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LATIN AMERICAN REVIEW

JOURNAL OF PUBLIC GOVERNANCE AND POLICY: LATIN AMERICAN REVIEW

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EDITOR'S INTRODUCTION

The first issue of the *Journal of Public Governance and Policy: Latin American Review* publishes a couple of articles on Health System Reforms and Performance in Chile and Mexico, and two case studies on Metropolitan Governance (Guadalajara), and on the role of citizenship in the Public Spaces Rescue Program (Western Mexico) as well. A new section is also introduced in the current issue, that we call Essays, in which authors address public subjects of overarching scope explaining its policy and governance implications. In this issue a group of researchers writes on Governance, Transparency and Fiscal Responsibility. The reviewed book is *Democratic Governance in Latin America* (2010).

The call for papers for the next number of the Journal is now open to theoretical and empirical contributions of Latin American researchers. Our intention is to be a vehicle to make known and put forward the relevant research products of Latin American colleagues to the world scientific community.

Your articles, case studies, essays, book reviews on public governance, public policy and public administration subjects are welcomed and have to be sent prior to May 2nd, 2016.

Luis F. Aguilar/ Editor
Universidad de Guadalajara

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TOWARDS HEALTH-CARE EQUALITY? THE PERFORMANCE OF SEGURO POPULAR IN MÉXICO (2003-2013)*

Carlos Moreno-Jaimes and Laura Flamand*****

INTRODUCTION

The purpose of this article is to review the performance of a most ambitious initiative for public health care in Mexico, *Seguro Popular* (popular insurance), which aims to offer financial protection in health to all people not insured by the social security subsystem, around half of the population in Mexico.

Inequality is the paramount challenge for Mexico, especially in the health sector. Consider, for example, that a newborn in the state of Nuevo León (one of the wealthiest and most modern states) is twice as likely to survive her first year of life as another infant born in the state of Puebla (one of the five poorest states). As we show throughout the article, these inequalities are similarly noticeable when examining the inputs of health services (personnel, infrastructure), service delivery (waiting time in emergency services, distribution of medicines) and health outcomes (diabetes control, maternal mortality rates) How is Mexico solving this problem, is the government acting alone capable of alleviating it?

Although *Seguro Popular* is only a financial tool, its effects for health services and policy have been quite significant: reductions in out-of-pocket expenditures, increases in the use of health preventive services, and patients increasingly aware of their right to health-care. Furthermore, the initiative has opened the possibility for the creation of a universal health-care system in Mexico financed by general taxes instead of contributory funding tending to characterize social security.

*A substantive part of the argument offered in this article draws on previous research on the issue, specially our book (Flamand and Moreno, 2014), and a recently published article (Flamand and Moreno, 2015). However, we present it for the first time to the English-speaking public accompanied with fully updated data regarding the various dimensions of health inequality and the performance of Seguro Popular.

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We conclude, however, that much more has to be done to achieve health equality in Mexico. In particular, we suggest that given the new and substantial influx of federal funding to the services provided by the state governments, the latter have to be subjected to a higher standard regarding access and quality. This higher standard may be achieved through a combination of transfers dependent on reaching specific quality indicators, and vigorous citizen oversight.

The article is organized into three sections. In the first, we reveal that, by design, *Seguro Popular* aims to reduce two types of inequality in health-care provision: (a) In between the services for those with social security and those for the uninsured, and (b) among the Mexican states, given that the operation of public health services in Mexico is a responsibility of the state governments. The second section delves into the performance of *Seguro Popular* after ten years of its creation with the emphasis on financing (especially out-of-pocket expenditures), access to services, health outcomes, and the quality of service delivery. The third section explores the proposals to create a universal health care system in Mexico. We offer particular insights into the challenges faced by these proposals regarding finance and delivery of services.

HEALTH INEQUALITY AS THE FUNDAMENTAL PUBLIC PROBLEM IN MÉXICO

In this article, we claim that health inequality is one of the most salient public policy problems in the present time for Mexico. But before describing its magnitude and characteristics, this section attempts to clarify the concept of health inequality, to provide a broad perspective about its causes, and to indicate some implications for policy.

THE MEANING AND CAUSES OF HEALTH INEQUALITY

What is to be understood by the term “health inequality”? In a suggestive article, Margaret Whitehead (1990) argues that such a concept involves a key ethical dimension, as long as it refers to differences that are unnecessary and avoidable, but also unfair. Undoubtedly, in every society there are unavoidable differences in the health conditions of people, which derive from their biological disparities or from habits that could be harmful for their health. These situations can hardly be defined as unfair, as long as individuals freely choose them. However, there are many other situations that cause inequalities in health outcomes that are not influenced by people's determination, for example working under hazardous conditions, living in settlement without ad-

equate access to basic services such as drinking water, sanitation or electricity, or lacking enough money to pay for a basic medical checkup. Of course, all these are unfair situations because they are not determined by people's free choices, and also because they are unnecessary and could be avoided. Therefore, according to Whitehead, the goal of public policy is not to eliminate all the differences in health conditions, but to reduce or eliminate those derived from preventable causes. Whitehead proposes the following working definition:

Equity in health implies that ideally everyone should have a fair opportunity to attain their full health potential and, more pragmatically, that no one should be disadvantaged from achieving this potential, if it can be avoided (1990: 7).

If we agree with this definition of health inequality, the next important question is what do we know about its causes? Evidently, health inequality, as many other problems in the public policy realm, is a phenomenon caused by multiple factors, some of which have to do with individual decisions, but also with contextual dynamics. However, one of the most compelling arguments has been termed the "theory of fundamental causes" originally developed by Link and Phelan in 1995. They

argue that individually-based risk factors should be contextualized by examining what makes people vulnerable to risks, and whether social factors such as socioeconomic status and social support are "fundamental causes" of disease (Link and Phelan, 1995). In other terms, the authors contend that access to key resources (money, knowledge, power, prestige, and social connections) affects the manner in which people avoid risks and adopt strategies to protect their health.

In a more recent piece, Phelan, Link, and Tehranifar (2010) argue that social conditions remain the fundamental causes of health inequalities:

If the problem is cholera, for example, a person with greater resources is better able to avoid areas where the disease is rampant, and highly resourced communities are better able to prohibit entry of infected persons. If the problem is heart disease, a person with greater resources is better able to maintain a heart-healthy lifestyle and get the best medical treatment available (Phelan, Link, and Tehranifar, 2010, p. 30).

There seems to be strong evidence in support of the theory of fundamental causes. First, Phelan and colleagues demonstrate that low socioeconomic conditions are related to a multiplicity of dis-

eases and other causes of death –chronic diseases, communicable diseases, and injuries. Second, they find ample confirmation that socioeconomic inequalities in mortality are significantly evident for causes of death that are highly preventable, such as lung cancer and ischemic heart disease, but not for unknown causes of fatal diseases such as brain cancer and arrhythmias. Third, although the development of new knowledge improves overall health conditions, evidence indicates that it furthers the advantage of people with higher socioeconomic status.¹

What are the implications for health policy? If we adhere to the theory of fundamental causes as a basis to explain health inequality, we could derive two main propositions. First, it should be obvious that to reduce health inequalities it is necessary to lessen social disparities in general. This implies that policies aimed at redistributing the resources in a society might ultimately reduce the inequalities in the health domain. Second, following Phelan and colleagues, it is also clear that prioritizing the development of interventions that do not entail the use of resources (or that minimize their relevance) can reduce health inequalities. They recommend, for example, “providing health screenings in schools, workplaces, and other community settings, rather than only through private physicians; providing health care to all citizens rather than only to those with the requisite resources” (Phelan, Link, and Tehranifar, 2010, p. 37), and, in general, to develop interventions that are affordable and may be disseminated and implemented with ease. In this article, we analyze the performance of one of the most ambitious health reforms in the last decade in Mexico, which aims to provide financial protection to those people lacking health insurance. We demonstrate that such policy was relatively successful in removing financial obstacles to health care, one of the key dimensions of health inequality, but also highlight that it still has important shortages that call for a more profound reform.

¹ For example, Phelan, Link, and Tehranifar (2010) cite the work by Carpiano and Kelly (2007), which analyzed changes in breast cancer incidence following a finding by Women’s Health Initiative that linked hormone replacement therapy to increased breast cancer risk. They found that breast cancer incidence among white women age 50 and older (they were more likely to have been using hormone therapy before the new finding were publicized) dropped sharply, while incidence among black women in the same age group remained in stable levels. Another study in support of the theory of fundamental causes is a work by Glied and Lleras-Muney (2008), who conducted a systematic test based on a comprehensive set of diseases. They found that more educated people were the first to take advantage of technological advances that improve health.

THE KEY DIMENSIONS OF HEALTH INEQUALITY IN MÉXICO

Despite the fact that the right to health care was enacted in the national constitution since 1983, and notwithstanding that key health indicators have considerably improved in the country throughout the last decades (Levy and Schady, 2013), health inequality is a crucial and persistent problem in Mexico. Access to health care services varies dramatically across regions, social groups, and health care institutions, and these differentials explain, to a large extent, why health conditions in Mexico –measured through widespread health indicators such as life expectancies, mortality and morbidity rates, or the incidence of different type of diseases- are so terribly unequal. Consider, for example, that a newborn in the state of Nuevo León (one of the wealthiest and most modern states) is twice as likely to survive her first year of life than another infant born in the state of Puebla, among the five poorest states of Mexico (figure 1).

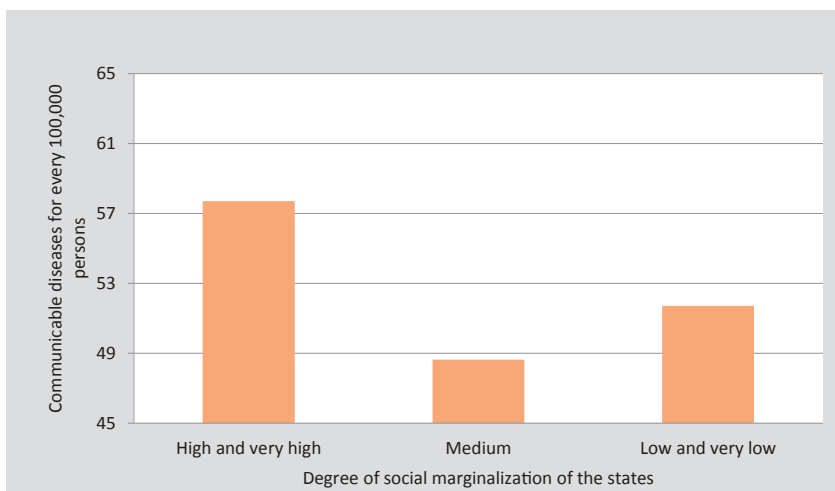
Figure 1 Infant mortality in the states of Mexico in 2013 (for every 1000 live births)



Sources: Conapo, 2015; DGIS, 2000.

These differentials are also manifest when analyzing the epidemiological profile of the regions of Mexico, some of which still suffer the typical illnesses of developing countries (infectious diseases, malnutrition, and others related to childbirth), while others are increasingly exposed to the afflictions of the industrialized world (chronic diseases, addictions, accidental injuries). In 2013, the rate of communicable, maternal, perinatal, and nutritional diseases was around 54.3 cases for every 100,000 persons, much lower than the rate of cardiovascular disorders, which is in the order of 125.8 cases for every 100,000 persons. Obviously, this sharp contrast between each type of diseases simply confirms the epidemiological transition undergone by Mexico for several decades. Figure 2, however, shows that the transition is heterogeneous across the territory given that the highest rates of communicable, maternal, perinatal, and nutritional diseases are prevalent in the most marginalized states.

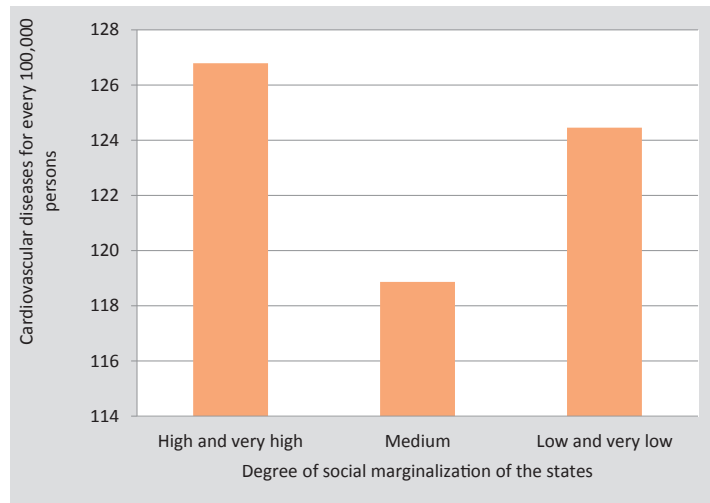
Figure 2. Communicable, maternal, perinatal, and nutritional diseases, 2013 (by level of marginalization in the states of Mexico)



Source: Authors' elaboration on the basis of DGIS, 2015

Even though it is reasonable to observe chronic illnesses (i.e. cardiovascular ailments or diabetes) in the wealthiest states, these illnesses prevail in regions with high and very high levels of socioeconomic deprivation as well (figure 3). These combined profiles of disease impose complex sanitary and financial challenges for the most underprivileged states (Rivera *et al.*, 2002).

Figure 3. Cardiovascular diseases in 2013 (by level of marginalization in the states of Mexico)



Source: Authors' elaboration on the basis of DGIS, 2015

As we discussed in the previous section, there is no single cause capable of explaining the high levels of health inequality in Mexico, but there is empirical evidence in support of the fundamental cause theory. For example, under-five mortality rates concentration indexes were found to decrease as mother education increases, as access to first-level health care facilities improves, and as the rates of house overcrowding diminished (Aguilera, Marrufo, and Montesinos, 2005). An important implication of this finding is that all these factors can be influenced by policy interventions, although not exclusively by those carried out by health authorities.

To what extent has public policy helped to mitigate the problem of health inequality? Although the next section provides a more detailed analysis addressing this question, first, we discuss some general facts about the health care system in Mexico, in particular, we underline that its current organization fostered the unequal health conditions of the population. In other words, the high inequality characterizing health conditions in Mexico is analogous to the disparities observed in the organization and operation of the federal health care system.

THE FRAGMENTED AND UNEQUAL HEALTH CARE SYSTEM IN MEXICO

In Mexico, health care services are provided by three types of institutions: 1) social security institutions that provide health care services for the formal workers (and their families) of the private and public sectors; 2) public institutions at the state level that provide health care services for the uninsured (workers of the informal sector and their families); and 3) health care providers of the private sector, available to anyone who can pay for their services. Nowadays, the uninsured comprises the vast majority of Mexico's population (in 2014, 70.1% reported lacking access to social security services, as shown in table 1), since informality is prevalent in the labor market. However, only 21.8% lacks access to health services, most likely due to the creation of *Seguro Popular* in 2004, a policy of financial protection in health for the uninsured that will be discussed in the subsequent section.

TABLE 1. LACK OF ACCESS TO SOCIAL SECURITY AND HEALTH CARE SERVICES IN MEXICO (MILLIONS OF PEOPLE), 2000-2014

Year →	2000	2012	2014
Deprivation due to access to social security	69.6 (60.7%)	71.8 (61.2%)	70.1 (58.5%)
Deprivation due to access to health care services	33.5 (29.2%)	25.3 (21.5%)	21.8 (18.2%)

Source: CONEVAL, 2014

Despite the fact that only a minority of Mexicans is entitled to receive the benefits of social security institutions (including health care), it has historically received preferential treatment from the government. In 1994, the government expenditure on health was, on average, 3,039 pesos for each person covered by social security, while only 820 pesos for the uninsured. That is, more than 80% of public financial resources for health were allocated to formal workers and their families, while informal, unprotected workers and their dependents received only 20% of such funding (see table 2).

This severe imbalance however, has been gradually rectified through-out time due to the implementation of *Seguro Popular*, and the associated reforms to the health sector in 2004. In 2013, for example, 55% of public spending on health was targeted to people with social security, while the uninsured received only 45%. The resource disparities between the two groups are also present in the allocation of human resources, but they have been addressed as well in recent times. The number of medical consultations in the institutions serving the uninsured has grown very rapidly since 1994, and nowadays the figure is even larger compared to that of social security institutions (table 2).

TABLE 2. RESOURCES AND PERFORMANCE A COMPARISON BETWEEN THE INSTITUTIONS SERVING THE INSURED AND THE UNINSURED IN MEXICO, 1994-2014

Year	General government expenditure on health per capita ^{b)}			Total human resources in the public health sector		Number of medical consultations	
	(% of total government expenditure on health)			For every 100,000 people			
	With social security	Without social security	Total	With social security	Without social security	With social security	Without social security
1994	3 039.2	820.3	1 988.6	606.7	422	1 601.7	913.1
	(80.5)	(19.5)	(100)				
2000	2 950.4	1 367.9	2 145.4	595.7	437.6	1 576.7	1 365.6
	(67.6)	(32.4)	(100)				
2006	3 880.9	2 101.7	2 902.3	581.7	491.6	1 511.3	1 796.1
	(60.2)	(39.8)	(100)				
2009	4 143.4	2 827.3	3 420.7	604.3	520.5	1 611.1	1 738.5
	(54.6)	(45.4)	(100)				
2013	5 523.9	3 545.5	4 429.0	672.0*	644.8*	1 648.3	1 745.0
	(55.7)	(44.3)	(100)				

Note: * data from 2014

Source: Authors' elaboration on the basis of DGIS, 2000, 2006 and 2012

Do these figures imply that the services of Seguro are performing better than the social security ones? We strongly doubt it, considering that social security beneficiaries are still advantaged in terms of financial resources and staff when compared with those uninsured. In other terms, it is most likely that the health care facilities for the uninsured population are facing congestion problems.

Expectedly, the beneficiaries of social security tend to have better health outcomes than the uninsured. Throughout the last 12 years, both infant and maternal mortality rates have been lower for people with social security than for the uninsured, although it seems that the indicators for the two groups are converging (table 3).

TABLE 3. HEALTH OUTCOMES
(LAST YEAR OF PRESIDENTIAL TERM)

Year	Infant mortality ^{1,a}		Maternal mortality ^{2,a,b}	
	Without social security	With social security	Without social security	With social security
2000	16.2	10.9	44.5	20.8
2006	11.5	9.8	30.2	15.6
2012	9.9	9.6	24.3	18.4

1 Infant deaths (under 5) per 1,000 live births.

2 Maternal deaths per 100,000 attended births.

a Population without social security includes: SS and IMSS-Oportunidades. Population with social security includes: IMSS, ISSSTE, PEMEX, SEDENA y SEMAR.

b The information for the year 2000 was found under the label pregnancy, birth and puerperium mortality; for the rest of the years, under the label maternal mortality.

Source: Calculated by the authors with information from DGIS, 2000, 2006 and 2012

Notwithstanding the terrible inequalities and challenges of its health care sector, Mexico is one of the countries in Latin America with the lowest levels of health care expenditure. Mexico spends in health (6.2% of GDP) considerably less than Brazil (9.7), Chile (7.7) or even Argentina (7.3), see table 4. From 2000 to 2013, however, the total health spending in Mexico grew by 1.1 percent of GDP, mainly due to the increase in the government budget for health, the share in the total health care expenditure rose from 46.6 to 51.7 percent. As we will discuss later on, this increase was due to the creation of *Seguro Popular* in 2004, which implied larger government health expenditure for the uninsured.

TABLE 4. HEALTH EXPENDITURE IN SELECTED
LATIN AMERICAN COUNTRIES, 2000-2013

Country	Total expenditure on health as a percentage of GDP			General government expenditure on health as a percentage of total expenditure on health			Out-of-pocket expenditure as a percentage of total expenditure on health		
	2000	2012	2013	2000	2012	2013	2000	2012	2013
Argentina	7.6	6.8	7.3	53.9	69.3	67.7	29	20.1	21.1
Brazil	7.2	9.5	9.7	40.3	47.5	48.2	38	30.3	29.9
Chile	7.2	7.3	7.7	36.1	47.7	47.4	41.9	32.4	31.7
Mexico	5.1	6.1	6.2	46.6	51.8	51.7	50.9	44.1	44.1

Source: WHO, 2015

A feature of health expenditure in Mexico meriting special attention is the extremely high level of out-of-pocket expenditure (44.1 percent of the total), more than 12 percent higher than in Chile or Brazil, and 23 percent more than in Argentina. The result is stunning because out-of-pocket expenses represent all direct outlays that households pay to private health-care providers every time they request services. This high proportion implies people are very likely to incur in catastrophic expenditures, which in turn may push them into poverty. Therefore, the World Health Organization regards out-of-pocket expenses as an inefficient and unfair method to finance health care, since it violates the principle of financial justice, which states that individuals should contribute to the financing of their health care according to their payment capacity, and they should receive services according to their health needs (WHO, 2015). The enormous share of out-of-pocket expenses² in Mexico was the principal reason for the creation of *Seguro Popular* in the mid-2000. We will discuss the operation and performance of this initiative in the following section.

² In 2006, the largest component of out-of-pocket expenditures was the purchase of medicines, 66 percent of the total (Wirtz et al., 2012).

A LONGITUDINAL ANALYSIS OF THE PERFORMANCE OF SEGURO POPULAR

Seguro Popular is a social protection health policy created by the federal government of Mexico in 2003 to provide financial protection to people without access to social security –more than half of its total population. By the time the policy was initiated,³ 60 percent of the total health expenditure of the country was private, mainly from out-of-pocket payments. This situation was deemed socially unacceptable for the reasons discussed in the previous section, thus, a paramount objective of the new policy was to reduce the proportion of this type of expenses, especially for its target population, the uninsured.

FUNDING AND SERVICE PROVISION UNDER THE NEW SYSTEM

Probably, the main innovation of *Seguro Popular* is its financial mechanism. Contrary to the approach dominant before its creation, *Seguro Popular* allocates resources depending on the demand for health care services –not in proportion to the supply of services, as it used to be in the past, where resources were transferred to states according, mostly, to the presence of health infrastructure (Moreno, 2005).

