



NEW ANTI-CORRUPTION GOVERNMENTS: THE CHALLENGE OF DELIVERY

# MEXICO

A CASE STUDY

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# Mexico

## 1. Executive summary

This case study analyses the anti-corruption public policy agenda of the Mexican government during the period 2000 - 2004. The election of President Vicente Fox on 6 July 2000 represented a watershed event for the people of Mexico as this nation strives to consolidate a more open and participatory democracy. The Fox administration has been tackling the issue of corruption during a historically critical juncture of the Mexican political system.

The role of civil society in developing a set of feasible and effective policy solutions to minimise corrupt behaviour has been significant. For instance, thanks to the independent efforts of non-governmental organisations and universities, several surveys evaluating the problem of corruption have been conducted. The results offered by these studies provide both citizens and government with a set of parameters with which to assess progress in the fight against corruption. In addition, the passage of the Federal Law for Transparency and Access to Governmental Public Information on 12 June 2002, as well as the creation of an implementing institute (the Federal Institute for Access to Information), have provided major stepping stones towards achieving a more transparent institutional environment in Mexico. Modernisation of the Mexican federal public administration and the creation of the civil service are inducing positive changes in organisational culture. Furthermore, improvements in the quality of federal procurement and regulatory practices are reducing the incentives for corruption.

Unfortunately, most of the positive actions in favour of transparency and good governance in Mexico are limited to federal government agencies. State and municipal governments require more effective regulatory frameworks to curb corruption. Nevertheless, 20 out of 32 states have already enacted freedom of information acts in the past three years.

## 2. Summary

The vision of the kind of government Vicente Fox aimed to achieve is summarised in the following statement from 18 September 1988:

*'The challenge is to forge a good government that is competitive, transparent, honest, participative and proactive, that works better, costs less and generates more benefits to society.'*

On 6 July 2000, the world's longest standing one party system of the 20<sup>th</sup> century ended with the election of Fox to the presidency of Mexico. That day, Fox had delivered the unimaginable: the defeat of a presidential candidate from the mighty Institutional Revolutionary Party (PRI). While Fox had a vote of confidence from the Mexican people and the world to bring about change, the context in which he has had to lead his country has been challenging from the start.

Fox currently presides over a nation in transition towards becoming a truly open and democratic system. Huge deficits in many public policy areas remain, however. For decades, systemic corruption hindered the country from effectively addressing major social issues such as extreme poverty. It is a generalised perception of the Mexican people that the corrupt governments and mismanagement of the past have limited the nation's capacity to foster economic opportunities for a majority of the people.

The expectations in Mexico and abroad about the reforms that the Fox administration would carry out were huge. A well functioning multiparty democracy, however, requires debate and political negotiation; in Mexico, this meant that the destiny of the country would no longer be

determined only from *Los Pinos*, the presidential residence. The administration of President Fox has been criticised for not being able to create political consensus within the congress in order to implement reform in many important areas of the Mexican public policy agenda, such as taxation, energy and telecommunications. Perhaps with time, however, it will be said that the most important legacy of the Fox administration was to provide Mexico with an institutional environment that fosters transparency and good governance.

The Fox administration assumed power in the face of a generalised perception in both Mexican society and the international community of high levels of systemic corruption going unpunished. For instance, a report by the World Economic Forum and Harvard University in September 2000 stated that organised crime, police inefficiency, payoffs to judges or other civil servants and a general lack of transparency were clear disincentives for investing in Mexico.

A strong civil society movement along with more outspoken academics and a freer press had come forward and suggested some areas in which to start effectively fighting corruption. A noteworthy effort that combined many of these perspectives was the agenda submitted by the heads of both *Transparencia Mexicana* and Transparency International to President-elect Fox as a suggested plan of policy action a couple of months before his inauguration.

