2003-2006)</li> <li>4. Guillermo Gomez (PRD, 2006-2009)</li> <li>5. Rannulfo Martinez (PAN, 2006-2009)</li> <li>6. Zeferino Juarez (PT, 2006-2009)</li> </ol> <p>Legislative work index (1995-2006)</p>  |

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