In order to halt the financial inequities across regions and social groups (primarily between people with and without social security) created by the prior system, it was determined that the funds were to be allocated on the basis of the number of affiliates per state. The funding of *Seguro Popular* is composed of three sources: the federal government (83 percent of the total), state governments, and the beneficiaries who were supposed to contribute proportionately to their income –the poorest are exempted from any charge.⁴ It is important to reiterate, however, that the amount of resources allocated to each state is completely determined by the number of individuals affiliated. As shown in Table 5, the number of insured

³ The Mexican Congress reformed the General Health Act (*Ley General de Salud*) in 2003 to create the *Sistema de Protección Social en Salud* (System of Social Protection in Health), although it is commonly known as *Seguro Popular*. For a comprehensive description of the principles of the reform and its main components see the work by Gonzalez-Pier et al. (2006).

⁴ As a matter of fact, beneficiaries do not contribute to fund the system, although these contributions were part of the original design of the program Gonzalez-Pier et al. (2006).

people, as reported by government sources, grew at an extremely fast rate throughout the 2004-2013 period, i.e. 55 million people were covered by 2013. Naturally, the financial resources budgeted for *Seguro Popular* have also increased, mostly at a similar rate than coverage.

The financial mechanism under *Seguro Popular* attempted to provide all uninsured people with a publicly funded health insurance covering a set of health care interventions and medicines as per the Universal Health Services Catalogue (*Catálogo Universal de Servicios de Salud* or CAUSES), as well as a package of expensive interventions that may result in catastrophic expenses. These high cost interventions were financed under a trust fund denominated Fund for Protection against Catastrophic Expenditures (*Fondo de Protección contra Gastos Catastróficos*, or FPGC). The result is that the beneficiaries of *Seguro Popular* do not to disburse any payment when visiting a medical facility or receiving any treatment.

TABLE 5. NUMBER OF PEOPLE INSURED AND SPENDING SEGURO POPULAR, 2004-2012

Year	Number of people insured	Spending (million pesos, current prices)
2004	5,318,289	3,462.80
2005	11,404,861	6,382.50
2006	15,672,374	12,170.40
2007	21,834,619	18,864.30
2008	27,176,914	24,915.60
2009	31,132,949	31,275.30
2010	43,518,719	37,029.50
2011	49,178,366	45,165.80
2012	52,900,000	63,129.60
2013	55,637,999	66,922.30

Sources: Office of the Presidency, 2011 and SPSS, 2014.

The provision of health care services continues under the responsibility of state governments, along the lines of the decentralization of health services set by the federal government during the 1980s and 1990s.

The new policy created government agencies at the state-level: the state regimes of social protection in health (*Regímenes Estatales de Protección Social en Salud* or REPSS) in each of the 32 Mexican states. The most important function of REPSS is to manage the financial resources of *Seguro Popular*, and also to guarantee the provision of effective and high-quality health care services to affiliates in each state. In other words, the REPSS were established to oversee that the right to health care for all affiliates is effectively protected.

Given our claim that inequality is one of the fundamental public policy problems for health care protection in Mexico, it is worthy to investigate whether *Seguro Popular* has ameliorated the disparities among people and regions. Therefore, in the following sections, we analyze the performance of the program along its key dimensions. That is, we explore whether *Seguro Popular* has contributed to (a) diminishing the historical financial imbalances between the two subsystems, as well as between regions; (b) reducing health-related out-of-pocket and catastrophic expenses, and (c) guaranteeing access to effective health care services provided under reasonable quality standards to all beneficiaries.

DIMINISHING FINANCIAL IMBALANCES

We have previously shown that social security institutions and its beneficiaries have, for many years, received preferential treatment from the government, as the lion's share of public spending was targeted to them. The creation of *Seguro Popular*, however, has implied that the funds devoted by the government to the health care of the uninsured have increased dramatically. As table 2 illustrates, this has turned into a more balanced situation for both groups. In addition, the financial disparities have diminished between regions, since the difference between the state receiving the highest level of federal spending on health (per capita) and the state receiving the lowest was halved in the 2000-2010. The level of variability in the contribution of states to the health sector finances has diminished as well, even though such contribution represents no more than 17% of total public resources (see table 6 for additional details).

REDUCING OUT-OF-POCKET AND CATASTROPHIC EXPENDITURES

According to the OECD, out-of-pocket expenses as a share of total health expenditure in Mexico fell from 52.9 percent in 2004, to 49 percent in 2011. Is it possible to attribute this reduction to the implementation of *Seguro Popular*? There is mounting evidence suggesting it is indeed likely.

After analyzing data from the 2012 National Survey on Health and Nutrition, Avila and colleagues (2013) conclude that the program has reduced out-of-pocket expenses, but that reductions vary depending on the socioeconomic conditions of households (the effect is lower among the most vulnerable families), and across regions (there seems to be no effect on rural areas). Also, other studies have demonstrated that *Seguro Popular* has diminished health-related catastrophic expenses⁵, both in rural and urban zones. This finding, however, does not hold in situations where the beneficiaries only have access to facilities with insufficient and low-quality medical staff (Grogger et al., 2014).

Finally, a work by Wirtz et al. (2012) focuses on the effect of *Seguro Popular* on out-of-pocket expenses for medicines, which in Mexico accounts for 5 percent of a household disposable income. Wirtz and coauthors find that affiliation to the program does not have any significant effect on the percentage of medicines expenditure out of total disposable income in comparison to households without health insurance. They offer two potential, though not necessarily rival, explanations to the fact that people insured by *Seguro Popular* continue incurring in out-of-pocket expenses for medications: (a) that the drugs included in the package of interventions (Causes) do not match the clinical needs of the households, and (b) that there is shortage of medicines in the facilities at which they consult.

⁵ Health-related catastrophic expenses are those representing 30 percent or more of the income of a household discounting food expenses. In addition, "impoverishing" health expenses are those which, regardless of their magnitude, push a family below the official poverty line (Frenk and Gómez Dantés, 2008: 63).

TABLE 6. EVOLUTION OF FINANCIAL IMBALANCES IN THE HEALTH SECTOR MEXICO 2000–2010

Dimension	Indicator	2000	2004	2010
Level	Health expenditure as percentage of GDP	5.1%	6.0%	6.3%
Source	Out-of-pocket health expenditure as percentage of total health expenditure	50.9%	51.7%	47.1%
Distribution	Ratio of per-person public expenditure between those covered by social security agencies and those without social security	2.1 to 1.0	2.1 to 1.0	1.2 to 1.0
Distribution	Ratio of federal per-head expenditure on health in the state with the highest figure to that in the lowest	6.1 to 1.0	4.3 to 1.0	3.0 to 1.0
State contribution	Variability in state contribution to health-care financing (coefficient of variation)	1.0	0.8	0.7
Allocation of funds	Percentage of Ministry of Health budget devoted to investment	3.3%	3.1%	4.4%

Source: Knaul et al. (2013: 9).

Murayama-Rendón (2011) provides evidence showing that, even though the program established an upper limit of 30% for the purchase of medicines, in 2009 it only spent 15% of its total resources for that purpose. Furthermore, the same study discovered that 47 percent of the total purchases of medications completed by *Seguro Popular* are far beyond the maximum price limits set by the federal operator of the program, which clearly points to a fairly inefficient financial management at the state level (Flamand and Moreno, 2014, chapters VI and VII).

GUARANTEEING EFFECTIVE ACCESS TO HEALTH SERVICES

The increase in the number of affiliates to *Seguro Popular* is, definitely, one of its main accomplishments, even though, as we showed before, in 2014 there were still 21.8% of people who reported not having any type of access to health services.⁶ Beyond formal access, however, an important question is to what extent are affiliates actually using the health care services covered under the policy.

The evidence on this issue is quite positive. For example, a study by Scott (2005), one of the first external evaluations of *Seguro Popular*, demonstrates that, from the very initial stages of the policy, affiliates had higher rates of service use compared to people without any other health insurance, regardless of their income levels. Gakidou and associates (2007) also find that affiliates have increased utilization rates of health care services, but particularly among those with greater health needs, residing in the less developed states, and of the lowest income levels.

On a similar vein, Sosa and colleagues (2009) show that *Seguro Popular* promotes health care service utilization among people with diabetes, and it also boosts hospitalization for obstetric services. A recent piece by Leyva-Flores et al. (2014) focuses on primary health care utilization by indigenous people. Based on quasi-experimental methods, they find that *Seguro Popular* offsets the barriers preventing the use of primary health care services by indigenous and

⁶ It is important to observe that there are significant differences in the number of affiliates reported by different sources. A likely explanation for these discrepancies is that the enrolment process run by the states incorrectly registers people who are already social security beneficiaries.

non-indigenous in similar socioeconomic conditions, which suggests that “it is not being indigenous per se, but rather the lack of financial assurance for accessing health care, that hinders primary health care utilization” (Leyva-Flores et al, 2004: 4). The effectiveness of the policy on service use has, naturally, rendered positive results on health outcomes. In a recent article, Pfutze (2014) demonstrates that Seguro Popular had a large and significantly negative effect on infant mortality. In his words, “the risk of a child dying in the first month of life is reduced by close to 5 out of 1,000 (or 0.5%) for the population at large and by around 7 out of 1,000 (0.7%) for the program target population” (Pfutze, 2014: 485).

PROVIDING HEALTH CARE UNDER REASONABLE QUALITY STANDARDS

Despite the fact that *Seguro Popular* has clearly abated the financial imbalances of the health sector in Mexico, and no matter its positive results on affiliation, service utilization, and out-of-pocket and catastrophic expenses reduction, it still has important shortcomings in the quality of service provided.

Recall that the delivery of health-care services covered by *Seguro Popular* is the responsibility of 32 state-level health-care systems, and that the management of financial resources and service delivery coordination is controlled by 32 different agencies (the REPSS) that are mandated to act on behalf of affiliates.

It is crucial to note, however, that the health systems in the states are rather heterogeneous in their capacities and performance. For example, in Fláman and Moreno (2014), we show that state health systems in Mexico present massive discrepancies in the manner in which they accomplish essential public health functions such as monitoring the health status of people, developing policies to support individual and community health efforts, enforcing laws and regulations to protect health, and many others.⁷

In addition, there are also important variations across the state-run health systems regarding the specific im-

⁷ A list of 10 essential public health services are proposed by National Public Health Performance Standards Program, 2013

plementation of *Seguro Popular*. We found, for example, that not every state has invested the same effort in obtaining quality accreditation for state-run clinics (a crucial requirement to receive financial support from *Seguro Popular*), and that the number of “medical adjusters” (health care agents responsible of guarding the interests of the beneficiaries of *Seguro Popular*) varies significantly across the 32 states: while the state of Baja California Sur reports 6.2 medical guardians for every 100,000 persons, the figure for Querétaro barely reaches 0.2.

TOWARDS HEALTH CARE EQUALITY WITH A UNIVERSAL SYSTEM?

The basic elements of a system of a universal social protection discussed during the presidential campaign of Enrique Peña Nieto (2012-2018) were health, life and unemployment insurance, as well as a guarantee for minimum income and a pension for retirement. These must be funded with general tax revenues instead of payroll contributions (CEEY, 2012). Beyond the campaign trail, the government of Peña Nieto committed to the creation of a truly universal social protection system, and of the universal health care system in the *National Plan for Development 2013-2018*.

Health protection is meant to secure the health of a population from birth through old age. In a universal system, health care must include maternity care and preventive services, quality must be guaranteed by law, and services should be available when and where needed. Health care must be affordable and people need to be financially protected against associated costs such as payments for services received, transportation and economic loss experienced due to reductions in earnings.

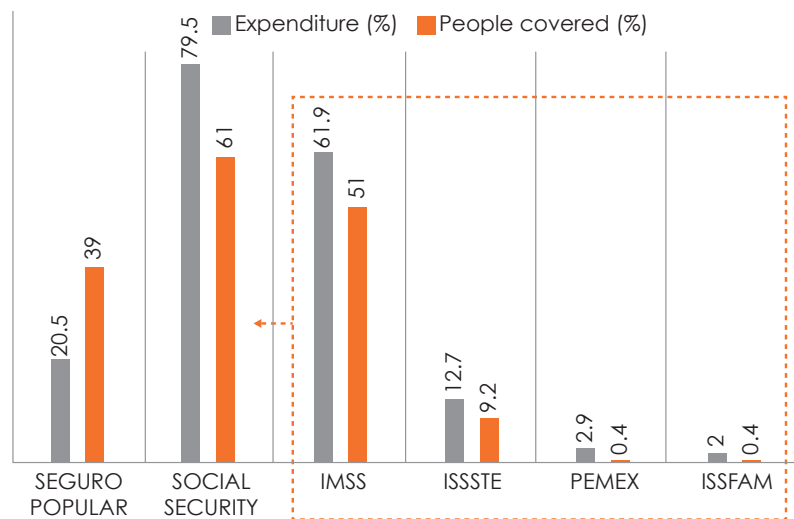
In this section, we describe the most prominent health policy initiatives promoted by President Peña Nieto in the 2012-2015 period to suggest that they are not definite stepping-stones towards universalism, but mostly fragmented efforts reinforcing the two-tier inequality of the health protection offered in Mexico through social security and social assistance.

Historically, as we discussed in the first section of the article, the coverage, generosity and quality of the services and goods provided by each subsystem have been highly unequal favoring social security beneficiaries. For example, note that while the health services provided by the social security subsystem cover only 61% of the total population, they disburse almost 80% of the total public health expenditure (figure 4).

In general, regarding social assistance to those uninsured, of the three social programs with the largest budgets two do not have a structure

tending to universality.⁸ As discussed below, *Seguro Popular* targeted the poor predominantly and now gives access to fewer or lower quality services than social security, thus, they may not be associated to a transition to a universalistic structure of the social protection system (Martínez-Franzoni and Sánchez-Ancochea, 2014, pp. 16-17).

Figure 4. Public health care in México 2013 (% of coverage and of expenditure)



8 Of the total budget devoted to social development, in 2013, Oportunidades/Prospera received 3.94%, Seguro Popular 3.44% and Pensions for Old Age 1.49% (Office of the Presidency 2014).

9 There are several pieces of research stressing the virtues of universalism, for example, Holzmann and Hinz (2005) and Gill et al. (2005). For a detailed explanation of each advantage and further examples, see Martínez-Franzoni and Sánchez-Ancochea (2012), pp. 8-15.

In a rather stimulating working paper, Martínez Franzoni and Sánchez Ancochea (2012) summarize the reasons why universalism is both important and superior to means-tested interventions; here I only list the reasons. Universal policies can be more redistributive towards the poor than means testing, they do not create stigma, they are easier to manage, and they may have powerful and positive macro-social impacts. For example, universal policies tend to create cross class coalitions favoring social cohesion, which then thrusts for the expansion of public spending and the improvement of service quality.⁹

From the mid-1990s to date, several countries in Latin America have introduced a variety of programs, including noncontributory pensions and health insurance, and cash transfers targeted to the poor. Levy and Schady (2013) consider that these policies have

resulted in considerable improvements in the well-being of the poor in Latin America. In Mexico, these programs are associated with several positive outcomes: for example, *Seguro Popular* decreased the catastrophic health expenditure of the affiliated families by 23 percent (King *et al.* 2009) while *70 y más* reduced the poverty gap among recipients from 0.61 to 0.46 (Galiani and Gertler 2009).

These noncontributory programs raise various concerns, as they are expensive, face mounting pressures for increases in coverage and benefits (given that these and contributions are not directly linked), and may also discourage formal employment (Levy and Schady 2013, Bosch and Campos-Vazquez 2014). Overall, the fragmentation of social security reduces the overall efficacy of insurance, diminishes domestic savings, and misallocates resources with rather negative impacts on productivity and growth. Furthermore, according to Scott (2005b), programs are subject to the political decisions and priorities of the government in office, and are limited by the yearly budget allocations.

As a consequence, Levy and Schady (2013) suggest to reform social protection such that policies (a) pay closer attention to the quality of services, (b) strive for a more balanced distribution of benefits, and (c) move towards sustainable sources of finance, particularly, emphasizing the link between contributions and benefits.

To sum up, in general, governments have three policy instruments at their disposal for social protection: social assistance, social insurance, and universal policies. In addition to the clear advantages of universalism discussed previously, in the Mexican case it has been shown that social insurance is highly regressive (Scott 2005a y 2005b), and thus exacerbates inequality in a country plagued with acute economic and social disparities (Esquivel, 2015).

Are the initiatives promoted by EPN (2012-2015) enhancing the universalistic structure of the social protection system? To start with, several works have sketched the nature of the social assistance interventions capable of promoting a universalistic structure. In favor, they point towards program interlinked to universal health-care and education; in opposition, to interventions targeted to the poor exclusively or giving access to fewer or lower quality services (Martínez-Franzoni and Sánchez-Ancochea 2014, p. 18). The government of EPN has not progressed in this component despite having promised to do so in the planning documents of the administration. The National Development Plan (2013-2018) announced that a legislative bill would be submitted to Congress for creating the Universal National Health System; the bill has not been presented to the Congress to this date.

The current popular insurance program (*Seguro Popular*) has

been in place since 2003 and does not show a structure leading to universalism: it mainly serves the poor, and it offers both a restricted and lower quality package of services than the health services offered by social security (Flamand and Moreno, 2015). Apparently, the government is carrying out the preparatory work essential for the reform.

The Health Undersecretary in office, Eduardo González Pier, stated that the aim of the government of EPN is to transform the current organization of the system in practice given that legal or budgetary changes would be worthless without appropriate instruments for the provision of services (infrastructure, management practices and human resources). Thus, the keystones for health system reform are, according to González Pier, administrative, labor and financial agreements among the different health providers.

The government of the Federal District refused to sign the agreement needed for the implementation of *Seguro Popular* in the city for three years (2003-2006). The local Minister of Health, a leading public health scholar, argued that *Seguro* worked against the universalization of health services that her administration was promoting. The federal program implied such a large subsidy for the City that the local government finally balked and now tries to coordinate the actions of both programs.

CONCLUSIONS

The main purpose of this article is to evaluate the performance of *Seguro Popular* after more than 10 years in operation. In the first section of the article, we defined health inequality and emphasized that socioeconomic status and social support are fundamental causes of disease. This opens the door for government intervention in health beyond direct medical attention, as a network of social support operated or regulated by the government may improve socioeconomic status (e.g. with education, training or subsidies). Then we carefully described the fragmented health care system in Mexico and illustrated the profound and expansive health inequalities present in two dimensions: first, the differences between the population protected by social security and those uninsured, and, second, across the states.

The health arena in Mexico proves to be highly unequal in terms of conditions, financing, access and quality. The article reveals that Mexico spends a rather low share of its PIB in health even in comparison with other Latin American countries and that a primary source of inequality is the large share of out-of-pocket expenditures (44%).

In the face of this rampant inequality in the health sector, especially for those uninsured, the Mexican government launched *Seguro Popular* in 2003 in an at-

tempt to offer financial protection in health, better access and quality services to the 55 million of Mexicans with no health insurance. It is crucial to note that the implementation of *Seguro Popular* confronted the particular challenge of financing services to be provided in a decentralized context, given that state governments are responsible for offering health services to the uninsured population since the mid-1980s.

In the second section we analyzed the performance *Seguro Popular* with the most recent data and studies available along four dimensions: financial imbalances between subsystems, out-of-pocket and catastrophic expenses, access to effective health care under reasonable quality standards.

Diminishing historical financial imbalances. The inequality between the two subsystems in terms of expenditure has diminished noticeably. The share of the total government expenditure for the uninsured has increased from 39.8 to 44.3% in the 2006-2013 period. In addition, the difference in transferred resources to the state receiving the highest level of federal spending on health (per capita) and the state receiving the lowest diminished by half between 2000 and 2010.

Reducing health-related out-of-pocket and catastrophic expenses. We present mounting evidence that *Seguro Popular* has reduced out-of-pocket payments as a share of total health expendi-

ture in Mexico (from 52.9% in 2004 to 49% in 2011). Purchasing medications, however, continues to be an important source of out of pocket expenditures for affiliated families pointing to the need of reviewing purchasing practices and reforming the financial management of the funds transferred to the state governments via *Seguro Popular*.

Guaranteeing access to effective health care services. It is clear that the per capita financial transfer to state governments for each new affiliate to *Seguro Popular* as an incentive for increasing the coverage of the intervention has been a resounding success, i.e. state governments affiliated 55.6 million people during 10 years of operation (2003-2013).

In 2014, however, there were still 21.8% of people reporting no access to health services which points to an overlap of social security beneficiaries and *Seguro Popular* affiliates. A complementary explanation may be the fact that when health care facilities are of low quality, understaffed or located far away from the place of residence of the interviewee, he tends to report having no health care protection.

A quite attractive positive effect of *Seguro Popular* is related to the utilization of health care services. We reported several studies showing that affiliates have higher utilization rates of health care services than the control groups, in particular, people with greater health needs, residing in the less

developed states, and with the lowest levels of income.

Despite the fact that *Seguro Popular* has clearly abated the financial imbalances of the health sector in Mexico, its positive results on affiliation, service utilization, and out-of-pocket and catastrophic expenses reduction, it still has important shortcomings in the quality of service provided. We suggest that given the new and substantial influx of federal funding to the services provided by the state governments, the latter have to be subjected to a higher standard regarding access and quality. This higher standard may be achieved through a combination of transfers dependent on reaching specific quality indicators, and vigorous citizen oversight.

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UNIVERSALIST REFORM OF THE HEALTH SYSTEMS IN MEXICO AND CHILE. A CHANGE OF TIME OR HISTORICAL INERTIA? *

Carlos E. Barba Solano**

INTRODUCTION

Fernando Filgueira has recently noted (Filgueira, 2013) that in Latin America we are reaching the final stage of broad era of conservative modernization¹ that has included three phases: the exporter oligarchic capitalism of the 19th century, the industrialization by imports substitution (IIS) stage and the phase of economical liberalization that begun in the 1980's. According to him, in this last phase, it was proposed a new way for modernization that drastically limited the role of the State in the economy, promoted opening of markets and limited the range of social policies compatible with the new project, but it did not solve the inclusion deficit that characterized the previous stages (Filgueira, 2013: 19-20).