The document, entitled '10 actions in favor of transparency and against corruption', was the result of a policy workshop organised by *Transparencia Mexicana*, with the technical assistance of the Goldman School of Public Policy and the Institute of Governmental Studies of the University of California, Berkeley. The proceedings summarised and prioritised the proposals of more than 40 Mexican experts and opinion leaders. Public servants, academics, business people, journalists and members of civil society all participated in debating and ranking the top policy priorities to improve transparency and effectively curb corruption in Mexico.

The proposals for action included suggestions for deep reforms in the judicial system, freedom of information, creation of a civil service program, increased accountability and budget controls, a new monitoring mechanism fostering a culture of legality, improvements in regulatory quality, strengthening the internal revenue system and other institutions, and implementing an integrated approach to combating corruption in Mexico. Moreover, press reports and editorials at the time, in particular in major newspapers such as *Grupo Reforma* and *El Universal*, emphasised the importance of both improving access to and the quality of public information. The Fox administration paid attention to these voices and policy proposals as they were perfectly in line with the president's vision of good governance in Mexico.

### **Initiatives taken by the new government and outcomes**

As acknowledged in Transparency International's (TI) Global Corruption Report 2001, the Mexican government introduced a highly comprehensive anti-corruption plan. In highlighting the level of expectations, the report stated: 'In Mexico, government efforts offer the possibility of real change in a society that has been mired in corruption for generations.'

Upon assuming office, President Fox took an ethics pledge and disclosed his personal assets – an unprecedented gesture in Mexico. Other first-time developments were a plan for the revenue administration to audit political parties and for the National Autonomous University of Mexico (UNAM) to provide a budget accountability report to congress. At the time, as the TI report points out, there were dissenting voices that argued that the Fox administration had taken on too much too quickly. The prioritisation of the fight against corruption by the Fox administration was welcomed, however.

The 2000-2006 government plan is outlined in the Presidential Agenda for Good Government. The main goal is to 'update the Mexican government responding to citizen demands for an

efficient, honest and transparent public administration with capable and sensible public servants'. The program states six strategic lines of action:

- achieve an efficient government. That is to say, one that makes more with less, providing better service with less resources;
- ensure a total quality government, one that maintains a firm and permanent commitment to the quality of the services provided to citizens;
- develop a professional government, a government capable of attracting and retaining the best men and women, as well training and evaluating them regularly, so they can always deliver in an opportune and effective manner;
- consolidate a digital government. Take maximum advantage of information technologies, not only to reduce corruption and to make more transparent public management, but to also make it more efficient and provide services of higher quality;
- achieve a more agile and flexible government through regulatory reform by eliminating excessive red tape without abandoning responsibilities; and
- spotlight honest and transparent government as the main characteristic of our administration. Only by proceeding with honesty, can we defeat corruption, eliminate abuse of power and favoritism in decision-making, and achieve renewed trust by citizens in their authorities.

President Fox appointed a senior member of the PAN, a former governor of Chihuahua, the largest state in Mexico, to be his minister at the Ministry of the Controllershship and Administrative Development. A couple of days before the new administration announced its National Program for Transparency and Combating of Corruption on 31 January 2001, Minister Barrio offered an interview to the Mexican newspaper *Reforma*. In that interview, he outlined his priorities as the new head of SECODAM:

- reformation of the Law of Responsibility of Public Servants;
- signing of a national anti-corruption pact that would involve all sectors of society and would suggest to public servants the voluntary adoption of codes of ethics and create 'integrity islands'.
- transformation of the functions of SECODAM's auditors from 'paper reviewers' to public servants who would conduct 'real intelligence work' to detect corruption cases. For instance, using programs such as 'simulated users' in customs departments, police, procurement and other areas classified as 'critical zones'.
- prevention of corruption would be the priority.

Ironically, not focusing on this last statement caused Barrio a number of problems during the implementation of his plan, as later shown in this chapter.

New governments navigate in uncharted waters as they face the past. The Mexican case presented an extreme situation. As the first president elected from an opposition party in 71 years, his government had to decide how far the administration should look into the past. It was common to hear in the streets of Mexico's cities and towns that every *sexenio* – the six-year presidential term – would create a new generation of millionaires.

On the other hand, President Fox's administration had the opportunity to focus on building a more transparent and effective institutional environment that would foster a civic culture in which both public servants and citizens would jointly fight corruption. In short, it could implement a forward-looking reform plan based on a long-term perspective.

A mixed approach was ultimately taken. Issues confronted during the implementation of the original plan eventually required some fine-tuning and correction of the chosen course of action. Some of the key steps taken during the Fox administration to advance a national anti-corruption plan were as follows:

**Identifying the problem:** Since there were no good parameters in SECODAM that would provide a basis for assessing progress in the anti-corruption campaign, a good practice adopted by the Fox administration was to begin by identifying critical areas of corruption in the Mexican federal public administration. SECODAM conducted a survey in February 2001 in 205 government entities to create an official inventory of critical areas of corruption at the federal level. The results of this initial assessment are shown in Table 1.

**Table 1: Critical areas of corruption and most frequent circumstances or causes**

<b>Main findings:</b>	
1,914	Number of administrative units that were scrutinised
2,000	Critical areas that were detected
5,328	Irregular behaviors that were disclosed
7,118	Recommendations that were drafted
2,427	Obstacles that were identified
206,071	Public and civil servants in critical areas that were identified (16.4% of federal government employees)
<b>Main causes:</b>	
63.9%	Probability of discretionary behavior by public and civil servants
52.9%	Possibility of a bias in the performance of their tasks
37.6%	Chances to collude with other government employees in illegal actions
36.6%	Likelihood of bargaining conditions during the approval process of a permit
34.4%	Odds to have a face-to-face encounter between government officials and interested parties
34.2%	Probability of seeking extra income due to low salaries
33.6%	Possibility that government officials would meet to plan or uncover an act of corruption

*Source: Secodam 2001*

**Public consultation and stakeholder involvement:** Another important first step was to call on all sectors of society to jointly fight corruption. This constituted an important means to publicise and mobilise more resources in support of an effective policy action plan by expanding the role of social agents in the process of reform. This social pact is known as the National Agreement for Transparency and Combating of Corruption.

**Interagency cooperation:** A key step within government was to introduce institutional mechanisms to enhance interagency cooperation to become a more transparent federal government. This included the creation of the National Commission for Transparency and Combating Corruption.

**Measuring the problem and progress in combating corruption:** Fortunately for the Fox administration, civil society's interest in addressing the issue of corruption has provided important tools for all levels of government. Among these efforts, the most relevant are the surveys conducted by *Transparencia Mexicana*. During the 2003 National Survey on Corruption and Good Government (NCBG), TI-Mexico surveyed 14,019 households. The following list presents a series of conclusions reached by TI-Mexico and contrasts with the first survey conducted in 2001:

#### **Corruption acts in public service usage in Mexico:**

- Almost 101 million acts of corruption were registered in the previous 12 months. This was less than half of the 214 million incidents registered in the 2001 survey.
- The average cost of bribes per household was US \$9.30 (at an exchange rate of 11.50 Mexican pesos per US \$1). In 2001, the cost per family was of US \$11.87 (at an exchange rate of 9.22 pesos per US \$1).
- Corruption figures in public services accounted for US \$1.4 billion per year in the 2003 survey and US \$2.5 billion in the 2001 survey.
- Those households that reported giving a bribe used on average 7 per cent of their annual income in the 2003 and 2001 surveys.
- Corruption operates as a regressive tax in those household with an income of only one minimum wage. This group used an average 29.5 per cent of their income in bribes as reported in the 2003 survey, in contrast to the 13.9 per cent reported in the 2001 survey.