In his opinion, this long process is concluding due to the neoliberal project success in three aspects: the consolidation of an electoral democracy, the increase of population's educational qualifications and society's exposure to new and wide consumption patterns. These three factors, he says, have mined the political bases of conservative modernization because they generated a revolution of expectations that cannot be fulfilled, because the liberal reform did not get sustained economic growth nor wealth redistribution, nor a wide social access to different markets. Therefore, in today's current democratic context, political and economic elites would lack of sufficient tools to untie the region's stratified bondages.² (Filgueira, 2013: 18-25).

* This article contains several elements of a priority published chapter in 2013 (Barba, 2013) and a lecture in 2015 (Barba y Valencia, 2015).

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1 Following Barrington Moore (1966), Filgueira notes that this kind of modernization's characterized by the action of elites driving the modernization of their countries trying to keep stratified privileges untouched inherited from pre-industrial pre-modern stages. (Filgueira, 2013: 20).

2 Filgueira points out that "elites... will be part of the new process, but they will from positions of power that rely on competitive electoral alternatives in a mass democracy (Filgueira, 2013: 18)

As a corollary of this thesis, Filgueira assures that “a turn to the left” has been produced in our region, that in the social scope is expressed as a change in the orientation of its social policies and in the citizenship conception. All of it as a consequence of the extension of the State's fiscal capacities, the establishment of wide programs of conditioned cash transfers (CCTs), the appearance of care policies aimed at reducing gender inequalities and a solidary turn of insurance schemes in the fields of pensions and health³ (Filgueira, 2013: 30-38).

In the scope of social policies, particularly in the field of health services we are interested in, the axis of this transformation in Latin America would be the emergence of a basic universalism in different versions⁴, that could crystallize into a universal benefits and basic transfers system, combined with an additional non-contributory pillar and/or a private assurance to access goods and non-essential services (Filgueira, 2013: 39-40).

With no doubt, Filgueira's proposal is highly controversial but serves in heuristic terms to analyze what is happening in different types of social protection systems in Latin America. In the specific case that concerns us here, our interest is to analyze the scope and limitations of reforms to health systems of Chile and Mexico, which could be framed on the aforementioned ‘epochal change’ hypothesis or could contradict it. The specific interest covered by these reforms is that both assume as a purpose to universalize some segments of the public health services in both countries.

To achieve this objective, the first segment of this article will examine traditional patterns of health systems in the region. The second will review the type of health systems prevailing in Latin America. The third will examine the general characteristics of health reforms in Latin America, political contexts and the main actors in the reforms. The fourth will review the three reformist waves that have been developing since the eighties. The fifth will analyze the health reforms in Chile and Mexico. We will conclude with a final reflection on the strength of the previously mentioned hypothesis brought to the light of the two reforms.

3 In another article, I have already done a critique of this thesis using the Mexican case to show that the ‘left turn’ mentioned by that author does not apply to the Mexican case even though some of its requirements are met; it is recommended to look for Barba (2015).

4 That deviate from an ideal model as Filgueira, following Pribble (2013), define as “full universal coverage -examples: all families with children, all seniors, all the unemployed, the entire population with access to health- based on objective criteria and sustained by laws that support basic rights, adequate and homogeneous quality of services and low or no transfers stratification and general revenue financing -with a progressive tax base- or tax models whose architecture, combined with the benefits, generate progressive effects” (Filgueira, 2013: 39-40).

I. THE TRADITIONAL PATTERNS: FRAGMENTATION AND INEQUITY

A common tendency in Latin America is to institutionalize different protection mechanisms for formal wage sector (insured through contributory schemes), for higher-income sectors (insured through schemes of voluntary and private affiliation) and for vulnerable sectors without access to other systems (through the usage of public assistance for healthcare) (Tobar, 2006: 284).

The social security often provide care for middle-income strata, which appear as relatively privileged compared to the rest of the population (Abel and Lloyd-Sherlock, 2004: 808). The dominant pattern in Latin America has been denominated “fragmented pluralism,” a term that emphasizes heterogeneity and inequity in the distribution of rights and the access to health services for different segments of the population. (Tobar, 2006: 284)

Therefore, while at one end of this model, some citizens have access to innovative medical technology; on the other, the poorer are doomed to low quality services. This segmentation has been generating fragmentation and social inequality and since the second half of the eighties it has worsened as a result of the crisis in the formal labor markets, which increased inequality within this model and severely limited its expansion during the last two decades. (Tobar, 2006: 284)

Furthermore, the segmental nature of these systems results in diminishing returns of health investments. In Latin America, traditional pluralist model is ineffective because the quality and responsiveness of each subsystem and each service are very heterogeneous.

As various authors highlight, this lack of efficacy is expressed by the actual increase of diseases that should have been eradicated⁵, eradicated diseases that resurfaced⁶ and emerging diseases that challenge the capacity of national health systems and reveal the limitations of Global health schemes⁷ (Tobar, 2006: 285; Abel and Lloyd-Sherlock, 2004: 801, Franco and Alvarez, 2009).

5 Such as malaria.

6 Such as tuberculosis.

7 Such as AIDS or the H1N1 pandemic influenza.

However, although this structural trend has been deployed throughout the region, not all systems share the same characteristics, as indicated by the classification of health systems proposed by Mesa-Lago: unified systems, dual, tripartite and quadripartite (Mesa-Lago, 2007)

II. TYPES OF HEALTH SYSTEMS IN LATIN AMERICA

To paraphrase Mesa-Lago (2007), it could be said that there is a predominance of three major types of health systems in Latin America: unified, dual and tripartite⁸. The first type is characterized by having a unified public health system; the second has many variations but always includes a public segment and a private one; while the third differentiates between the public segment, the social security segment and the private one (Mesa-Lago, 2007: Table 7.1).

A unified public system only exists in Cuba, one quadripartite only in Colombia. Dual systems are infrequent these are the cases of Brazil, Chile, Costa Rica, Haiti and Panama. The most common type is the tripartite system, such as in Argentina, Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru and Venezuela (Mesa-Lago, 2007: Table 7.1).

Mesa-Lago underlines that stratification does not determine the degree of integration and coordination between the various systems. In his opinion, there are only two cases where the degree of integration and coordination is very high: Cuba and Costa Rica, the first unified, the second a dual system. Two cases have achieved an average degree of integration: Chile (a dual system) and Colombia (a quadripartite system). In contrast, in the rest of Latin America, systems are neither integrated nor coordinated (Mesa-Lago, 2007: Table 7.1).

This point of view may be tempered a bit considering that Brazil, after the 1988 reform, managed to form a unified public health system, which significantly advanced their degree of integration (Barba and Valencia, 2015).

⁸ Some are even quadripartite, as in the case of Colombia.

Stratification is not determinant in the coverage levels that systems may achieve as Mesa-Lago (2007) draws attention to, there are seven cases that between 2001 and 2004 had reached very high levels of coverage: Cuba, which has an integrated system; Brazil, Chile, Costa Rica that are dual; Argentina and Mexico that are tripartite. In all those cases health systems covered between 97 and 100% of the population ⁹ (Mesa-Lago, 2007: Table 7.1).

Instead, coverage levels clearly appear to be close related with the types of regional welfare regimes. According to Barba (2003, 2007) and Filgueira (1998, 2004) ratings, all health systems with high levels of coverage belong to Dual and Universalist regimes (liberalized or not).

While virtually all health systems with medium or low levels of coverage or those that do not generate reliable information, belong to the "exclusionary" welfare regimes according to the ratings of Barba and Filgueira or "informal family-orientated" according to the classification of Martinez Franzoni (2008).

III. GENERAL CHARACTERISTICS, CONTEXTS AND ACTORS OF HEALTH REFORMS

Since the eighties in Latin America, there has been a recognition of the need to reform health systems in order to deal with enormous challenges derived from demographic and epidemiological changes, but also technical and financial problems. These reforms demand an approach that considers social, economic and political aspects profoundly intricately in this theme. In this task, the standpoint of social policy can be very useful.¹⁰

Health sector reforms have been defined by the Pan American Health Organization (PAHO) and the World Health Organization (WHO) as "*... a process that aims to make substantive changes in the different health institutions and the roles they play, to increase the equitable distribution of its benefits, the efficient management and meeting the health needs of the population. This pro-*

⁹ Colombia and Peru are two cases where reliable data indicates that coverage is medium and located in a range of 67 to 84 % of the population. The remaining cases are characterized by low coverage or lack of reliable indicators (Mesa -Lago, 2007: Table 7.1).

¹⁰ The operation of the health sector clearly influences economic growth, in developing the capacities of individuals to participate in the market, the levels of welfare of different social segments, the potential for reducing social disparity, addressing poverty or respond to social risks faced by vulnerable sectors of society .

*cess is dynamic, complex and deliberate, is performed at a precise time frame and is based on conditions that make it necessary and viable*¹¹ (PAHO and WHO, 2004: 3)

The development of reforms includes several stages; it is slow and often involves the direction of governments across party lines. As we have seen, in some cases the reforms are structural in nature, involve legislative changes, affecting most of the functions of the health system, alter the relationship between public and private actors; in others they are very limited, concentrate on specific subsystems, or administrative changes such as management models (Infante et al., 2005: 15).

Types and paradigms of reforms

As noted in **Table 1**, these reforms can be classified as *partial and incremental* and as *structural or systemic*.

TABLE 1. TYPES OF REFORMS IN TERMS OF ITS REACH

Partial or Incremental	Structural or Systemic
<ul style="list-style-type: none"> • Do not require changes to existing institutions. • Neither the creation of new ones. • Its primary objective is to improve functions of health systems through relatively minor changes. • Additional complex changes. 	<ul style="list-style-type: none"> • More complex. • Seek for a deep transformation of existing systems. • Try to reduce its segmentation. • Generate new institutions.

Sources: Own elaboration from Lordoño and Frenk, 2000; World Bank, 2005 and La Forgia, 2006.

According to these criteria, the reforms of the eighties decade tended to be partial or incremental while those in the nineties and the ones made since the year 2000 proposed structural changes.

According to Mesa-Lago (2007), the big difference between the reforms of the 90s and the most recent are paradigmatic. Latin-America have fluctuated between two opposing paradigms: reforms aimed to liberalize¹² health systems or seeking to universalize the right to health. **Table 2** describes these two extremes.

¹¹ The translation is mine.

¹² Liberalizing or Downsizing of Government, as shown in **Table 2**, is equivalent as to give to the market a central role in the provision of welfare.

TABLE 2. PARADIGMS OF REFORMS TO HEALTH SYSTEMS

The residual paradigm	The universalist paradigm
a) Emphasizes market mechanisms b) The expansion of the private sector c) The competition between institutions offering same services d) Freedom of choice of beneficiaries e) Cost reduction f) Efficiency g) Financial sustainability h) Separation of functions	a) Search for universal coverage b) Promotes equity c) Guarantees social rights d) Promotes community and social participation

Source: Own elaboration from Mesa-Lago, 2007: 161-162.

According to PAHO and WHO recent reforms in the Latin-American region have emphasized financial, structural, institutional and administrative aspects, but have paid little attention to improving the services provided by health systems or to the reduction of inequality in conditions or access to health or even to strengthen management functions or health authorities (PAHO and WHO, 2002 to 2004).

Another tendency has been to mix the two paradigmatic agendas. For example, the issue of equity, along with the issue of decentralization was crucial in Costa Rica and Brazil. While in Colombia there was a mix between a universalist approach (social security, equity, solidarity, social participation) with a markets approach (competitiveness, efficiency and freedom of choice) (Kaufman and Nelson, 2004).

CONTEXTS AND ACTORS

Moreover, reforms have been carried out in heterogeneous and complex contexts. In some cases, they have been part of general reforms processes of the State,¹³ in others have been important elements of constitutional reforms.¹⁴ They are often included in the State's processes of modernization¹⁵ and at times they are the focus of the review of the health system itself¹⁶ (Infante et. al., 2000: 14; PAHO and WHO, 2004).

Political contexts and the main actors have also been divergent. For example, the first applied reform in Chile was impulsed by a military gov-

¹³ As it happened, for example, in Argentina, Chile and Colombia (PAHO and WHO, 2004: **Table 3**).

¹⁴ As in Argentina, Colombia and Ecuador (Infante et. al., 2000: 14).

¹⁵ This has been argued in Argentina, Chile, El Salvador, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Dominican Republic, Trinidad and Tobago and Uruguay (Infante et. al., 2000: 14).

¹⁶ As it has happened in Brazil, Costa Rica, Cuba, Dominican Republic and Mexico (PAHO and WHO, 2004: **Table 3**).

ernment in an authoritarian manner, but when democracy was reestablished, an extensive debate led to the approval and the creation of a universal health access system with explicit guarantees (AUGE).

Overall, it can be stated that in the extreme part of the market, powerful actors such as the International World Bank (WB), the Inter-American Development Bank (IDB) and the Monetary Fund (IMF), have supported and funded reforms looking for a larger commodification of health systems.

For example, a clear indicator of its influence is that between 1990 and 2003, loans from the IDB and the World Bank to support reforms to health systems increased from approximately 700 million dollars to nearly 3,000 millions¹⁷ (Mesa-Lago, 2007: 61; PAHO and WHO, 2004: Figure 1).

At the end of the universalization are located the non-financial multilateral international organizations such as WHO, PAHO and the International Labour Organization (ILO), as well as Health Ministries in some countries and non-governmental organizations (Ugalde and Homedes 2002; Lloyd-Sherlock 2004, PAHO and WHO, 2004: 7).

Among the actors that support Universalist reforms, those who oppose to liberal reforms and to the expansion of the private sector have gained relevance: health professionals, hospital administrators, social security employees and labor unions. This opposition was crucial, for example, to modify the focus of the reforms in Chile, which went from a commodification perspective to another one that emphasizes equity (Kaufman and Nelson, 2004).

¹⁷ Homedes and Ugalde argue that at the end of the 80s the World Bank had become the international leader and leading advocate of neoliberal reforms and became the main international player in the design and implementation of health policies (2005: 83, 94).

¹⁸ Often without this being translated into specific laws.

¹⁹ Although the results in this area appear to be poor.

THE CONTENTS OF THE REFORMS

The contents of the reforms are heterogeneous. They highlight the following issues: guaranteeing the right to health care in the Constitutions¹⁸; the creation of basic packages for vulnerable populations; strengthening the steering role of the Ministries of Health¹⁹; the separation of the provision of health services and the financing of the system; and the decentralization of health services (Infante et al., 2000: 15-16.).

THE IMPACT OF REFORMS

Health systems reforms in Latin America have been evaluated by the Pan-American Health Organization (PAHO) and the World Health Organization (WHO) in 2004, and by Carmelo Mesa-Lago (2007). In the first case, the results tend to be descriptive and it conforms to the information provided by the Ministries of Health; in the second case, it chooses to make a comparison that does not seek to evaluate the effectiveness of the reforms but its impact on social security principles²⁰ (Mesa-Lago, 2007: 165).

Two trends clearly identified by these evaluations are developments in the field of expanding the coverage of basic services but no substantial progress in the quality of services or the overall efficiency of health systems (Infante et. al. 2000 and 2005; Mesa-Lago 2005, 2007, PAHO and WHO, 2004).

However, there are a number of factors that hinder this task, including the great heterogeneity of health systems; the circumstances when reforms initiated; models followed; and the lack of comparable statistics (Mesa-Lago, 2005, 2007).

To address this complexity an alternative would be to make comparisons between two or three reforms in different countries. This strategy has allowed a proper analysis of various aspects of the reform process²¹.

Precisely, this paper's purpose is to analyze the reforms to health systems of Chile and Mexico aimed to the extended universalization of the social right to health. In Chile, these reforms led to the creation of the program "*Universal Access with Explicit Guarantees in Health*" (AUGE) and in Mexico led to the establishment of the "*Seguro Popular*" (SP).

²⁰ These principles are universal coverage; consistent quality of services for all citizens; solidarity, completeness and sufficiency of the benefits; unity, State responsibility, efficiency and social participation in management; financial sustainability, promotion of savings and capital markets. (Mesa-Lago, 2007:5-24)

²¹ These include comparisons of political factors involved in the feasibility of health reforms, the similarities and differences between reforms of social security and the ones of the health sector. Also the privatization and decentralization processes in different countries; the trans-nationalization processes arising from the application of management models and the impact of reforms in the social security principles (Gonzalez-Rossetti, 2005; Homedes and Ugalde, 2000, 2005, Granados and Gomez, 2000; Iriart, Merhy and Waitzkin, 2000; Mesa-Lago, 2005, 2007).

IV. TRAJECTORIES OF REFORMS DURING THE EIGHTIES AND NINETIES

Latin-American health system reforms started from the 1960s, however, there is an assumption that reforms of the eighties were the earliest in the cycle of stabilization and adjustment and their main objective is to attain economic liberalization. The next table shows that the bulk of the reforms will concentrate during the 1980s and 1990s decades (**Table 3**).

TABLE 3. TRAJECTORIES OF HEALTH SYSTEMS REFORMS IN LATIN AMERICA (1960-2010)

	PIONEER 1960s-1970s	EARLY 1980s (Decentralization)	INTERMEDIATE 1990s (Commodification)	DELAYED 2000 to present (Universal)
Countries	Bolivia Cuba Trinidad and Tobago Jamaica	Brazil Chile Costa Rica Guatemala Mexico Venezuela	Argentina Chile (1) Paraguay Surinam The rest of the Caribbean Andean countries	Argentina Chile Ecuador Mexico Dominican Republic Peru Venezuela

Since the eighties

Source: Own elaboration from Azevedo, 1998; PAHO and WHO, 2004: Table 2; Mesa-Lago, 2007: Table 7.1

TABLE 4. KEY OBJECTIVES OF REFORMS TO HEALTH SYSTEMS IN LATIN AMERICA, 1980-2010

EARLY, 1980s (Decentralization)	INTERMEDIATE, 1990s (Focus and commodification)	DELAYED, 2000-present (Universal)
(1) Release central government funds to repay foreign debt (2) Increase the flexibility and proximity of health services to the population (3) promote community participation (4) In the case of Brazil: to combine decentralization and universalization	(1) Search for financial and administrative efficiency (2) Promotion of market strategies to improve services (3) Combination of public and private sectors (4) Achieve separation of the service delivery functions from the financing functions (5) Promote competition as mechanisms to seek efficient use of resources	(1) Expand coverage to those excluded from social security systems (2) Reforming the general health laws (3) To ensure the right to health (4) To establish minimum benefits for the entire population

Sources: Own elaboration from Ugalde and Homedes, 2002: 27; Vazquez, et. al., 2002: 30-31; Tobar, 2006: 285; Homedes and Ugalde, 2002; Mesa-Lago, 2007, Barba, 2013.

The main arguments wielded to justify reforms have been to improve efficiency, reduce the expense and facilitate privatization (Ugalde and Homedes, 2002: 22-23; Abel and Lloyd-Sherlock, 2004).

Table 4 shows that in the early reforms the key component was decentralization. Reforms were pragmatically induced to release funds from the central government to repay foreign debt²². A clear exception was the Brazilian reform aimed at guarantee the universal right to health. However, the main argument to justify decentralization was to increase the flexibility of health services and to bring them closer to the population. It was intended that the services would meet the local needs and favoring the cooperation of the community (Vazquez et. al., 2002: 31)

According to numerous authors, the results of the reforms that sought decentralization were poor, because of the increase of irrationality and inequality, the spending was not reduced, coordination did not improve and inefficiency grew by increasing unnecessary referrals to higher administrative levels (La Forgia and Gonzalez-Block 1995; Bossert: 1996; Holley: 1995; Larrañaga, 1999; Ugalde and Homedes, 2002)

During the nineties, there was a fundamental change in the orientation of reforms, which from that time were dominated by the search for efficiency and promoting marketing strategies to improve services (**Table 4**). *Intermediate* reforms accentuated the combination of the public and private sectors in financing, developing new management strategies and in efficiency as the main objective²³ (Table 4).

To achieve greater efficiency, were promoted the separation of the service delivery functions from the financing functions and the competition between service providers²⁴ (Tobar, 2006: 285; Ugalde and Homedes, 2002).

The second-generation reforms pursued to focus actions and public services in the uninsured population and do more with less or the same resources. This eroded the principle of universality of coverage of public services and tended to weaken the control of transmissible diseases and vertical programs.

These reforms also wanted to consolidate markets or quasi markets (mechanisms of competition in the

22 This explains why international financial organizations promoted and financed these reform processes. In fact, the World Bank dedicated the World Development Report 1993 almost entirely to the change in health systems (World Bank, 1993).

23 Already in 1985, the Regional Committee of WHO for the Americas estimated that in this region about 30% of the spending was wasted on health. Besides, health systems were characterized by a healing and urban bias, inappropriate staffing structures and bad coordinated and fragmented administrations (quoted by Abel and Lloyd-Sherlock, 2004: 809)

24 It was thought that the State should guarantee stable financial flows for benefits and not necessarily to provide services directly, but through purchasing health services to private providers and private insurers to public hospitals (Tobar, 2006: 285; Ugalde and Homedes, 2002)

provision of social services) and to finance the health services demand as well, instead of ensuring public offering. WHO incorporated the concept of "rectoría" to refer to the role of government in health.

Since the 90s, the sign of the reforms changed, from the initial recognition that the two cycles of previous reforms had entered a deep paradigmatic crisis (Tovar, 2006: 285-286). Third generation reforms have had four main objectives: to extend coverage to excluded from social security systems, to reform general health laws, to guarantee the right to health and to establish minimum benefits for the entire population (Table 5).

However, as noted by Carmelo Mesa-Lago (2007), the vast majority of the "universalist" reforms conducted in Latin America during the 90s and the 2000s did not come to fulfillment. Between 2003 and 2006, eight countries adopted or were debating about new health laws or changes to their health systems, but the overall scenario showed great failures (Table 5).

TABLE 5. CHIAROSCURO OF REFORMS IN THE 2000S IN LATIN AMERICA

Clear (Pros)	Dark (Cons)
<p>Chile had advanced into a third generation of reforms that originated the AUGE program</p> <p>Mexico had amended the General Health Law in 2004 and had created the "Popular Insurance" (SP)</p>	<p>In 2006, the reform started in Dominican Republic in 2001, paralyzed and started Counter-Reform discussion</p> <p>The Ecuadorian reform initiated in 2008 was declared partially unconstitutional in 2001</p> <p>The 1997 Nicaraguan reform was void in 2005</p> <p>The Venezuelan reform was completely paralyzed in 2006.</p>

Source: Mesa-Lago, 2007: 159; Barba, 2010.

As shown in Table 5, the Chilean reform that led to the creation of AUGE and Mexican reform that established the *Seguro Popular* can be considered as relatively successful, hence the importance of examining them, especially in a context where the evaluation of the reforms are scarce.

V. REFORMS IN MEXICO AND CHILE

HEALTH SYSTEMS IN CHILE AND MEXICO

In 1952 Chile developed a State health system, centralized, with a high coverage and considered back then as one of the most universal, eq-

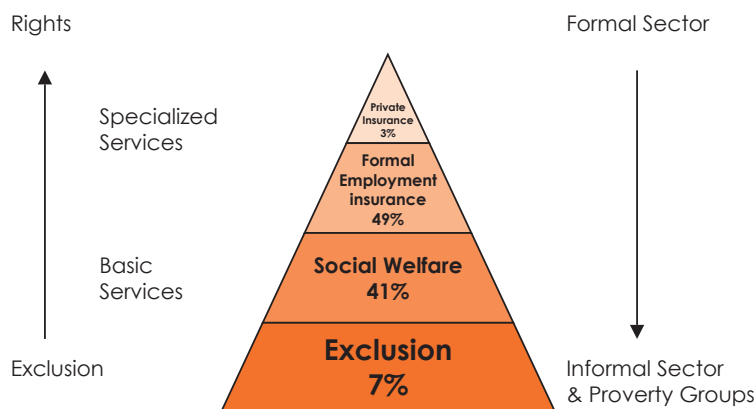
uitable and with better quality among Latin-American countries. However, during the eighties and the military dictatorship, a system of private financing was developed, which significantly increased the number of private clinics as a result of significant public subsidies (Azevedo, 1998: 194; Homedes and Ugalde, 2002: 58).

In Mexico, historically, the health system is highly segmented, further comprising of the Ministry of Health, private services and a broad segment of social insurance institutions for different sets of workers. Coverage of workers in the formal sector is mainly divided between the Mexican Institute of Social Security (IMSS) created in 1943 and the Institute for Social Security and Services for State Workers (ISSSTE) founded in 1959²⁵ (Barba, 2010).

While the Chilean system has achieved an average degree of integration, Mexico's health system is characterized by its disintegration (Mesa-Lago (2007). However, both systems have achieved a high degree of coverage. In Chile, in the late nineties, 69% of the population was covered by public services, 26% by private publicly funded institutions (ISAPRES)²⁶ and only 5% by private institutions.²⁷

Historically, the Mexican case shows that the indigent population has been excluded as the rest of the population is distributed among social security institutions, welfare state services and private health insurance. **Figure 1** shows the system's profile in 1998.

FIGURE 1. PAST STRATIFICATION OF SERVICES AND RIGHTS IN THE MEXICAN HEALT SYSTEM



Source: Own calculations based on OECD, 1998: 96

25 However, there are other institutions such as the Institute of Social Security for the Armed Forces of Mexico (ISSFAM), established in 1976; and social security for employees of Petroleos Mexicanos (PEMEX), included in the employees' contracts since the thirties decade of the last century (Barba, 2010).

26 Institutions of the Health Insurance System.

27 By the year 2000, Chilean population covered by the IS-APRES rose 30% (Granados and Gomez, 2000: 108)

Figure 1 also shows stratification in rights. At the base of the pyramid are the poorest, excluded by the health system. On the next floor, the assisted sector that belong to the uninsured. Then there are those insured through formal employment. Finally, at the top is located a minority with higher incomes, able to hire private insurance.

For policyholders who belong to the formal sector, whose were part of the 49% of the total population, the two most important institutions were the *IMSS* and the *ISSSTE*. The first had 80% of the beneficiaries, the second only 17% and well below we could find the *ISSFAM* and *PEMEX* workers, which both together attended 3% of the insured (OCDE, 1998: 96; Gutierrez, 2002: graphic 4.2)

Another large segment of the Mexican health system is conformed by the public health services for the uninsured, vulnerable population as a whole that includes 41% of the total population. The main institution responsible for providing health assistance was the Ministry of Health, accompanied by the *IMSS-Oportunidades* program (formerly known as *IMSS Coplamar* and *IMSS-Solidaridad*) and procurement programs to access basic health services²⁸(Barba, 2003 and 2010)

THE EARLY AND INTERMEDIATE REFORMS OF CHILEAN AND MEXICAN HEALTH SYSTEMS.

Both Mexico and Chile health systems have experienced early, intermediate and late reforms. In Chile, the reforms of the eighties had repercussions such as an incomplete municipalization of health services and a considerable deterioration of public services due to a drastic reduction in health investment. In addition, private insurance companies started to appear financed through the National Health Fund (*FONASA*)²⁹ which covers part of the cost of the service and the other part is paid by the user with the exception of the homeless population.³⁰ (Azevedo, 1998: 195; Homedes and Hugalde, 2002: 58)

28 The SSA was established in 1943, *IMSS-Coplamar* in 1979, named *IMSS-Solidaridad* in 1993 and changed its name afterwards to *IMSS-Oportunidades* in 1997. Simultaneously, the enforcement programs of access to basic health services were established in 1995 (Barba, 2003)

29 The only collection agency for health state imposes a funding fee equivalent to 7% of salary for workers.

30 This system has been very beneficial for the *ISAPRE* that have been operating with profit margins of 20% and administrative costs of 20% as well, precisely because to a very careful selection of customers; for example, the transference of retired workers and chronically ill patients to *FONASA*). Those percentages were reached thanks to a limited range of services offered to the users and increases in co-payments and deductibles (Homedes and Hugalde, 2002: 58).

During the nineties, efforts were made to recover the functions of the public sector by increasing investment, supporting decentralized local authority services, trying to improve the effectiveness of subsidies, making administrative improvements, actions to reduce inequality through focusing investments in the neediest communities articulated with a strategy for poverty reduction³¹ (Azevedo, 1998; Homedes and Hugalde, 2002 Tobar, 2006).

In Mexico, decentralization has gone through two stages; the first one, between 1983 and 1988,³² the second one began in 1994³³ and concluded with the creation of the *Seguro Popular* (SP) in 2004, which has an obvious centralizing inclination and provides benefits to exactly the same population served by the Mexican health services. Decentralization included only those services provided by the Ministry of Health, aimed at those who do not have social security or private insurance.³⁴ The evidence indicates that decentralization resulted in more inequality within and inter Mexican states and exacerbated the fragmentation of health policies increasing inequalities in mainly every health aspect (Gonzalez Pier, 2005; World Bank, 2004: 156).

The government of President Ernesto Zedillo (1994-2000), tried to privatize the Mexican health system, through the Program of Health Sector Reform (HSRP), which intended to deregulate and dissociate some segments of social security to enable participation the private sector, not only in the field of pensions but of health. The target was to create a quasi-market³⁵ through the reversal of quotas³⁶ and opening up the possibility that the insured could chose doctors in primary care.

However, this reform failed because of the veto power of the union of the Mexican Institute of Social Service (IMSS)³⁷ and numerous PRI party congressional representatives. (Gonzalez-Rossetti, 2005: 28-29).

31 The diagnosis of the reform process was very negative, for a detailed description of this diagnosis see: Homedes and Hugalde (2002: Table 3).

32 During the first phase, which included only 14 of the 31 states, the balance of this process was very negative because decentralization did not imply the transfer of authority to each state's government so they could make decisions in three crucial areas: programing, human resources and financial. The net result was an intensification in inequality and reduced quality of services (Homedes and Hugalde, 2005: 216, Gonzalez Rossetti, 2005: 32).

33 This phase began in 1994 based on the signing of a Decentralization Agreement with each state, which had a lot of resistance but finally, the last agreement got signed in 1999. The programmatic authority system and decisions on staffing remained highly centralized. However, there was greater flexibility in the use of federal financial funds, from the creation of the Health Services Contributions Fund (FASSA). Since then, state services freely dispose of these funds transferred by the federal government, with the exception of those corresponding to the category of wages, which are the majority (Homedes and Hugalde, 2005: 216-217).

34 This particular group is known as "Open Population".

35 Separation of financing functions and services provision. Under a system of 'quasi-market,' providers can be private even using public funding as this same sample happened in the case of Chilean ISAPRES (Le Grand, 1991).

36 A company would have the possibility to avoid IMSS affiliation of their own workers if they prove to have a private social security service hired.

37 For the union, reform proposals represented an imminent beginning of the dismantling of the

THE THIRD GENERATION REFORMS IN MEXICO AND CHILE MEXICO, CREATION OF THE SEGURO POPULAR (SP)

IMSS through the introduction of private providers and a dangerous precedent in proposing amendments to the collective contract (Gonzalez-Rossetti, 2005: 34).

38 Mexican segmentation system can be seen in **Figure 1** presented in the previous section. 39 In rural areas, social security coverage for the elderly in 2004 was only 5% (Scott, 2005, 60).

40 Including the states of Nuevo Leon and Tamaulipas, with a population of 6.5 million, 89% of urban character, with the lowest birth rates and where the main industrial groups in the country are located (Gutierrez, 2002: 77).

41 Pesos from 1997. 42 Including the states of Chiapas, Guerrero and Oaxaca, with a population of 10 million, 53% of them have a rural origin, with high birth rates, predominant primary activities, where 25% of the population is indigenous and 24.5% is illiterate (Gutierrez, 2002: 78).

43 \$583 pesos.

After the transition to democracy in 2000, the biggest change experienced by the Mexican social policy was the reform of the General Health Law in 2003 that gave rise to the Social Protection System in Health (*SPSS*), designed to integrate health insurance *IMSS* and *ISSSTE* with a new insurance system, created in 2002: the “*Seguro Popular*” (Popular Insurance).

The reform in 2003 meant to address two long-standing problems of the Mexican system: the disintegration³⁸ and social inequality in health. Unequal access to health care in Mexico has multiple dimensions. The first one is the polarization in access to social security, as shown by the following data for 2004: while the coverage of social security for the elderly and indigenous native people is about 20%,³⁹ the richest decile in the income distribution had a 90% coverage, while the poorest decile barely reached 1.5% coverage (Scott, 2005: 60)

The second dimension is the unsatisfactory quality of the services offered, easily shown in the uneven per capita spending on health institutions. In 1995, taking the average per capita spending to the national level as an index 100, *PEMEX* exercised a per capita spending of 553.3, the *IMSS* 99.4, *ISSSTE* 63.0, *SSA* 52.8 and *IMSS-Solidaridad* 18.7. The per capita spending on top of the pyramid of public services was 10 times higher than in the base (OECD, 1998: Figure 17).

The third refers to the regional inequalities. In 1997 in the Northeast³⁹ region, the richest of Mexico, the 52% of the population were right holders to social security and were entitled to a health spending per capita of \$1,277 pesos⁴¹.

Comparatively, in the South Pacific Region⁴², the poorest, only 16% had insurance and the per capita budget for health was over two times lower⁴³ (Gutierrez, 2002: Table 2).

These inequalities became more complex due to a prolonged and heterogeneous⁴⁴ epidemiological transition that led to the health system to face a double burden: an unfinished agenda in controlling infections, malnutrition and reproductive health problems⁴⁵. Then followed by emerging challenges on account of diseases --as chronic diabetes or heart or liver disease⁴⁶, mental disorders-- and the growing problem of injuries and violence (Frenk, 2007: 16).

However, health financing did not increased to meet the new risks structure. In 2004, just after the 2003 reform, Mexico invested only 5.8% of GDP on health.⁴⁷

The situation was aggravated because before the 2003 reform in Mexico, about 50% of health spending was private and almost entirely accounted to households expenses, which in 2004 were catastrophic or impoverishing⁴⁸ to 5 million people⁴⁹ (SSA, 2005; Scott, 2005: 68)

To cope with this critical situation, in 2003 the *Seguro Popular* was framed into the SPSS. The SP offers a basic health package that is accessed through a public and voluntary insurance, designed for those with a low income, jobless or self-employed people that are not right holders to any social security institution (National Commission for Social Protection in Health, 2011).

The package offered by the SP includes provision of medicines, financed through public subsidies and progressive contributions from households depending on income levels and household assets. Households in the first four deciles do not contribute financially (Ministry of Health, 2006: Table 1; CNPSS, 2011).

The SP is legitimized by affirming its own *Universalist* aspiration to exercise the constitutional right to the protection of guaranteed health care for all citizens. However, the 2003 reform did not change the dominant paradigm called "fragmented pluralism," which tries to extend coverage across different systems, which theoretically complement each other.

The SP focuses on first and second levels of medical care but aims to guarantees two types of services: the essentials and the high cost services. The first and second level of medical care absorb most of the assigned resources to the states and correspond to almost all

44 At the end of the last century, it was manifested as the addition of new aspects to the traditional patterns of disease, disability and death.

45 Problems related to poverty.

46 Associated with risk factors such as smoking, alcoholism and obesity.

47 This is equivalent to \$357 USD per capita. This level of spending on health is significantly lower than the 14% of the GDP spent in the United States, equivalent to \$4,500 US dollars per capita in 2000, and even less than 6.1% of GDP spent on average in Latin America (SSA, 2004).

48 *Catastrophic expenses* are defined as annual health disbursements of more than 30% of the available money intended for food in households; *impoverishing costs* represent expenses that reduce available resources below the poverty line.

49 The World Bank estimated that in 2002, 9% of insured households in Mexico faced impoverishing costs, while 40% of uninsured households fell below the poverty line as a result of health care costs. (World Bank, 2005)

expected interventions in the Universal Catalogue of Essential Health Services (CAUSES) and to the total of guaranteed medicines, which can be supplied in ambulatory care units and general hospitals.

The high cost services are provided in specialties hospitals and are financed through the “Fund for Protection against Catastrophic Expenses” (FPGC). However, the SP does not clearly establish which services will be included. It simply clarifies that the provision is conditional upon the availability of resources that are not sufficiently guaranteed.

The package includes 283 first and second level interventions, the supply of 307 drugs and coverage of 1,500 diseases⁵⁰, besides 57 expensive and specialized interventions subject to coverage by the Fund for Protection against Catastrophic Expenses⁵¹ and 131 operations covered by the SMNG, created in 2006 and articulated to the *Seguro Popular* (CNPSS, 2011; Knaul, et. al., 2013).

Grogger and colleagues (et. al.: 2011) confirm the limited impact of the SP on catastrophic expenses. They realized that the SP has only significant effects in reducing catastrophic health expenditures in rural areas, but only regarding to consultations and hospitalization, while in metropolitan zones it has little effect in that area, although it reduced average health spending, especially in the purchase of medicines and pregnancy care.

Cardenas (2011) finds that between 70 and 90% of those who required the services offered by the SP used care services but 5 out of 10 of those assisted affiliated people had to make other expenses not covered by the institution, demonstrating that personal expenses continue despite the reform⁵².

Although regional gaps in the coverage of health services have been reduced, inequalities remain. This can be seen in **Table 6**, where it is clear that in the richest region there is a minor lack of health services, while in the poorest region there is an outweigh of these shortcomings.

50 100% served in first class units, 95% of second level and 60% of those that generate catastrophic expenditures and corresponding to actions of third level. (CNPSS, 2011).

51 In 2011, there were 57 interventions subject to coverage by the Fund for Protection against Catastrophic Expenses which is part of the People's Insurance (*Seguro Popular*): including various types of cancer, corneal transplant, acute myocardial heart attack in adults under 60 years old and congenital and acquired malformations subject to surgery. In 2011, spending billed 40% of its budget to pay for HIV antiretroviral (40%), breast cancer (25%) and neonatal intensive care (15%) (Knaul, et. al., 2013: Panel 2, p. 214).

52 According to the assessment made by CONEVAL to the *Seguro Popular* in 2010-2011, while the SP has significantly improved the scale and equity of health financing available for the population uninsured by contributory social security institutions, there is no clear evidence yet to verify and corroborate the program's impact on health. We need to demonstrate that the financial potential of the program will result in measurable progress on effective access to quality services and the health levels of the population (CONEVAL, 2011).

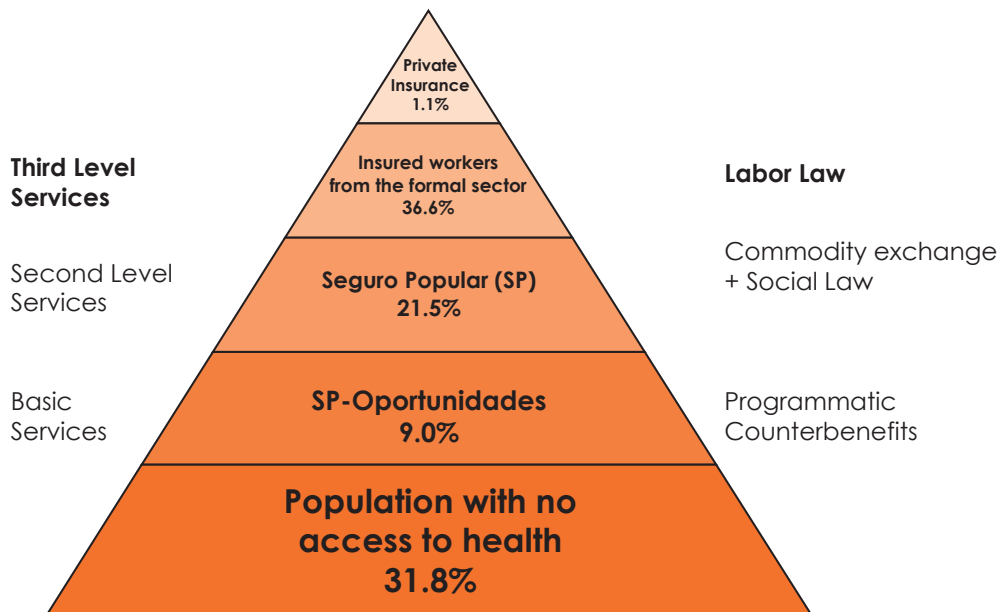
TABLE 6: PERCENTAGE OF PEOPLE WITHOUT ACCESS TO HEALTH SERVICES IN THREE STATES FROM THREE DIFFERENT REGIONS IN MEXICO (2008-2010)

Region	Location	Lack of Health Services	
		2008	2010
Richest	Nuevo Leon (North region)	28.6	22.4
Middle	Jalisco (Pacific region)	37.2	35.2
Poorest	Chiapas (South region)	52.1	36.5
	National	40.8	31.8

Source: Compiled from CONEVAL, 2011: Table 5

Furthermore, the characteristic segmentation of the health system has not been overcome; it appears that it has added a new step to the Health Pyramid stated above. This significantly sets apart from the *Universalists* ideals and adds greater complexity to the system. **Figure 2** shows this new situation.

FIGURE 2. SEGMENTATION OF THE MEXICAN HEALTH SYSTEM IN THE LATE 2010S



Sources: Own calculation based on: CONEVAL, 2010; INEGI and ISSSTE, 2010; CNPSS, 2009

We can notice in **Table 7** that after the reform, the distribution of access to contributory security remains highly regressive as in 2010, 50% of the affiliated to these systems were concentrated in the three deciles higher incomes, while only 17.5% of the affiliated belonged to the poorest four deciles. On the contrary, the access distribution to the *Seguro Popular* is progressive since 63.8% of its members belong to the poorest deciles. These data reaffirm the dualistic nature of the Mexican health system.

TABLE 7. MEXICO: PERSONS AFFILIATED TO HEALTH INSTITUTIONS BY TYPE OF PUBLIC INSTITUTIONS IN 2010 (PERCENTAGES)

	Persons affiliated to social security institutions	Persons affiliated to the <i>Seguro Popular</i>
Deciles 1 to 4	17.5	63.8
Deciles 7 to 10	50.0	10.3

Source: Compiled from Valencia, Foust and Tetreault (2013: Tables 9 and 11)

THE CHILEAN CASE

In Chile, during the government of President Ricardo Lagos, the Health Reform was developed to address five problems. First, inequality in access to health care between *ISAPRE* system (public/private) and *FONASA* (the public); second, deficiencies in public hospitals management. Third, the lack of regulation of plans and attentions in the private care subsystem; fourth, the unsuitability of the model that emphasized chronic diseases care and, as in the Mexican case, it had not been adapted to the changing epidemiological profile. Finally, the insufficient funding in the public sub-sector. This new reform intended to change the legal structure of the health system in order to promote greater equity and solidarity. The reform was estimated feasible because of the political changes at parliamentary level (Lenz, 2007: 8)

The National Public Health System provides all Chileans formal universality of access to health care. However, as Urriola (2006) notes, in reality the exclusion occurs in various ways such as waiting lists, lower quality of the benefits and financial requirements, especially to solve complex medical interventions affecting catastrophic expenses. Therefore, the timeliness, the quality and financing are the crucial variables that were considered in the 2004 reform (Urriola, 2006: 279-280).