Sources: *Transparencia Mexicana* Surveys 2003 and 2001

As shown in the following table, overall the TI-Mexico corruption index (INCBG) shows progress in the fight against corruption between the 2001 and 2003 results per public service. Despite the reduction in the perception of incidences of public corruption, however, the economic burden to the poor has increased.

1	1	<i>Property tax</i>	1.6	1.4
2	2	Workers compensation	2.8	1.5
6	3	Tax services	3.2	1.7
4	4	Telephone services	2.9	2.3
11	5	Health Services. (e.g. emergency services, quicker access to care or skipping waiting lists)	4.3	2.5
3	6	Gas supply to households	2.9	2.8
14	7	Enrollment to social programs such as OPORTUNIDADES (anti-poverty), PROCAMPO(agricultural subsidies), subsidized milk, etc	5.9	2.8
8	8	Exemption from military draft	3.9	3.0
10	9	Mail services	3.8	3.2
13	10	Get a loan for a house, a car or business in private institutions	5.0	3.2
9	11	Enrollment in elementary schools	3.8	3.3
7	12	Visit a patient in hours not aloud for visits	3.7	3.3
12	13	Exams and Diplomas in elementary schools	4.7	3.4
5	14	Get a phone line	3.0	3.9
15	15	Passport	6.4	5.1
16	16	Public services: water, swage, lightning, parks, gardens, etc	8.5	6.3
25	17	Get the authority to cut trees	13.1	7.5
19	18	Accelerate born, death, marriage or divorce certificates.	10.0	7.9
17	19	Get a loan for a house or business in public institutions	9.4	8.1
22	20	Connection or reconnection of electricity services	10.7	8.3
21	21	Connection or reconnection of water services	10.8	8.6
18	22	Police patrolling in a neighborhood	9.7	8.9
20	23	Use of land permit	10.1	9.2
23	24	Updating car ownership	12.0	9.3
28	25	Judicial services	15.4	10.8
24	26	Get water from government sources	12.9	11.3
27	27	Get an antipollution permit for cars	14.5	11.5
26	28	Drivers license	14.5	11.9
29	29	Construction or demolition permit	16.8	13.2
30	30	Permit to work or sell in the streets	18.7	16.0
31	31	Get the authority to clean the sewage system	25.8	16.5
33	32	Denounce a crime, ask the authority to prosecute a crime or avoid policy prosecution	28.3	21.3
32	33	Ask the local government to collect the trash	27.0	24.4
34	34	Customs	28.5	25.8
35	35	Get a stolen vehicle back	30.3	26.0
37	36	Park a vehicle in places where individuals sell the right to park	56.0	45.9
36	37	<i>Avoid a ticket from a police</i>	54.5	50.3
38	38	Avoid car towing	57.2	53.3

The business sector also has commissioned similar studies for their own consumption by the *Instituto Tecnológico y de Estudios Superiores de Monterrey* (Monterrey Tech). The results of these studies reflect some of the costs of corruption and the effects of state capture – when government is co-opted by the economic power of the private sector. For instance, the *Consejo Coordinador Empresarial* (CCE), an elite business council group, and the Graduate School of Public Administration and Public Policy (EGAP) at Monterrey Tech concluded the following:

*‘For 39 per cent of the businesses that participated in the survey CEE-EGAP 2002, the belief is that similar enterprises or competitors use non-official payments to influence the “rules of the game” to their own benefit (i.e., the law, policy and regulation). They estimate spending approximately 8.5 per cent of their revenue in these activities. In the case of payments specifically directed to individual government officials for the same purpose, 62 per cent of the participants believe that other similar business make these payments.’*

Among the top ten largest non-official expenditures in Mexican businesses are bribes to:

- facilitate the issuing of permits and licenses;
- expedite public service delivery (water, sewage, electricity);
- avoid inspections by the Social Security services (labor health and safety);
- evade inspections by the Mexican tax authorities;
- secure government contracts in bidding contests;
- receive better quality public services (e.g., paved roads);
- obtain government contracts in non-bidding processes;
- attain government concessions;
- avoid being bothered by police; and
- achieve illegal reductions in taxes.