The elaboration of the reform corresponded to an Interministerial Committee and what was sought was to carry out a number of principles, including: the universal right to health, to ensure an adequate

and timely care for all citizens, considering the capabilities and resources of the country; the equity of the system; social solidarity; the efficient use of resources and social participation in health. (Roman and Muñoz, 2008: 1600)

The reform crystallized a plan known as “Universal Access with Explicit Health Guarantees” (**AUGE**), later renamed as Explicit Guarantees in Health Regime (**GES**) which has resulted in a Plan of Public Health and Health Plan for People.

The latter, unlike the Mexican *SP* sets the type of beneficiary and guarantees diagnostic procedures, treatments and follow-ups in a limited number of specific and progressive diseases for patients. (Roman and Muñoz, 2008: 1600)

AUGE was created in 2004 similar purposes to those of the *SP*: improving the health care in terms of access, quality of care and ensuring funding for the most prevalent diseases and, financially, with more substantial burden on the patient and the Chilean State. Pathologies leading to catastrophic expenditures were included (2004, Ministry of Health).

The package attended by *AUGE* or *GES* is much smaller than the *SP*: initially 5, by 2005 25, by 2007 56 and, by 2013, it reached covering 80 diseases; the rest of the pathologies continue to be serviced by the public system (*FONASA*), the *ISAPRES*⁵³ and by private medical services (Lenz, 2007: 24; Superintendence of Health, 2015).

However, *AUGE* offers four explicit guarantees (*GES*) for their beneficiaries: guaranteeing access, that implies to receive the precise attentions for each disease in the institutions of *FONASA* or *ISAPRES*. The second guarantee is quality assurance involving the granting of health benefits by registered or accredited operators to the Chilean Intendence of Providers. The third would be timeliness guarantee that sets maximum deadlines on service providers to meet established protocols on time. Finally, a guarantee of financial protection, which establishes the obligatory requirement for users to make the co-payment.⁵⁴ (Ministry of Health, 2002, Superintendence of Health, 2015)

As in the case of Mexico, *AUGE* has been criticized for the exclusion of diseases whose treatment is more

⁵³ See note 17.

⁵⁴ 0% for A and B affiliates to *FONASA*, 10% Group C and 20% Group D and members of *ISAPRES* (Superintendence of Health, 2015).

expensive, resulting in the rejection of many patients, this gives this plan a relatively focused character. Regardless of this, unlike the *Seguro Popular*, *AUGE* offers explicit guarantees already mentioned and which are not present in the Mexican case. In addition, *AUGE* emphasizes on diverse high mortality and cost conditions. (Lenz, 2007; Roman and Muñoz, 2008).

Another distinctive *AUGE* feature is that it was conceived as a dynamic system that proposes to improve the services already offered and gradually add others. Nevertheless, the plan design tends to address the acute phase of chronic diseases, but the subsequent stages escape to the attention guaranteed by law, resulting in complications associated with the evolution of some non-considered diseases as well as the lack of preventive actions performed by the system.

Different authors consider that *AUGE* has not reduced the costs of the health system, when in fact covering *AUGE*'s guarantees has meant more funds than expected. Nonetheless, compared to the *SP*, a significant advance is **that patients have** the right to appeal to the judicial system when *AUGE* guarantees are not met, underscoring the prosecution of this social right. (Ipanza, 2007; Roman and Muñoz, 2008: 1601)

In terms of political economy, Lenz highlights the success experienced by the reform in its phase of political negotiations but the

political capital has not been enough to pave the way and ensure its implementation. The author points out two unbeatable obstacles: the losers, during the negotiation phase, often block or slow the pace of the actual reform; the second is that political negotiation is moving in a relatively abstract field that has little to do with the operational complexities of the implementation phase. With no doubt, this is an important lesson to take into account in any reform process. (Lenz, 2007: 31)

FINAL WORDS

In the introductory part of this work, we wondered whether reforms to the health systems of Chile and Mexico could be framed on the assumption of a *change of time* marked by the emergence of a basic *universalism* in different versions in Latin America. Evidences show that the Chilean case is closer to this assumption even if *AUGE* program appears to be more focused than *Seguro Popular* (*SP*) program, since targeting occurs in a historical context of greater universality. *AUGE* tends to increase the integrity of the health system, equity in access, quality of services and financing, and even the gradual inclusion of medical conditions that generate catastrophic expenses as well as the judicial prosecution of the right to health. This does not happen in the Mexican case.

These Chilean achievements mark goals that should be considered for a new reform of the Mexican Health System with *universalist objectives*, because since the creation of the *Seguro Popular* in Mexico, even though it offers a broader package of services, tends to reinforce the segmentation of the health system. It does not solve the problem of "pocket expenses" made by the users, it focuses on basic and second level services and does not allow overcoming regional gaps regarding health coverage.

On the other hand, the Chilean reform exhibits important limitations, as it does not seem to influence enough to change the structure of the Chilean health system already segmented since the creation of *ISAPRES* with a strong preference in favor of private services.

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METROPOLITAN GOVERNANCE AND MANAGEMENT: THE CASE OF GUADALAJARA METROPOLITAN AREA*

Roberto Arias de la Mora**

INTRODUCTION

This article aims to reflect about the analytical usefulness of the theoretical concept of the governance to understand recent trends of transformation of societies settled in territories urbanistically consolidated large, in order to assess their relevance front to the processes of change that are experiencing Latin American metropolis, the same as identify their triggers factors, their strengths and limitations as well as its opportunities and threats. For this purpose, the article focuses on the study of the recent experience of the institutional changes and public management deployed in the main metropolis of the West Central region of Mexico: Guadalajara Metropolitan Area.

The article is divided into three sections. The first one is dedicated to clarify the author's position respect the various approximations and theoretical approaches that have been produced under the notion of governance, from which the relevant public administration is emphasized as a discipline and professional practice in any process of change and social condition in mode of governance.

The second section the most significant learning are presented on the study of metropolitan policy coordination, which led to the formalization of the Guadalajara Metropolitan Area. Finally, some reflections on the main components, as institutional as technical, that have shaped hitherto the unfinished process of metropolitan governance in Guadalajara are advanced.

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1. THE GOVERNANCE AS THEORETICAL AND EMPIRICAL CONCEPT: A BRIEF RECAP

The purpose of this article is not focused on making a thorough review of the specialized literature about the governance; however, it suits clarified the position from which it is proposed to navigate through the quite a few ideas that have been proposed to define it, with the consequent result of confusion and criticism that prevails around the theoretical and analytical validity of the governance.

Indeed, the governance concept is the same is used to define product of the innovations of theories of democracy were subjected to empirical testing in various parts of the world (Meza, 2015), that for define rather inter-organizational networks and self-organizing (Rhodes, 1997), that others refer to as public policy networks (Porras, 2012) to theoretical refinements that come to be defined as "the totality of the theoretical concepts of to govern" (Kooiman, 2003: 4).

While recognizing the pioneering work of Kooiman (1993), who identified and referred for the first time this trend of change on traditional patterns of govern that it characterized by transit in one direction: from the rulers to the ruled, to pass to other pattern whose traffic is rather in both directions. In this article normative conceptions that followed, certainly under shelter and promoting various international organizations such as the World Bank (1992) and the United Nations (PNUD, 1997), which allegedly promoted and described as "good" or avoided "democratic" to the governance, for consider it a trend that was favorable, and even desirable, front to challenges of the contemporary societies.

This explicit departure from the regulatory approaches not intended to ignore the potential strengths of this reconfiguration certainly moves away from the unilateral vision of governing from the government, and tends rather to recognize the interdependence and encourage collaboration and partnership of public-private nature, in both collaborative formulas

inspired by the premise that “any actor, public or private, have the information and knowledge required to solve complex, dynamic and diversified problems, nor have enough lookout for selecting effective tools let alone enough power to unilaterally dominate” (Kooiman, 1993: 251).

However it must be recognized too, no little resistance and fruitless debates that have arisen in various academic and government circles –and as it will be shown later, the case study was no exception– for reasons that estimate as “unacceptable conduction of society in which the public power can share the decision and execution of the activity publics with private and social organizations, fact that in his opinion would have the institutional and political effect to weaken the value, meaning and the responsibility public authority” (Aguilar, 2010: 36).

Another take away imperative to do for the nature of the case study is presented and it has to do with the actual metropolitan phenomenon¹ (Arias, 2013), it is with respect on the concept of urban governance (Pierre, 1999; UN-Habitat, 2002), whose design approaches and confused with other theoretical approaches rather sociological, such as urban regime (Stone, 1989), among others.

Definitely, the approach of the governance proposed in this article attempts to go beyond the commonly accepted idea in the specialized literature that emphasizes the notion of interdependence and networks configuration between multiple actors and institutions (Kooiman, 1993; Messner, 1997; Klijin, 1997; Mayntz, 1999; Pierre, 2000; Pierre and Peters, 2000), to take a stand openly in favor of the discipline and practice professionals of contemporary public administration under the indispensable presence of “an instance of government not to drift” (Aguilar, 2006: 39), in the rough seas of the processes of change and social driving, whether or not is promoted mode of governance.

From the foregoing considerations, it is possible to recognize and appreciate the enlightening intellectual effort of PhD. Luis F. Aguilar Villanueva, for research and explore the origins and evolution of the concept of governance, which underlines and recognizes in public administration one of its intrinsic

¹ For metropolitan phenomenon it means a concrete expression of large urban concentration, around or from a historical and cultural human settlement, that maintain a sustained political, economic and social influence on an integrated territory of multiple administrative jurisdictions. This phenomenon is universal and is related to the trend of increasing urbanization of human settlements on the planet, strengthening regional markets in an open world economy and in that sense, it is a characteristic cultural product of our civilization (2013: 28).

components.² For this reason, in this article assumes as a starting point its conceptual proposal to understand the governance as the new governing process “by which the actors in a society decide its objectives –fundamentals and conjuncturals– coexistence and ways to coordinate to performed them: their sense and their leadership of direction” (2006: 90).

This way of defining governance is not only emphasizes the notion of collective decision between actors that make a society that involve the exercise of government, and that it is feasible and desirable in the broader context of the recent economic and social changes experienced by contemporary democracies; but also, the argument here is that this definition holds helps to move towards a more robust concept that bounded notion of governance narrowly defined as public policy networks (Porrás, 2012), to assess the managerial skills of local governments in a metropolitan context as is the case presented.

In this sense, a first consideration is worth emphasizing of the governance concept suggested by Aguilar Villanueva is the double dimension that involves the orientation process and social change:

Therefore intentional activity that involves directing society towards certain general purpose and preferred specific objectives, such as technical activity attainment of the objectives that have to do with how to define the actions considered appropriate to carry out the situations desired social (2010: 38).

This dual nature of the process of social direction of the governance leads to understand it as a process that is essentially structured doubly: both an institutional dimension as the technical way that makes possible its realization. In the words of Luis Aguilar:

[In the institutional dimension] the definition of the objectives that give direction and meaning to the action of the society and is considered to should be involves reference to a system of values, result of a long social history and that is reflected in values constitutional, legal norms

² According to the author, his concept of public administration is alien to “all forms of dichotomy or separation between administration and politics, is it understood as politics or policy” (Aguilar, 2006: 40).

of social relations and public and social institutions, as well as a diffuse but active social ethos. [And at the technical level] the achievement of the objectives required causal production standards, which come from the proven science, technology and management results (2010: 38).

However, while the institutional dimension of governance is possible to observe a clear correspondence with the contemporary trend of the public administration whose purpose, to say Aguilar Villanueva (2006), it aims to reclaim, restore and rebuild the public nature³ of the administration; in the case of technical level of the governance process corresponds and expresses in the field of the public administration, through that aimed to restore, revive and rebuild their capacity for administrative response⁴ front to social challenges trend.

Hereafter this article will refer to both contemporary trends of the public administration as the process of public management and refers, essentially, to "the managerial ability of politicians and public administrators to promote certain public policies with a strategic sense" (Arias, 2013b: 68). To express it in the words of Luis Aguilar Villanueva, the process of public management has to do with:

The intentional nature of their action aimed at achieving the goals and producing favorable results for their organizations, supporters and communities, but especially the fact that the realization of its goals is a result not only depend on its resources, skills and political will but is conditioned by the purposes and actions of the various actors in the political community and particularly those of its competitors and rivals with reasons or prejudices discursive and practically oppose their goals and courses of action and can also invest the resources necessary to block the achieved progress or reverse them by invoking the public interest or other political values (2006: 237).

³ "For recovery and revival of the public nature of public administration basically I understand the accent is now [...] gets on the legality of the election, appointment and action of authorities and officials, which means combat arbitrariness, discretionality, the exception, discriminatory treatment and impunity. I also understand the legal exercise of public resources, resulting in blocking any type of patrimonialism and corruption, access to information on government performance and the conditions of society and accountability to the public [...] the requirement that public policies and actions by the authorities persevere tirelessly in its orientation towards interest and public benefit [...] and the need for citizens to take part in the deliberation of issues" (Aguilar, 2006: 42).

⁴ "For recovery and revival of the administrative capacity of the public administration basically I understand the emphasis is now placed on the administrative structures incorporate new organizational and new management so that the governments make sense of direction to their communities methods forms, are in able to manage their adverse or favorable environments, are success factors and future agents, ensure economy-efficiency-efficacy (the E) and quality in the provision of public assets and services [...]" (Aguilar, 2006: 40).

From these conceptual clarifications is possible to establish a clear link between the concept of governance and public management, correspondence is possible to identify and observe empirically as shown below in the case study. For now just remember the number of factors or components of governance, following the Aguilar Villanueva's argument, will provide direction and structure in both its institutional dimension and a technical level.

On the institutional side, the components of the governance are the institutions of public powers, the justice system and security, the market, civil society and the system of international public institutions. For its part, the components that structure technically the governance are the system of science and technology, public policy, public finance and public administration (Aguilar, 2010: 44-45). From making theoretical position which has been outlined to understand and define the governance and its correlative governance process, it is pertinent to last two methodological details about our case study is presented below.

The first precisely has to do with the object of study is the Guadalajara Metropolitan Area, whose selection should be clarified, was not motivated by some kind of yardstick by which often characterized the metropolitan phenomena. As such, the dimensions of Guadalajara both its geographical extent and its population density is below other Latin American cities that

have been classified as megacities (Aguilar, 2004) for its huge dimensions, as in the case of the City of Mexico in our country, or Sao Paulo and Rio de Janeiro in Brazil, as well as Buenos Aries in Argentina.

As metropolitan phenomenon, the case of Guadalajara not seem to offer evidence to prove markedly different from the realities observed or social and economic problems experienced in megacities or any other Latin American cities of similar size or smaller than the case it presented here. Therefore, beyond the specific configuration of the Guadalajara metropolitan phenomenon, the article focuses on the metropolitan problem, which has to do rather with:

The stiffness, failure and obsolescence of traditional political institutions of local government to plan, manage and govern effectively social harmony, economic development and sustainability of metropolitan cities and conurbations, whatever their size (Arias, 2013: 28).

Well-defined metropolitan problem, it is clear that essentially concerns directly to the State, which the need to give priority in its analysis an essentially institutional vision follows (Díaz-Cayeros, 1999).

In response to this view of the problem and following the intuition of Aguilar Villanueva about twice structuring role that owns

the Public Policy as “technical component and institutional [whereas] feature of analysis, decision and the policy operation public is that capture itself institutional-political and technical structure of the governance by integrating its components” (Aguilar, 2010: 50); The second point that was adopted was to confine the study methodologically Guadalajara Metropolitan Area analysis of public policy that was approved in Jalisco on metropolitan coordination.

2. THE METROPOLITAN POLICY COORDINATION IN JALISCO AND ITS IMPLEMENTATION IN THE METROPOLITAN AREA OF GUADALAJARA

In accordance with the analytical perspective of public policies, the exposure of the case study was organized following an approach to public policy cycle (Theodoulou, 1995: 3). The first section is devoted defining the metropolitan problem in the case of Guadalajara, focusing on the process of extensive and dispersed urbanization as a result of the directive inability of municipal governments to meet the challenges of a metropolitan phenomenon.

In a second time deals with the formulation stage of the policy of metropolitan coordination in the institutional features that are configured from the constitutional reform approved in Jalisco are highlighted. The third section gives an overview of the main difficulties that involved a long and winding process of implementation of the policy in the case of the Guadalajara Metropolitan Area.

2.1. DEFINITION GUADALAJARA'S METROPOLITAN PROBLEM

The fundamental institution of the Mexican State to the territorial organization of power is the Free Municipality, which in accordance with the respective constitutional requirements “is the basis of the territorial division and political and administrative organization” (Article 115 of the Constitution of the United Mexican States and 73 of the Constitution of the State of Jalisco).

By virtue of that, it can be noted that the governments and municipal public administration that currently make up the geographical area formally recognized as a Guadalajara Metropolitan Area, the most significant for governance institutional components, since they define the rules and modes of social interaction, economic and policy over the

5 "The question about the ability and effectiveness of the governments policy has been placed in the center of the disciplines that study the government and in the heart of public concern. [...] The list of management flaws governments can spread and be itemized, but their common denominator is the relative ineffectiveness of government in the performance of public functions and the achievement of the objectives of social, with the result that there has been growing the skepticism managerial capacity of the governments" (Aguilar, 2010: 5).

6 "Fragmentation between" is defined as the government's situation is characterized by the disparity between the various government agencies that "sharpens and becomes in a dissociation when due to laws, regulations, policies, practices and administrative bodies become self-contained, distance themselves from each other and operate independently from other government agencies, with perhaps having communication but no collaboration" (Aguilar, 2013: 128).

vast metropolis territory. Therefore, capacity and managerial effectiveness⁵ is at the root of the metropolitan problem.

Conceptually this capacity and managerial effectiveness of the governments and the municipal public administration is strongly conditioned by the phenomenon of "fragmentation of the decisions and actions of the government" (Aguilar, 2013: 125), which is motivated by both the institutional framework which they operate as the prevailing administrative structure, both conditions that:

Adversely affect the efficiency and quality of government management while numerous opportunities to improve social life are lost and many social problems remain unresolved, worsen harmfully if the government does not act integrated into the articulation of policies and resources form, and to establish forms of coordination and partnership between member entities and between the governments (Aguilar, 2013: 126).

Empirically it can establish strong implications of the institutional framework in force in the municipalities that make up the Metropolitan Area of Guadalajara in its everyday performance face a double challenge. On the one hand, it faces the fragmentation⁶ between departments and agencies belonging to other levels of government, as federal or states that among the councils themselves.

The most outstanding feature of the fragmentation among governments that fosters the current institutional model resides in its weakness to generate an effective metropolitan coordination that, at the same time, is explained by the absence of incentives to coordinate among municipal governments, rather they seem answers to the conditions prevailing political and economic competition in the local context (Caro, Gatica and Ruiz, 2013: 68).

On the other hand, the municipal governments appear to face difficulties arising from the fragmen-

tation within⁷ their public administrations. The most telling feature of this kind of fragmentation resides in the inability to develop and consolidate internally an administrative system based on civil service of career that to ensure the compliance with the principles of neutrality, equality, ability and merit in assessing the performance of the administrative system municipal public servants (Arias, 2010: 93).

Among the main causes of fragmentation between and the municipal governments stands the political-electoral dynamics of competition. According to the most recent studies on the electoral dynamics of Jalisco (Gutiérrez Mora, 2011), the model of political competition in the current entity since 1994, reconfigured a very similar behavior electoral scenario is seen in an electoral market duopoly nature by virtue of the strong competition between the two political parties with greater presence in the state: the National Action Party and the Institutional Revolutionary Party. This dynamic just beginning to be modified following the eventual emergence of a third political force with the real capacity to compete as it was possible to verify this during the election of 2015 in which the Citizen Movement Party won important electoral victories.

Beyond the election results, which want to emphasize in this context of highly competitive elections are the political incentives that the municipal governments that share a metropolitan context face. In particular, recent research has shown that political incentives motivate lax regulations in the real estate development process, increases the polarization of land use and consequently increases the polarization of income and economic activity, which in turn exacerbate the problems of collection and provision of public assets that the municipal governments on the periphery of a Metropolitan Area face (Caro, Gatica and Ruiz, 2013).

The conditions prevailing of fragmentation among and the municipal governments, together with his short constitutional period of just three years that motivates politicians to favor the results of short-term solutions on greatest encouragement, have led to a very limited institutional capacity in the municipal

⁷ The "fragmentation within" is defined as the present government situation "a lot of administrative units, whose the hierarchical-bureaucratic authority organization and work, internal regulations, management style and administrative practices make internal drives become you self-contained, separated, indifferent to each other and are independent in their operation with respect to the other units" (Aguilar, 2013: 128).

8 The municipalities that currently make up the Metropolitan Area of Guadalajara are nine, in alphabetical order: El Salto, Guadalajara, Ixtlahuacán de los Membrillos, Juanaacatlán, San Pedro Tlaquepaque, Tlajomulco de Zúñiga, Tonalá, Zapopan and Zapotlanejo.

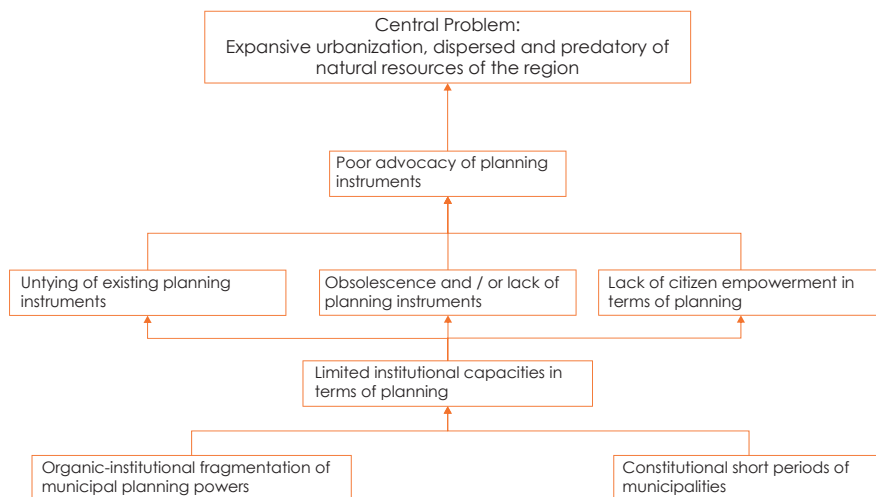
9 The changes in land use in the period between 1990 and 2011 reveal that the urban area was by far the most widely increased passing from 29,694 to 59,893.1 hectares. This is 30,198.3 hectares in a decade. In contrast, most land use decreased during the same period was fed agriculture with 12,121.7 hectares least 9518.1 hectares less than scrub and forests with 8,534.6 hectares less (Gutierrez *et al*, 2013: 120).

governments to manage the wide powers available, by constitutional mandate, in terms of land use and urban planning.

The limited institutional capacity have led in turn, several critical issues ranging from the separation of municipal planning instruments for any public policy purpose sought to be promoted on a metropolitan scale, such as obsolescence or lack of the municipal instruments most basic urban planning, to the lack of citizen empowerment in urban planning, critics all of which have resulted in the lack of political incidence of the planning instruments and high prosecution of urban development processes in virtually affairs all municipal territories that make up the Metropolitan Area of Guadalajara.

The net result of these critical factors results in a crucial problem expressed through the dynamics of urbanization that has historically been expanding scattered in the municipal territories that make up the Metropolitan Area of Guadalajara,⁸ with consequent rapid resource depletion natural available in your region.⁹ In the next picture the causal lines described around Guadalajara Metropolitan problem illustrated, following the analysis technique known as tree's problem (Roe, 2013):

Figure 1. Causes of the extensive urbanization, dispersed and predatory of natural resources of the dominant region in the Guadalajara Metropolitan Area



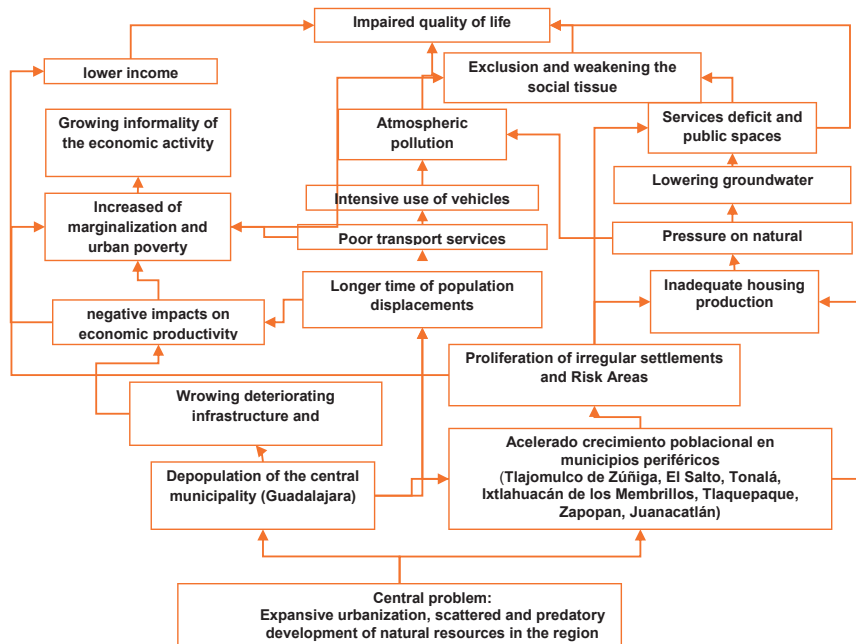
Source: Made by myself.

For reasons of space we do not enter the particular analysis of the multiple consequences of the model of expansive, scattered and predatory natural resource development. For now it suffices to stress the relevance of the metropolitan problem has taken to the agenda of the federal government, as it finds the current National Development Plan for the period 2013-2018, recognizing that “sprawl some metropolitan areas in Mexico has translated in cities where distances are a barrier to the flow of people and assets into the jobs and markets in which it can generate the highest benefit” (Presidency of the Republic: 17).

In the case of the Guadalajara metropolitan phenomenon, this urban sprawl has reinforced the continuing trend of depopulation of the state capital that has been observed since the beginning of the decade of the nineties of the twentieth century, and the subsequent accelerated repopulation that to face the peripheral municipalities.

In correspondence with the analysis technique used (Corzo, 2013), in the image below graphically illustrate some likely consequences of this territorial dynamic cause of the social and economic dynamics of the Metropolitan Area of Guadalajara. What matters now is to emphasize the processes of social exclusion and loss of economic opportunities that affect and threaten the productivity and sustainability of the quality of life of the inhabitants of the metropolis:

Figure 2. Consequences of the extensive urbanization, dispersed and predatory development of natural resources of the dominant region in the Guadalajara Metropolitan Area



Source: Made by myself.

2.2. POLICY FORMULATION OF METROPOLITAN COORDINATION

In order to better understand the scope of the metropolitan policy of coordination that took shape after the addition of Article 81 Bis of the Constitution of the State of Jalisco, it's relevant since the formation of local public powers in both institutional component of the governance.¹⁰ The aforementioned constitutional provision states:

Article 81 Bis. -In the case of municipalities within the same metropolitan area, they will be coordinated, in the exercise of its constitutional powers, according to the general rules on metropolitan coordination issues the State Congress.

The metropolitan coordination will carry out through the following instances:

- I. An instance of political coordination for each of the metropolitan areas, which the State Governor will integrate the mayors of the municipalities of the respective metropolitan area and, prior agreement. Its members will define the legal status of these bodies.
- II. An instance of a technical nature which shall consist like a public agency with legal personality and assets denominated Metropolitan Planning Institute, which must be made by the respective municipalities metropolitan area; and
- III. An advisory and citizen participation instance honorific for each of the metropolitan areas, which may participate in the evaluation and monitoring tasks.

The rules for the organization and functioning of the bodies of metropolitan coordination will be established by law on the subject issued by the Congress of the State of Jalisco.

Both the formulation of the Constitution and the secondary legislation passed by the State Legislature was due to an intense agenda promoted during the period 2007-2009 in which:

¹⁰ The formation of the government is structured by rules that define both the process of choosing the headlines as the respective scope of the democratic constitutional State and of the government and determine the relations between governments and public authorities with the citizenship and, as Aguilar Villanueva warns, "is evident or thinkable that not will be as the process of governing in parliamentary systems than in presidential, in the federalist (or autonomy) in the unit, in the uni or the bi-chambers, regimes politicians with limited or extensive freedoms citizens" (2010: 45).

The metropolitan issue also followed a legislative path that led to the creation of a Commission on Metropolitan Affairs whose work during this first period, they were implemented in approving an amendment to the Constitution of the State of Jalisco,¹¹ the approval of Law Coordination Metropolitan¹² and approval of the Decree approving the declaration of "Guadalajara Metropolitan Area", comprising the municipalities of Guadalajara, Zapopan, Tlaquepaque, Tonalá, Tlajomulco de Zúñiga, El Salto, Juanacatlán and Ixtlahuacán de los Membrillos¹³ (Arias, 2013: 18).

As it can be deduced from the preamble to the initiative presented to the plenary session of the State Congress of Jalisco during its regular meeting held on August 30, 2007,¹⁴ with the approval of the constitutional reform sought to encourage a fundamental change in the way that it had come board that metropolitan problematics.

The emphasis is clear, at least to a level of argumentation it focuses on making a difference for the constitutional reform from previous institutional formulas approved and tested for the public management of metropolitan issues in Guadalajara, same as they are rated as inadequate and, in many cases, as frankly obsolete:

The absence of satisfactory institutional responses has to do with the inefficiency of government processes to design and implement policies that provide solutions to major metropolitan lags. The obesity and the rigidity of the administrative apparatus, lack of technical expertise, the discretionary policy decisions, the lack of inclusive management mechanisms and the lack of development planning, have hindered long-term vision and postponing solutions (Exposure, 30/08/2007).

¹¹ Decree No. 22137 / LVIII / 07 of the State Congress amending articles 35, 50,74, 80,81-bis and 87 of the Constitution of the State of Jalisco published in the Official Gazette of the State of Jalisco date added May 1st, 2008, number 13, section III, pp. 3-7.

¹² Decree No. 23082 / LVIII / 09 issued by the Metropolitan Coordination Law of the State of Jalisco adopted on December 11th, 2009.

¹³ Adopted on July 17th, 2009, and published in the Official Gazette of the State of Jalisco on December 26th, 2009.

¹⁴ At work the idea that public policy analysis at least three basic features to share any discipline or methods with which it is undertaken is assumed (Merino, 2010: 10), so largely legal-political arguments on the question has been analyzed are taken up.

¹⁵ From the perspective of public administration discipline, the aforementioned formulas within the ambit of public management (Bozeman, 2006: 23), which in this article referred to as public management (Aguilar, 2006: 15). In general, these alternatives focused their attention on the reorganization and operation of government machinery in order to increase the administrative capacity of the public administration.

¹⁶ The necessary presence and relevance of the public administration due, to say Aguilar Villanueva, two factors: the fact that the form of organization and work processes within the public administration determine the effectiveness and efficiency of the governance and by the fact that the current public policies are carried out with the involvement of multiple public organizations; however that "social effectiveness, cost efficiency and inter-mainstreaming are principles of action that does not ensure the public administration of traditional hierarchical bureaucratic configuration" (2010: 52).

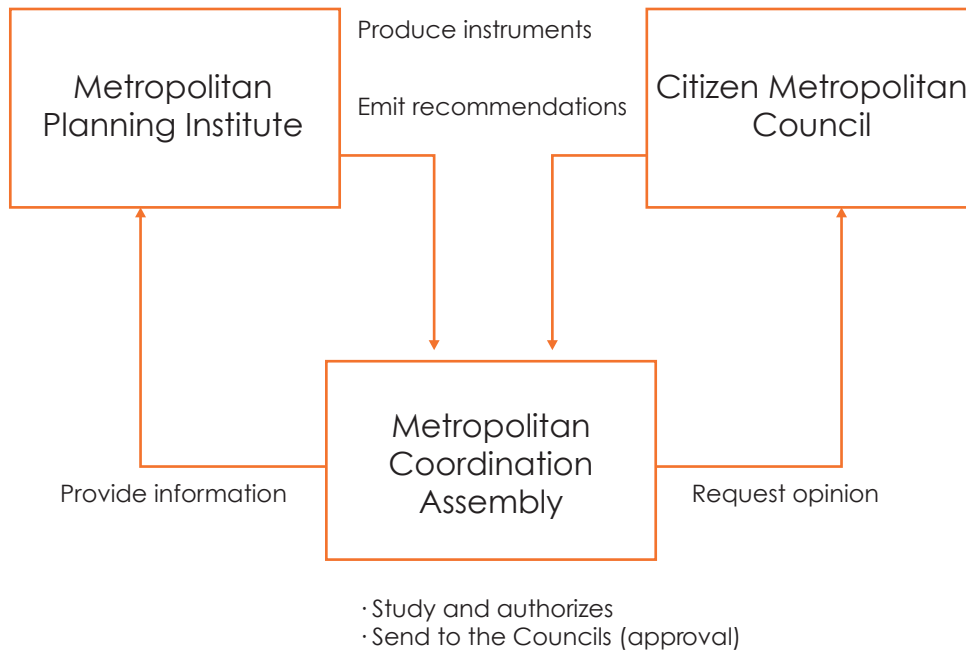
The institutional responses to the preamble refers have to do the same with the Intermunicipal Water System and Sewerage (SIAPA –for its acronym in Spanish–), the Public Transport System in the Metropolitan Area (SISTECOZOME –for its acronym in Spanish–), passing for the Council of Guadalajara Metropolitan Area and its various financial instruments such as the Metropolitan Escrow, to the former and questioned Intermunicipal Department of Public Safety.¹⁵

The different emphasis to enter the via of metropolitan coordination refers to its oriented public policy approach, as is clear from the purpose of contributing socially "to resize the public policy and orient them according to the demands and needs of residents metropolis, thus facilitating the integration mechanisms and social cohesion 'and, in the strictly political sphere', to establish new instruments accountability and democratic control" (Exposure, 30/08/2007). In light of this alleged oriented toward the public policy is appropriated to address the scopes of the Constitutional Reform from Public Administration like technical component of the governance.¹⁶

From a perspective of the Public Administration projects a structuring of the governance process around metropolitan issues emphasized more the establishment of a clear distinction between political functions, technical and consultative that took shape after the creation of three coordinating bodies metropolitan clearly defined, their engagement and eventual potential of the governance cultivated on relationships between these groups.

In the following outline the main relationships between the three instances of metropolitan coordination which are deducted from their legal basis are illustrated:

Scheme 1. Major Relationships between Instances of Metropolitan Coordination



Source: Prepared by myself as provided by Article 106 of the Urban Code of the State of Jalisco, in (Arias and Arellano, 2013: 43).

As the diagram above illustrates, the Metropolitan Coordinating Board as political body plays a central role in technically structuring the governance's process, making it possible to establish that, in essence, follows a line of response based on the premises of the governance, while is based on the capacity of government's actors involved to guide to the society (Aguilar, 2010: 24).

With respect to the Metropolitan Planning Institute as a technical instance of the metropolitan coordination suffice to say that its configuration as a decentralized public agency intermunicipal obeyed an observable trend in public discussion of metropolitan problem that arose during the years before and was prompted by the experience of another failed initiative intermunicipal nature,¹⁷ intended to form the Planning Institute of the Guadalajara Metropolitan Area.¹⁸

¹⁷ On this initiative that is available (Arias, 2013).

¹⁸ Intermunicipal Coordination Agreement and Rules Planning Institute of the Guadalajara Metropolitan Zone.

Moreover, it should be noted the change in corporate guidance of the policy coordination metropolitan arose during the final phase of its development. In principle, the constitutional reform and the set of legal instruments initially approved by Congress of the State of Jalisco, sought to influence the configuration of the public authorities in order to promote sufficient political incentives within the municipalities to promote coordination tools metropolitan through a governance process encouraged from the sphere of the public power of the state.

This hypothesis is deduced from the powers conferred both legislative and executive powers to initiate the corresponding processes to issue declarations of the respective metropolitan area in the case of the Congress of State and Gauteng Metropolitan in the case of the Governor. In this regard, sustained legal hypothesis initially sought to raise an implementation process of the policy coordination oriented "top-down",¹⁹ while, as referred to in Article 81 Bis of the local Constitution, members of a Metropolitan Area municipalities –previous analysis and formal declaration by the Congress of the State– would have to attend a coordination scheme in accordance with established constitutional basis and existing regulatory standards in this area.

However, this hypothesis has not prospered under the observations made by the state governor to the Metropolitan Coordination Law passed by the State Congress, prompting that was not published and came into force (Observations, 21/12/2009). In this sense, as has already been mentioned in previous studies:

The observations of the state governor created the conditions for a change in orientation initially adopted, since the Commission on Metropolitan Affairs of the new state legislature approved submit a new agreement of Measure Metropolitan Coordination, whose resulted in legislative work a new law Metropolitan Coordination of State of Jalisco was finally published in the official newspaper "the State of Jalisco" of February 3th, 2011 (Arias, 2013: 19).

¹⁹For an overview of deployment models such as "top-down" are available Ballart and Ramió (2000).

Unlike the first version of the Metropolitan Coordination Law, the legislation current was based and recognized principles of municipal autonomy, consensus, coordination and effectiveness as its guiding principles, which reorients the “bottom-up”²⁰ processes of metropolitan governance exist based on coordination arrangements between municipal authorities in the first instance and later with the executive head of State.

Under this institutional weakness reorientation of Metropolitan Coordination Board as political authority is more than obvious, whenever regardless of the express constitutional right to have their members to define their legal nature, formally this instance cannot go beyond being a “commission” or “conference” is often the handiest formal mechanism to promote intergovernmental coordination.²¹

This organic policy configuration instance of metropolitan coordination could not be otherwise under institutional constraint derived from the Mexican federal government and the constitutional principle of “municipal freedom”. In particular, the principle whose reason to be back to the post-revolutionary period, established a constitutional guarantee for the exercise of municipal powers to the effect that they were carried out by “the city exclusively and no intermediate authority whatsoever between this and the State government “(Article 115 of the Constitution of the United Mexican States).²²

2.3. THE IMPLEMENTATION OF THE POLICY OF METROPOLITAN COORDINATION IN THE GUADALAJARA METROPOLITAN AREA

If the process of deliberation and political agreement²³ was key to enable the constitutional reform in Metropolitan Coordination in Jalisco –even despite the institutional constraints and techniques for governance arising from the formation of the government and the public administration in the state– civil so-

20 For an overview of deployment models such as “bottom-up” view are available Ballart and Ramió (2000).

21 That kind of foral mechanisms are often made up of public officials or by elected politicians who belong to different levels of government and “who meet to discuss and eventually agree on the issues that have charge” (Jornada, 2001: 45).

22 For further discussion of the federalism as important institutional component of the metropolitan governance analysis can be reviewed (Arias and Velázquez, 2014 and Arias, 2013a).

23 For a review of the paths followed by political deliberation metropolitan coordination on the introductory study is available at (Arias, 2013).

²⁴ The civil society is recognized as an institutional component of the governance under which "it is proved that the organizational forms of the civil society are essential to produce moral and emotional ties that make individuals and families, promote organizational forms of solidarity and mutuality and increase in the people a civic sense of belonging and concern for the welfare of society as a whole" (Aguilar, 2010: 47).

²⁵ The Assembly by the Metropolitan Governance and the collective of citizens and organizations was formalized in November 2011 and completed its work shortly after the signing of the Coordination Agreement by the local authorities, under which decided to grant a vote of confidence the team of professionals who subsequently joined the transitional Metropolitan Coordination Commission. This experience can be found (Arias, w/d).

²⁶ The procedure ends on February 3th, 2012 with the public appointment of the team of professionals who would form the Transitional Commission by the Metropolitan Coordination, mainly composed of members of the Assembly by the Metropolitan Governance (Mural, February 4th, 2012).

ciety²⁴ became a key factor triggering of the implementation process of its implementation in the Guadalajara Metropolitan Area.

Indeed, the process of sustained dialogue and cooperation between local authorities and the plural group of citizens, civic organizations, business organizations and professional associations coalesced around the Assembly for the Metropolitan Governance, it resulted in several political agreements that opened the opportunity for the Convention Metropolitan Coordination Guadalajara Metropolitan Area between municipal authorities and of the State was finally signed on January 26th, 2012.²⁵

The relevance of the experience displayed by the Assembly by the Metropolitan Governance is the level of advocacy that failed to reach at the time and that was expressed in the very Coordination Agreement which was signed by the local authorities, where they joined some of the recommendations developed and approved by the Assembly, as the adaptation of public procedure for the establishment and integration of the transient by the Metropolitan Coordination Commission as the body responsible for issuing operating bases of the future coordination mechanisms for the case of the Guadalajara Metropolitan Area.²⁶

According to the Coordination Agreement signed by the authorities, the transient by the Metropolitan Coordination Committee were formally in charge with the following tasks:

1. The extent and scope of intervention of the Instances Metropolitan Coordination in planning, programming, budgeting, implementation, monitoring, review and evaluation, in the functions and municipal public services that perform by or metropolitan coordination schemes association.
2. The powers reserved to the municipalities in municipal utilities and functions carried out by metropolitan coordination schemes or association.

3. The contributions of financial, human and material resources that will make the Parts for each function or municipal public service carried out by metropolitan coordination schemes or association.
4. The contributions of financial, human and material resources that individual Parts for running Instances Metropolitan Coordination.
5. The rules, if any, of the establishment and operation of a Trust Metropolitan.
6. The settlement rules of the Instances Metropolitan Coordination and compliance or termination of expected obligations in the event of termination of the Convention Metropolitan of Coordination the Guadalajara Metropolitan Area.
7. The organic statute of the instances of Metropolitan Coordination.
8. The establishment and functions of the Institute of Metropolitan Coordination (sic), and
9. The necessary studies for the Metropolitan Coordination (Arias, 2013a).

The formal works of the Commission were not without difficulties arising from the electoral context for which it was transited; however, for the purposes of this article it is relevant for now emphasize the potential inability to complete the task on the rules for the eventual establishment and operation of a Metropolitan Trust.

Beyond the difficulties arising from the electoral environment that affected the rhythm of work of the Commission, the resistances are explained by the strong barriers that involved the *status quo*²⁷ of public finances²⁸ for funding to metropolitan development. In short, local authorities decided not to take the risk of changing the rules of met-

²⁷ The metropolitan existing mechanisms currents financing through a longstanding figure colloquially called Metropolitan Council, had recently undergone a substantial change in the way to operate, not only by sustained increases in resources and diversification of works and public funded projects (Sánchez, 2015), but by nature "focused" for new projects began to be financed at the initiative of the mayors to the Metropolitan Council, the implementation of which ran under the responsibility of the municipal authorities, so development finance metropolitan resulted in an apportionment of resources among municipal governments with the resources available were sprayed at the detriment of funding for other projects with a metropolitan scope and impact. In the same line, recent evaluations of metropolitan and regional funds operating nationally (e Iracheta and Iracheta, 2014, and Moya, 2014), suggest precisely that resources are allocated to the implementation of truly metropolitan projects through a defining transparent and co-metropolitan priorities, plus some proportion of resources being channeled contestable ways to boost competition and intergovernmental associations is privileged, as well as comprehensive and long-term strategies.

²⁸ The public finances is a component that is the same time institutional and technical to the extent that allows "sufficient financially support government action in order to be able to sufficiently develop policies, programs and public services that should mandatory offer, as constitutionally and legally prescribed" (Aguilar, 2010: 48-49). And under an array of governance is "combined with the financial situation of the economic society, with the force of popular and commercial banking and investment funds with risk capital available for investment in long-winded and disposal of assets of capital" (Aguilar, 2010: 49).

ropolitan financing under extraordinary eventual economic benefit for local authorities that represented preparing the Pan-American Games in 2011 and its immediate implications for the electoral process that concluded in 2012.