**Implementation and leadership:** Some implementation mistakes were made initially because of the perceived political use of high profile investigations that hyped the anti-corruption campaign in the context of a complicated political environment. These tactics deviated from the stated priority of focusing on preventing further corruption. In 2003, President Fox rectified the course of action. New leadership was appointed to revamp the anti-corruption strategy. Eduardo Romero Ramos was appointed minister. SECODAM was transformed into the Ministry of the Public Administration (SFP). This organisational change is allowing the new team to reorient its strategy to achieve the agency’s mission and policy goals.

Current trends show an institutional development approach as the SFP, in contrast with the high-profile campaigns, is focusing on consolidating advances in an array of programs designed to abate corruption and introduce transparency in government activities. The government reassessed strategies and fine-tuned the implementation of a two-fold strategy that has now begun to permeate through federal government agencies.

The two-pronged strategy has been defined by the Ministry of Public Administration as:

- 1) transparency and combating corruption; and
- 2) modernisation and good government.

#### **Lessons from mistakes:**

*The failure of the ‘big fish to fry’ approach:* Minister Barrio’s first efforts zeroed in on fighting corruption in specific areas of government guided by the internal ‘critical areas’ study and the TI-Mexico survey, for instance, in the area of customs service. Some successes were achieved. As mentioned earlier, however, there was a complicated political scenario faced by the new administration during the first months in power. Politics fed rumours of a possible witch-hunt against PRI members as the finances of the last electoral process would be scrutinised. In

addition, social activists wanted to obtain justice after decades of abuse, graft and political crimes. Thus, the reform agenda and the fight against corruption faced a rocky start. Mixing political agendas derived from the electoral campaign with administrative reform and an institutional anti-corruption plan represents a recipe for how not to proceed in the face of high expectations and an ambitious agenda.

*Mixed signals:* On 31 January 2001, while promoting the idea of transparency in government, President Fox disclosed his income and assets to the public. The government announced that all cabinet members would follow suit, but some members of the cabinet immediately opposed the idea. The claim was that this would put them and their families at risk given the high levels of insecurity and kidnappings prevalent in the country. The media began to report on this as a contradiction between what was announced in the campaign against corruption and the actions of the highest echelons of the Mexican public administration. The process of *cambio* or 'the change' began to seem selective or at least optional.

**Key achievements:** So far, the two most important measures taken during the Fox administration in the fight against corruption in Mexico are:

- passage of the Federal Law for Transparency and Access to Governmental Public Information of 12 June 2002 along with creation of an implementing institute, the Federal Institute for Access to Information (IFAI).
- creation of the Mexican civil service to induce a new and improved culture of public service in Mexico.

These two initiatives, in contrast with most of the other most pressing issues of the Mexican public policy agenda, were passed unanimously by the legislature. This fact reflects that there is a consensus in favour of putting up a strong fight against corruption in Mexico regardless of party affiliation.

### **Overall outcomes and current status**

*More transparency in the federal government:* A more transparent institutional environment empowers all Mexicans to effectively act to address the problem of corruption. No longer will it be only up to governmental anti-corruption initiatives to address the problem. Corruption can be contained by the active participation of citizens in governance and a strong civic culture.

*Civil service:* To minimise corruption, societies also have to directly address its causes and sources. With the creation of a civil service and the deepening of the process of modernisation of the Mexican federal public administration, the Fox administration attacks one of its sources. This strategy of organisational and cultural change provides the necessary instruments to improve the quality of government practices and will help to eventually regain people's confidence in public servants.

*Cultural change:* A remaining challenge is how to spread a culture of legality to the rest of Mexican society. An important educational and promotional campaign has been launched and is directed at all sectors of Mexican society. Major anti-corruption efforts and transparency policy efforts in general are currently limited to the federal government, however. State governments are just starting to catch up.