The party alternation in ownership of the Executive Power of the State that resulted from the local electoral process in 2012 also had its political implications on the direction of the metropolitan policy coordination. Directly, these implications are expressed in the way that the formation of the technical²⁹ and advisory³⁰ instances to Guadalajara metropolitan coordination and, indirectly, decided on the political commitment of elected local authorities in favor of a particular normative view urban of the governance supported internationally through the United Nations for the Human Settlements Program (UN-Habitat)³¹ which meant a significant turning point on the process of implementation of the policy of metropolitan coordination.³²

CONCLUSION

The case study focused on the analysis of the trajectory of the metropolitan coordination policy as for its formulation at the level of the State of Jalisco as its implementation's process for the particular case of the most important in the state metropolitan phenomenon: the Guadalajara Metropolitan Area. The case study was proposed as well, to show the analytical potential of a particular concept of the governance developed from the perspective of the discipline of public management

²⁹ The political process surrounding the creation of the Metropolitan Planning Institute is mainly characterized by revolve around the closed political negotiations that provoked the appointment of its director, which was not free of the characteristics of the various expressions of power groups tensions within the Institutional Revolutionary Party, long tradition and strong family roots (Hurtado, 1993).

³⁰ The final decision of local authorities for the creation of the first Citizen literally Metropolitan Council did not take into account the recommendations issued by the Transitional Commission by the Metropolitan Coordination and rather chose to reduce to a minimum expression the representative nature of this figure, with the consequent negative effect that this measure brought about its potential for innovation in favor of a process of metropolitan governance newly stamp.

³¹ This fact constituted a concrete expression of the institutional component of the governance expressed through the system of international public institutions (Aguilar, 2010), whose incidence is expressed through an international regime with strong regulatory capacity while integrates the same principles and norms then rules and procedures on decisions and issues relevant to international relations between States, which often converge the interests of various actors, as governmental and as non-governmental.

³² Between the scope of the Contribution Agreement signed between the Government of the State of Jalisco and the representation of UN-Habitat in order to estimate the conditions of Guadalajara from the perspective of urban prosperity driven by the international agency (2012), highlights the interest in influencing on the basis of an eventual Metropolitan Development Program, one of several planning instruments by the newly created Metropolitan Planning Institute.

in order to assess their relevance and potential to explain the processes of change observed in the metropolitan phenomena of the region Latin-American.

Obviously the study highlights the specific expression could be observed about the way some of the components of the governance influenced the sense of direction and the ability of social direction to face the challenges of the particular problem metropolitan case of Guadalajara. However, the analytical potential of the theoretical definition of governance adopted in this paper also identifies some notable absences in the studied case.

At the institutional level the failure of the policy of metropolitan coordination has been evident to influence on urban planning mechanisms in force, whose laxity and weak regulatory capacity has led to a growing trend among property developers to favor the courts³³ to settle quite a few conflicts arising from economic activity in real estate, with the resulting uncertainty and legal insecurity that prevails even today.

The directive inability of municipal governments resulting from the ineffectiveness of the planning instruments with the observable trend towards greater liberalization³⁴ of the real estate industry came to detonate the urbanistic sprawl of cities in Mexico,³⁵ with consequent effects negative and social conflicts that have already been illustrated by the definition of the metropolitan problem in the case of Guadalajara.

Finally, it is worth noting that the theoretical definition adopted in this article is extremely useful to demonstrate, beyond the components of the governance, the observable trend in how publicly discussed the many metropolitan affairs that seem to favor more technical aspects of the governance to the detriment of the sense and orientation of the aims and objectives that is pursue.

The main lesson to be drawn from the fleeting experience around the Assembly by the Metropolitan Coordination precisely resides in its ability to focus their advocacy work on precise goals and objectives and provide guidance that will enable other potential governance

33 Recall that one of the institutional component of the governance has to do precisely with the system of justice and security, since "the administration of justice and fair, honest and expeditious administration of justice against crimes and litigation, by prosecutors and judges of state and preventive and coercive work of the police are essential to our lives unfold in an environment of legal certainty and stable public safety" (Aguilar, 2010: 46).

34 According to the theoretical concept adopted, the markets are another institutional component of the governance to the extent that "it is proven that [...] are the key resource for the production of wealth in both utilitarian and competitive nature stimulates in various forms productivity, innovation and therefore prosperity sustained" (Aguilar, 2010: 47).

35 The globalizing market trend obeyed to a fundamental decision almost thoughtlessly from 2000 by the government of the Republic for the purpose of lowering the deficit sensible formal production of affordable housing.

processes and perhaps this is the main feature that distinguishes it from other civic and social promoters of a narrower metropolitan affairs bounded capacity building and social practices calendar movements, this is a technical level governance.

This tendency to favor the technical level to the detriment of the sense of more corporate guidance of the governance, was also clearly observable between the authorities and civil servants of the case study, as by means of various technologies to promote mass transit, the promoting alternative means of non-motorized mobility, the recovery of public space through the promotion of recreational and cultural prevention and control of crime activities as well as the rehabilitation of degraded areas and urban facilities.

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IS IT POSSIBLE TO GENERATE SOCIAL CAPITAL WITH GOVERNMENT ACTIONS? THE *PUBLIC SPACES RESCUE PROGRAM* AND CITIZEN PARTICIPATION IN WESTERN MEXICO

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Karen Martínez Gallegos**

SUMMARY

This paper analyzes the Public Spaces Rescue Program -*Programa de Rescate de Espacios Públicos*- (PREP) as part of the federal government's strategy to generate or consolidate social capital within communities, areas or neighborhoods affected by problems related to violence and criminality, particularly in the municipality of Zapopan, Jalisco from 2007 to 2012.

First, the experience exposes that social capital is not a resource that can be generated by government intervention because it can exist or not prior to it. Second, social capital itself, is not a resource that eradicates violence and crime conditions in a determined social and geographical space and third, social capital depends as well on the group's interest to organize around a specific goal.

From the perspective of Durston (2001), trust, reciprocity and cooperation are infrequent social assets that are hard to maintain over time and require constant interaction.

Social Capital, Public Space, PREP.

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PREP, THE POLICY TO GENERATE SOCIAL CAPITAL

The context of public spaces¹ in Mexico, and their state of abandonment or deterioration, are considered as some of the causes to generate and recreate urban violence and insecurity, especially in certain areas with higher marginalization.

Therefore, according to this situation, the Mexican government had impulse governmental intervention to provide security and urban facilities in those areas, through the implementation of promotion policies for quality public spaces that will thrust an intensive and diverse use of these spaces by citizens and that this contributed to an atmosphere of security and social cohesion in neighborhoods and cities.

Between 2007 and 2012, the Mexican government implemented a strategy entitled: “*Vivir Mejor*” –“*To Live Better*”- to contribute to the improvement and care of the environment. The strategy seek to encourage the construction of social capital through the Public Spaces Rescue Program (**PREP**), whose objective was to aid to the enhancement of the quality of life and public security through the rescue of public spaces that had problems of deterioration, neglect and insecurity, used by the population in poverty in cities and metropolitan areas. Such actions began in February 2007.

The main perimeter to work in was defined by urban localities integrated in metropolitan areas and cities with a population of 50,000 at least, giving priority to those zones having marginalization and insecurity issues and that could meet certain conditions. Such requirements are high population density, high crime rates, having adequate spaces that could lead to a development of projects allowing multipurpose facilities for sports, recreational and cultural activities, and above all, allowing the participation of a Board of Members to contribute to the operation, continuity of actions and maintenance of the public space (SEDESOL, 2011).

Among the objectives, it was contemplated that the benefits of the recovery of public spaces reach the

¹ Understood as a meeting place where anyone has the right to move around freely and it is characterized as an open space to and for the proper exercise of life in society. Represents the ideal place for the development of recreational, artistic and cultural activities for the use and enjoyment of the community (SEDESOL, 2010), since according to Segovia and Dascal (2000: 52), must meet three characteristics: its public domain, a collective social use and what kind of diverse activities can be developed in it.

population that was in a 400 meters radius around the space.

The improvement would take place through the construction or rehabilitation of mistreated or abandoned sport units, neighborhood centers, public squares, parks, median strips, cycling tracks, sea fronts and shores (in the case of the coastal areas), walkways, alleys and pedestrian infrastructure.

The program's operating rules established that the implementation would be based on an 'inter-institutional' approach, where the Federal, State and Municipal Government as well as the organized civil society were part of each of the stages.

It pursued the permanence of the benefits the program would give. The premise of the civil society taking an active part of the program, as well as being the fundamental one, implied the impulse and strengthen of solidarity and trust networks in the intervened areas, and thereby, fulfilling one of the main objectives of the program.

During the implementation period of the *PREP* (2007-2012), the program was executed in 18 municipalities in Jalisco that had urban, marginalization and insecurity characteristics, defined in the operating rules. In the case of the Guadalajara Metropolitan Area (*GMA*), it was applied in five of the largest and more important municipalities: Guadalajara, Zapopan, Tlaquepaque, Tonalá and Tlajomulco.

For the government, relevant results were not associated with the resolution of problems related to safety and the impact on new social dynamics that may arise from better places of convenience, but on the form and the money spent on the program. In the particular case of the *GMA*, the important thing to note was the monetary amounts invested in the selected spaces intervened.

The prior statement came with a logic that could have "*electoral purposes*" in the sense that political decisions would appear to be motivated by the "*visibility*" of government actions and exercised resources, rather than on the true effects of politics to generate new social dynamics related to social or community organization, prevention of antisocial behaviors and gender equality among others. This can be observed in the *PREP*'s technical records of the Jalisco Delegation part of the Ministry of Social Development.

Table 1. Budget exercised by the PREP in the GMA (2007-2012)

Municipality 2007-2008			Years of Intervention						TOTAL COST
			2009	2010	2011	2012			
Guadalajara	San Jacinto	San Jacinto Avenue Between Javier Mina Street And Gigantes Avenue. San Andres	X	x	x	x	x	X	6,926,782.00
Guadalajara	Paseo de la Selva Public Space	Paseo De La Selva Norte Ct. Paseo De La Selva Sur Ct. Plutarco Elías Calles Av. Santa Cecilia		x	x	x	x		6,072,884.00
Tlajomulco de Zuniga	Santa Fe Public Square and Sports Court Stage 13	Chiapas Street Between Valle De Los Carpeces St. And Oaxaca Ct. Santa Fe			x	x	x	x	2,714,288.00
Tlajomulco de Zuniga	Del Valle Community Center	Brasil Street Between Peru St. And Colombia St. Chulavista					x	x	3,927,307.00
Tlaquepaque	Santa Maria Tequepexpan Recreational Family Center	Independencia St. Between De Las Flores Avenue And Zaragoza Street Santa María Tequepexpan		x	x				6,618,898.00
Tlaquepaque	Santa Maria Tequepexpan Recreational Family Center	San Jose Street, Between San Isidro And San Odilon Col. Nueva Santa María			x	x	x		4,481,722.46
Tonala	Rafa Marquez Sports Center	Las Rosas Street Santa Isabel					x		2,976,002.00
Tonala	Rio De La Plata Park	Meteorologia Street Camichines				x	x		3,061,488.00
Zapopan	Lomas De Tabachines Sports Unit	Paseo De Las Manzanas Av. Lomas De Tabachines				x	x		4,046,619.00
Zapopan	Laureles Civic Plaza And Park	Miguel Gutierrez And Fernando Banda Streets Rodeo Blvd And Espuela Blvd C. Habitacional Laureles	X	x					3,271,814.00

Source: Selected data based on requested information to INFOMEX

As shown in the *Table 1*, invested amounts may offer little or no evidence related to the objectives of the program. So, to see how effective was to recover spaces to generate social capital attributes, another kind of research was needed, same as the one done for a specific case in the municipality of Zapopan.

THE FORMATION OF TRUST, RECIPROCITY AND COOPERATION FROM **PREP**

One objective of this study was to measure the generation of social capital from the implementation of a public program, as was the case of the *PREP*. To this end, it developed and carried out the survey² “*Building social capital through PREP*” on the *Sports Unit Lomas de Tabachines* (UDLT).

The survey was applied to actual users of the intervened public space and its purpose was, besides measuring the possible generation of social capital, to identify as well, issues related to the neighbor’s behavior expectations based on trust, reciprocity and cooperation and the type of interactions between users.

Additionally, the participation in groups and social networks was considered because during the research it was found that, at the time of implementing social programs, beneficiaries also used to recur to its “*capital stock*”³

The survey was accompanied by semi-structured, insightful interviews to UDLT users and the rest of the involved players. Their participation in the management process, design, implementation, participation and program evaluation, as well as social their activities would be fundamental, which would serve to identify whether the participation of the residents was related to the *PREP* intervention or due to other reasons. Both, the survey⁴ and the interviews were carried out under the “*snowball*” technique, given the high costs to survey the population who should be the beneficiary in a 400 meters radius from the *PREP*.

2 The design of the survey about generating social capital took as conceptual and theoretical basis Durston (2001) proposal regarding this subject and three other efforts taken to social capital made by Grootaert, Narayan, Nyhan-Jones and Woolcock (2002), UNDP (2011) and the one designed by Serrano, Alarcon and Tassara (2006). This survey measured the content of certain social relations, trusting attitudes and reciprocity and cooperative conducts that made possible greater social benefits.

3 This “*capital stock*” or assignation can be previously generated through non-governmental organizations and particularly catholic religious associations, since around them is common for people to come together to perform various actions and tasks with social impact, which are being carried out without government intervention.

The first aspect of the survey referred to the socio-economic characteristics of the users of the sports unit. There were identified aspects that had to do with the gender of users, age, education, occupation, number of years living in the neighborhood and the distance between their place of residence and the sports complex. Users answered about their knowledge of the *Public Spaces Rescue Program* as well their participation in it and their motivation for participating in the program and finally their perception about safety in the neighborhood. Some important facts about these features are: thirty people were interviewed, of which 43% were female and 57% male. Of these, fourteen were older than 30 years, ten were between 20 and 30 years, five of them were aged between 15 to 20 years and one was under 15 at the time of conducting the survey.

Educational level of respondents was mostly basic and pre-university (only two of them had completed a college degree at the time of application of the survey). Their educational level would seem to relate to their job performance since, according to the data, 47% were workers or employed by someone else.

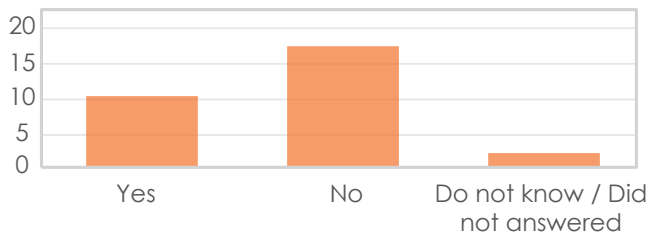
Most respondents (24 out of 30) were people who had been living in the neighborhood more than 20 years on average. Regarding the distance between their homes and the intervened space, 17% lived one block away at most, 7% around 2-3 blocks, 13% at a distance of 3-5 blocks and 63% to more than 5 blocks away.

4 Once finished designing the questionnaire, it proceeded to define the sample to be applied in the survey, which would have a closer look over the beneficiaries of the UDLT population (composed by the residents of "Lomas de Tabachines" community in a 400 meters radius around the sports unit, duly established by the rules of operation of the PREP). It considered those over 15 years (5,307 people) as '*target population*' for the implementation of the survey (defined itself by the complexity of the questions involving a research of social capital generation in a public space). Furthermore, waiting for a 10% response rate, we should get at least 537 surveys to achieve a statistically significant sample, but given the economic and time constraints of this work, we choose to define the sample using the one described and referenced by SEDESOL for the internal evaluation of the program. Therefore, 30 surveys were conducted (each one consisting of 34 questions) to users of the public space (26 of them were made intentionally and 4 by applying the sampling technique "*snowball*") for the period covering September 2013 to March 2014. At this point, it is quite relevant to highlight the difficulty of carrying out the surveys, as a minimum number of neighbors attended to the public space.

In addition to these basic features of the beneficiaries, it wanted to identify the level of knowledge, participation and involvement in the *PREP*.

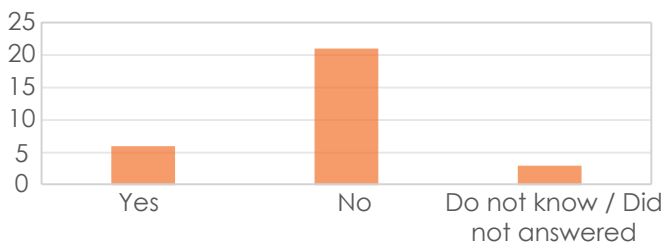
As noticed in the next charts, most of the respondents were unaware of the program (Graphic 1) and neither had actively participated in it (Graphic 2).

GRAPHIC 1. DO YOU KNOW WHAT IS THE *PREP*



Source: Selected data based on the survey: "Generación de capital social en la Unidad Deportiva Lomas de Tabachines"

GRAPHIC 2. ¿DID YOU OR ANY FAMILY MEMBER PARTICIPATE IN THE PROGRAM?



Source: Selected data based on the survey: "Generación de capital social en la Unidad Deportiva Lomas de Tabachines"

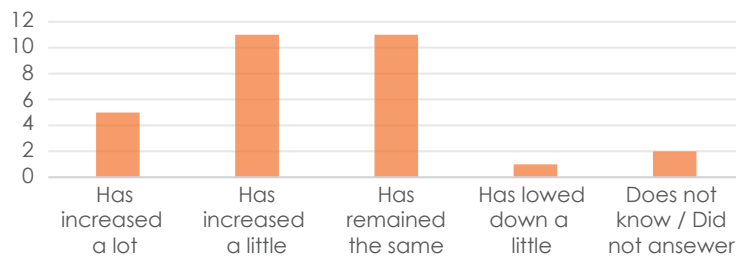
From those who participated in the program (6 out of 30 respondents), 25% said they took part in developing the detection of needs that defined the constructed project, 13% in planning activities, 31% in the workshops that were held 19% in the evaluation of the program and only 6% in the resources contribution. We may deduct that participation was not only poor but also focused on the services provided by *PREP*.

It is quite interesting to observe that for users, security had had small changes. Most respondents stated that there was a slight increase in security

within the Sports Unit perimeter: "The security level in this neighborhood has increased a few since the intervention in this park" (JL, interview).

Although, they recognized were able to pass through streets that in the past were merely impossible to do so due to the new lightning and sidewalks, so they no longer had to surround some streets to walk by safely. This minor change in the perception of the safety of neighbors was proven when 1 in 3 knew at least one person who had been a victim of a crime.

GRAPHIC 3. COMPARING THE NEIGHBORHOOD BEFORE AND AFTER PREP'S INTERVENTION, HOW DO PEOPLE FEEL ABOUT THE SECURITY LEVEL?



Source: Selected data based on the survey: "Generación de capital social en la Unidad Deportiva Lomas de Tabachines"

Despite the low variations in perceptions of personal safety of users or neighbors, when questioned about their level of satisfaction 11% responded that the rehabilitation of areas had provided greater security because the land was no longer an empty useless lot.

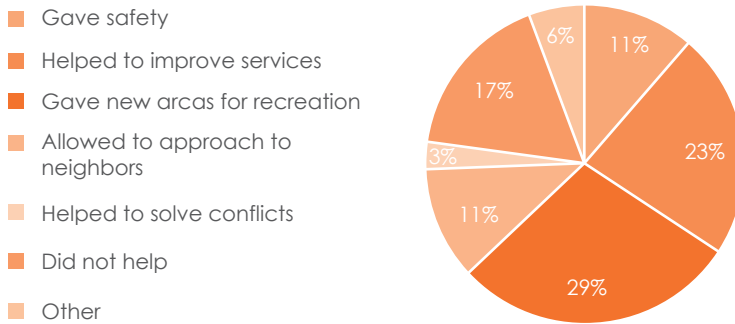
The 23% replied that helped improve basic services promoting the construction of public spaces in the neighborhood and the 29% said the sports complex provided them of new spaces for recreation.

Then the 11% stated that it allowed them to get closer to their neighbors, as activities and workshops promoted by the program, had encouraged them to get to know and treat each other respectfully.

Finally, the 3% indicated it helped to prevent conflicts, but some neighbors commented that the sports complex was used as a meeting place for youth gangs ha-

raising the community at the time of the survey.

GRAPH 4. IN A MORE PERSONAL ASPECT, THE PUBLIC SPACE...?



Source: Selected data based on the survey: "Generación de capital social en la Unidad Deportiva Lomas de Tabachines"

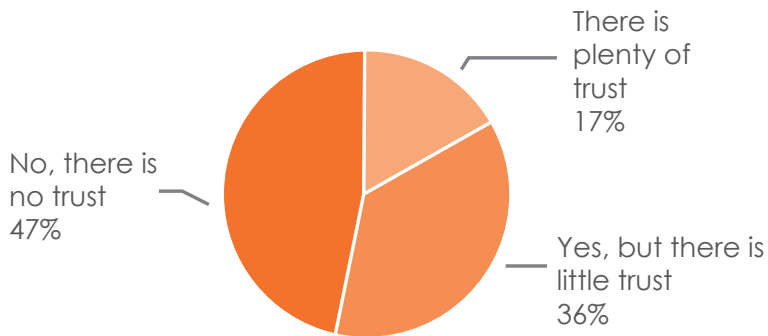
The above data pointed us little about the impact of PREP on trust, reciprocity and cooperation among respondents, all members belonging to the community, so we proceeded to identify these aspects from government intervention.

BUILDING TRUST

As we established in the first part of this work, trust is an attitude based on the expectation of the behavior of another person, where both are involved in a relationship and where they can generate types of affection between them (Durston, 2001). Relying on the *other*, deposit certainties about reaching objectives that may have individual or collective benefits.

In order to learn more about the formation of trust in public spaces before and after the implementation of a government program, the UDLT users were asked about trust in others, with the following results:

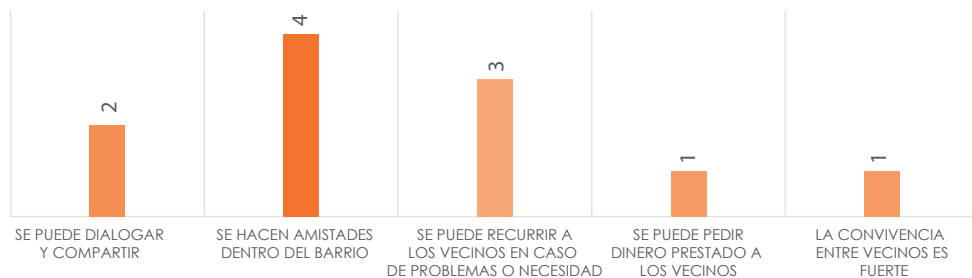
GRAPH 5. ¿DO YOU BELIEVE THAT YOUR NEIGHBORHOOD PEOPLE TRUST OTHERS?



Source: Selected data based on the survey: "Generación de capital social en la Unidad Deportiva Lomas de Tabachines"

Results from the survey revealed that, only 2 out of 10 people surveyed trusted others, the rest did not or had very little trust in other people, which shows that the generation of this value is hard to reach. For those who said that they trusted, their reasons comprehend the possibility of dialogue, making new friends in the neighborhood, the possibility go to the neighbors in case of problems or need and it was also possible to borrow money and create a healthy coexistence between neighbors (See **Graph 6**).

GRAPH 6. WHY IS THERE TRUST?



Source: Selected data based on the survey: "Generación de capital social en la Unidad Deportiva Lomas de Tabachines"

* In this question, one individual could have answered affirmatively to various options.

The level of trust for those neighbors, who said they have it, is due to the kinship between one or more families living in the neighborhood, as when forming new families, these tend to stay close to the homes of their parents. That is why; two or more families that have some degree of kinship can inhabit a block.

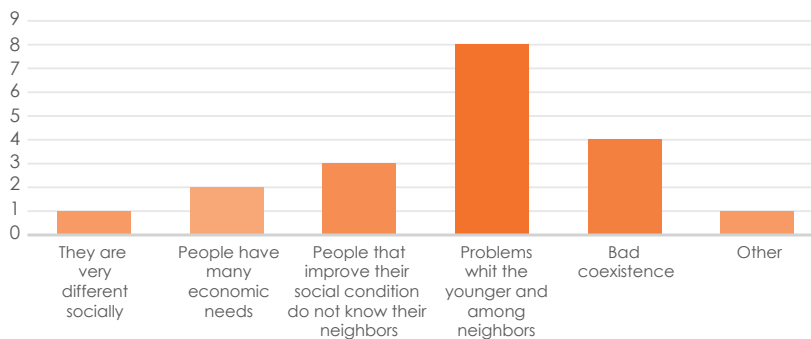
On the side of those who said they had little trust, reasons were due to the lack of communication between neighbors, struggle making new friends, low recurrence among neighbors when facing problems and the tough issue for neighbors to work in some common activity.

This lack of trust is due to social problems in the observed in the neighborhood, such as addiction to drugs and alcohol, so the neighbors have located people who suffer from addictions or engage in illegal acts and they get organized to try to avoid them and protect from them.

For example, one of the strategies they have chosen to pursue this is the figure of the “*watchful neighbor*” to prevent home robberies by observing suspicious movements of strangers in the area, even deciding to make and place posters with police numbers so that residents can make anonymous complaints and to prevent such crimes.

In relation to the total lack of trust (1 out of 2 users found themselves in this situation), the reasons had to do with social differences, the large number of economic needs of the people that motivates the low socialization and the unfamiliarity of the neighbor. Above all, problems with young people and problems among neighbors leading to a complicated coexistence.

GRAPH 7. WHY IS THERE NO TRUST?



Source: Selected data based on the survey: “*Generación de capital social en la Unidad Deportiva Lomas de Tabachines*”

* In this question, one individual could have answered affirmatively to various options.

As shown in **Graphic 7** above, the majority of the surveyed said that the main problem of distrust between neighbors is due to conflicts with the young and among neighbors, this is understood by the social context of the neighborhood with "barrio gangs"⁵ who constantly have violent disputes.

The "barrios" are a group of individuals who, by their similar interests, are looking for a symbol that identifies them as part of a community, such as tattoos, type of clothes and behavior. This creates a bond of *belonging* that reflects in a sense of friendship, trust, cooperation, partnership, etc., and it is this same affinity between them the one making the neighbors to consider them as a threat.

In this sense, a resident believed that *"You can do nothing against a "cholo" as they turn against you, so you cannot stand up against anyone; even they are very close with each other, if you do anything to any of them, then they do something to you, so we do not engage with them. Among them there is trust"* (MA, interview).

As remarked above, this trust between those who belong to the "barrios" derives from their own sense of belonging to a group and it reaffirms with their participation in the activities promoted by their organization, which affects the perception of security in the colony.

Authors like Bourdieu (1985), Coleman (1990) and Durston (2001) stated that the presence or absence of trust is product of the interaction with others, because trust implies a willingness to relinquish the control of one's own goods to the other person. Reason enough to investigate the factors needed to build trust and found that the most important factors were the time to meet and treat each other, to have a public space for social integration and knowing other people's friends. Concerning to V.'s opinion -a surveyed resident- *"I think influences to grow trust among people seeking a place in which to get to know others, to spend time, because as no one knows each other, we only say good morning, good afternoon"* (V., interview).

Generating trust, in the case of the implementation of PREP in Lomas de Tabachines, can infer that,

⁵ Neighbors have instituted for these bands the nickname of the "barrios", named after one of the youth groups bothering the community.

beyond the actions taken by the program in favor of forming bonds of trust between neighbors, is formed from other factors that must not necessarily affect a public policy, but perhaps other features like the time to know each people and friendships.

However, providing a community center such as the *UDLT*, is a platform in which can be developed proper dynamics that strongly enhance coexistence, interpersonal encounters and conflicts resolution, which may contribute to the formation of trust ties within the community without being decisive. Moreover, insecurity conditions that affect the neighborhood had seriously undermined the creation and strengthening of these ties, consequently a worthwhile form of government incidence could be the improvement of surveillance and security conditions.

FORMING RECIPROCITY

Reciprocity is the second component that can be generated by social capital. This value involves the exchange of tangible and intangible assets between people, such as gifts, help or favors. To make reciprocity happen, needs an “*obligatory and free*” trade, besides the people receiving aid are committed to the people who helped them to “*return the favor*” -not necessarily in an immediate

or equivalent way (*Durston, 2001*). To investigate the factors considered part of the *reciprocity*, respondents were requested to answer about the type of help they would be willing to offer, the type of people they would help and their recent helping experiences.

Regarding the type of help they would be willing to offer, most neighbors focused their responses on what they call *moral help*, in other words, *uplifting* support in difficult situations. Other considered examples of assistance included to offer *car pool* to a specific location or babysitting, favors made to their neighbors only sporadically. Also almost 50% of respondents would be willing to provide some material or financial support, without affecting their personal assets.

Looking for who respondents would be more willing to help, fifteen surveyed answered that those who live on their street, four would help those living in surrounding blocks, seven to those who live other neighbors and eight said they would help anyone in need, even a stranger or a person outside the community.

However, when asked about the number of times people had resorted to their neighbors in the event of difficulties in the last month, the results showed a different attitude, which did not necessarily reflect that they asked for any type of support. For example, 70% said that have never reached out for help from

neighbors, 10% said only about one or two times, 13% about three or four times and 7% have done it more than five times.

A sample of reciprocity, although not necessarily based on the neighborliness, is the free of charge⁶ “community workshop leaders.”⁷ These workshops teach primary school themes to children, recycling and art with watercolors lessons so children can express their emotions. Workshops have surfaced some family issues such as domestic violence, addiction and neglect. Also in the workshops are taught simple cooking recipes, as many children are alone most of the day because the parents are away.

L.I. taught these workshops in an area set up at her own home with her own resources, as she said: “I put my little room in my house and got a second hand board with my resources. When I impart the recycling workshop I work with the centers of the toilet paper roll, water caps, cardboard and I charge is 10 pesos per hour. Most of the children come one hour and I teach them here by playing” (L.I. interview).

This female workshop leader’s idea is that someone must be willing to work for the community so that in the medium or long-term the beneficiaries from this work would be able to give back appropriate values into their homes and the neighborhood that could lead to a better coexistence. This specific case is about working with children.⁸ For the workshop teachers, their efforts will create cohesive commitments within the community, acts of reciprocity in time.

The characteristics of cooperation

The third component of the social capital reviewed in this paper has to do with cooperation, understood as the process that emerges as result of frequent interaction between individuals, which also incentives the appearance of opportunities to meet and solve common problems.

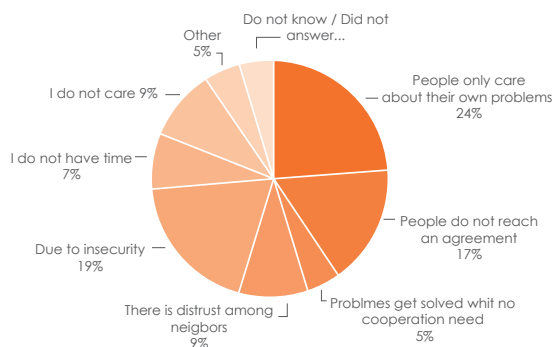
This study aimed to know the main motivations of cooperation and non-cooperation within intervened

⁶ There is a symbolic 10 pesos recovery fee.

⁷ Community Workshops Curses, is a project managed by ITESO university in which members of the community are trained for 3 months to teach Math, English, Spanish, and values to children with learning disabilities. Workshops in Lomas de Tabachines were held in the temple of San Francisco Xavier by a teacher who was about to graduate from the master of Educational Psychology.

public spaces. To accomplish this goal, first we queried among respondents why people do not cooperate to solve problems in the *UDLT*. Subsequent results indicated that most people often focus on their own problems or complicated to reach agreements between the community members; and fundamentally, security is a factor that undermines cooperation as well.

GRAPH 8. PEOPLE DO NOT COLABORATE TO SOLVE PROBLEMS IN THIS PUBLIC SPACE BECAUSE...



Source: Selected data based on the survey: “*Generación de capital social en la Unidad Deportiva Lomas de Tabachines*”
 * In this question, one individual could have answered affirmatively to various options.

One of the issues related to cooperation or lack of it, has to do with the kind of “cooperation” that the respondents would be willing to accept. The majority of the responses focused on work and time to help, however it was evident that at least 1/3 of the respondents were not willing to cooperate in any way.

In the fieldwork, it was concluded that people are willing to make commitments with the rehabilitated public area, therefore they will keep giving maintenance to the sports complex as long as there is reciprocity of the authorities. Respondents said they would be willing to cooperate if any authority or neighbor requested their support to participate in cleaning or painting activities as a benefit for the neighborhood, but they acknowledge that without constant vigilance in the unit it would be a waste of time and effort. M.I. declared: “*People do not cooperate to solve the problems of this public area because they cannot reach an agreement, if they wanted to take turns to look after the park or give*

8 Children in marginalized neighborhoods tend to have several doubts in the classroom that cannot be clarified by their parents, because of either ignorance or lack of time due to extensive working hours in order to reverse some of the conditions of marginality and poverty in which they are immersed.

maintenance to it, they could do it"(M.I., interview).

For most of the respondents, leadership is essential to boost cooperation, therefore, the absence of a social leader to launch, encourage or invite to participate in activities and projects for the neighborhood or any other cause, limits cooperation.

The convening power of the leader helps to improve coordination of stakeholders and this can lead to better results in the implementation of projects, as J. L. said:

"People here are peculiar, because if someone invites them there is an answer, but there is no initiative, the example pushes people. They need someone to come and tell them, "Hey, let's do this, this program helps us with benefits for everyone," and then people do respond" (J.L., interview).

Leadership is essential but in this analyzed case, it was particular, it was a religious leadership, which managed cooperation (besides the relationships established in the public rehabilitated area) among the inhabitants of the neighborhood around the celebrations on the first Sunday of each month for the sick in the San Juan Bautista church.

The group of *San Juan Bautista*, who leads the process, provided the organization. In this event, the members organized a meal for the elderly and sick, especially for those with disabilities or who lived alone.

All the provided food comes from the neighbors' donations, as mentioned by one of the participants:

"I have belonged to the group of San Juan Bautista for approximately 17 years, since we started to come together in the parish community and its construction was done ... when we have to do activities of the group in the church, we get notified in advance, they tell us the day and time but it is regularly on Sundays" (A., interview).

There were also found other types of cooperation practices inside the neighborhood, which were impulse prior to the spaces recovery. This kind of practices were identified as the communities' commitments to issue the neighborhood problems in meeting attended by nearly 100 people.

Reunions have been taken with the main purpose of getting the municipal maintenance to the sports unit so the families could use the installations properly having adequate activities to the young people. Even though, it has been looking for a constant and clearer communication with police chiefs so they could provide greater security to the neighborhood.

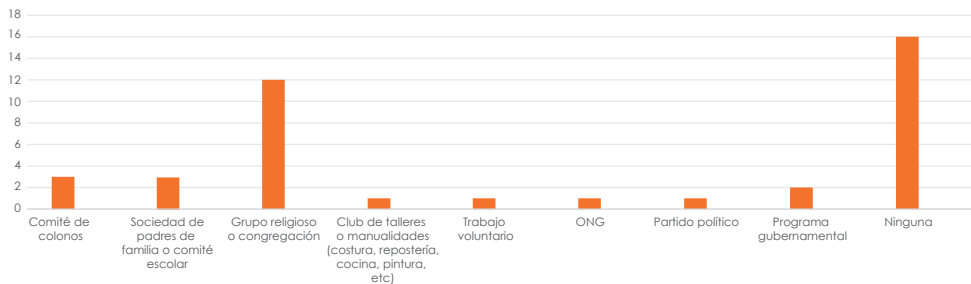
Groups participation and social networks

The surveys' results, as the conducted interviews inside and out of the public space, allowed observing that there was already a

level of cooperation among neighbors; it was associated with some other attitudes that could be interpreted as part of the social capital, such as trust and reciprocity, the participation inside the groups and social networks. This was another important reason for the paper's research: find out the origin of the already existing forms in the space before governmental intervention.

It was detected that neighbors were already participating in associations such as inhabitants committees, Parents Company, religious groups (mainly linked to the Catholic Church), workshops, volunteering and with lesser extent in Organizations of Civil Society (OSC), it was also found that neighbors participated in politic parties.

GRAPH 9. IN WHAT KIND OG ORGANIZATIONS DO OR DID YOU PARTICIPATE?



Source: Selected data based on the survey: “Generación de capital social en la Unidad Deportiva Lomas de Tabachines”

* In this question, one individual could have answered affirmatively to various options.

To people, participation can be important in diverse objectives and not only as a mechanism of “voice” (Hirschman, 1977). For example, to some of the respondents participation could be a vehicle that can improve home subsistence, and it also helps to better services, the community life and the conditions of their children's life:

“I participate in the improvements because they better my life quality and my neighborhood's services and house, also because I think about the future, when I am an old woman I want to walk in my neighborhood, I want to leave a nice place to my children so they can live well” (L.I., interview).

To others, participation promotes support and help bonds when facing risk situations, when there is an emergency, the participating people can trust and expect that associations in which they also work, will provide help as a reciprocity act. Other impulse sources to the participation are associated to the hope of security improvement, support to abandon vices, for amusement and entertaining, feeling good and be useful to the community or simply to get together with their neighbors:

"Participating in the religious group is important to me because I feel good about myself, it gives me peace and tranquility, we also support each other, as a matter of fact I go to the sports unit with my church friends who I have known since I was a child" (M.A., interview).

Some residents, outlook that youth must be involved in community service programs so they could take charge of the development of the whole community: *"For me, to participate in these organizations make me feel useful and I can leave an example to the new generations to come, given that social organization can achieve a substantial improvement on environmental conditions"*. (I. interview).

What can be clearly observed in the results of this investigation is that participation in neighborhood's activities have been barely influenced by the implementation of the *PREP*. Most of the residents claimed that the program has just a few or even no incurrence in the involvement activities of neighbors to address problems; the participation level is the same and occur through the same channels known by them. Therefore is very complicated to state that the *PREP* has been a determinant factor of the people's involvement in public affairs even those that affect them directly as security matters.

So far, it seemed that public programs with a *"participative sense"* would not be the ones to

improve people's commitment to their own issues and conflicts, but a general participation in general as it has been happening. In conclusion, the incidence that governments would have to generate social capital based on the characteristics mentioned here is blurry and unclear.

CONCLUSIONS

The perception of the respondents of the standstill or decrease of the neighbors participation since the *PREP*'s intervention, is that although there has been an effort to incentive the participation and involvement of the society, design, implementation and evaluation of the program through the institutionalized media (such as the web and the social controller-ship proposed by the *PREP* itself) there has not been a great difference, due to the lack of resources for the spaces maintenance and their deterioration because of its "abandonment" (due to negligence or lack of resources) it is noticed as a slight by the neighborhood participation, this weakens the enthusiasm to participate in future interventions and the apathy becomes obvious.

In this paper, it was tried to approach the elements that characterize social capital according to Durston (2001): trust, reciprocity and cooperation in a space intervened by governmental action, this in order to see if the government intervention could push or

create attitudes of trust, interactions of new bonding or cooperation agreements.

Observing this, there is a little to say about the government, the trusting attitudes can be previous to intervention, for example: in the observed results, it was detected that trust is an attitude that is generated from the neighborhood's everyday relationships, at the same time motivated by kinship, friendships or simple solidarity to common causes. It was also observed that trust is cut due to the difficulty of achieving that more neighbors get involved in any common activity or because of the social problems that exist in the neighborhood that are associated to the addictions and antisocial behavior (street violence), trust is also undermined due to conflicts with the young, among neighbors and bad coexistence.

In this sense it was also observed that insecurity has a significant impact in the potentiation of trusting others, given that it is reduced to kinship bonds and friendships that can happen with close neighbors (as it was established in the previous paragraph).

To the respondents it was important that good coexistence was incentivized by the creation of public spaces (both objectives are intended to reach through PREP), however they require additional actions such as crime prevention and the provision of public safety by the municipal police, apart from attending addiction problems among the younger.

Regarding reciprocity, the survey data reveal that the majority of the respondents would be willing to help their neighbors in a moral way, as it was stated before, this may be due to the neighbors similar economic situation so it makes impossible the disposition of monetary resources to help or support anybody else.

Another important aspect is that reciprocal actions are limited by distance among neighbors, in other words, the respondents pointed they would be willing to help those that live closer and have previously known, that is why the reciprocity expectation is high as they say they would expect their neighbors to help in case there is some unfortunate event.

On the other hand the collaboration among neighbors for the resolution of conflicts facing difficulties such as lack of interest in common problems, lack of agreements among neighbors and insecurity. The respondent versions say that this is due to an absence of a leader (with convening power and proactive) that encourages other inhabitants to be co-responsible solving conflicts and needs, it does not matter if the leaders come from a social or religious field or from a neighborhood organization.

That is why the formation and identification of community leaders is required so they can work as social articulators to mobilize and organize efforts to improve the community social conditions and seek participation and shared re-

sponsibility between civil society and government. It is more probable that cooperation becomes real through these leaderships.

Regarding cooperation in social groups and social networks, it was observed that the respondents that participated in organizations did it essentially in the religious kind and that participation in no governmental organizations was due to the satisfaction and the benefit the community obtains when they get involved, however the dedicated time to the participation is limited by personal restrictions.

The findings allow to point governmental social programs that pretend to be implemented and must involve beforehand the neighbors' acknowledged leaders, and the organizations that already exist inside the community as they are an important "social capital stock" and count on recognition and social support of the participants and the neighbors. This facilitates participative neighborliness collaboration to validate governmental actions and allows to motivate the formation of new leaders through time, which could impact in a significant way in the neighbors life in similar marginality conditions.

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REFRAMING THE “RULES OF THE GAME”: THROUGH GOVERNANCE, TRANSPARENCY AND FISCAL RESPONSIBILITY

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ABSTRACT

This article provides an overview of the key research findings of the study on *Fiscal Responsibility* performed by the Center for Public and Corporate Governance. The study places emphasis on the role of governance practices and fiscal results; transparent and open governance; the capabilities of public institutions; the legal and regulatory framework; proper alignment between strategic planning, budget formulation and evaluation; the transparency and accountability of public affairs and, the economic development of Puerto Rico. The aim of the study is to analyze the government of Puerto Rico's fiscal and economic practices in the context of governance, with special emphasis on the following variables: fiscal policy, economic policy, government budget revenues and expenditures, budget results, public debt and the Gross Domestic Product (GDP), Gross National Product (GNP) and economic development. The study was conducted by: Eneida Torres, Rafael Durand, César Sobrino, Mari Glory Gonzalez, Alba López, Saúl Pratts and Ramón Torres.

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OVERVIEW

As Puerto Rico confronts the challenge of addressing its fiscal crisis, it must consider the root causes of weak governance, lack of fiscal responsibility, and poorly functioning public sector institutions. Given the complexity and depth of the challenge, the agenda for the next decade will be to foster a comprehensive reform strategy and focus on the necessary conditions for economic competitiveness, sustainable development and prosperity.

This article provides an overview of the key research findings of the study *Fiscal Responsibility* by the Center for Public and Corporate Governance. The study places emphasis on the role played by governance practices and fiscal results; transparent and open governance; the capabilities of public institutions; the legal and regulatory framework; proper alignment between strategic planning, budget formulation and evaluation; the transparency and accountability of public affairs and; the economic development of Puerto Rico.

Over the past decades governance, transparency and fiscal responsibility have been some of the most critical issues facing sustainable development in countries around the world. *Governance*, has been defined as a system of values, policies, and institutions by which a society manages its economic, social, and political affairs through interactions within

and among the state, civil society and the private sector. It comprises mechanisms and processes so citizens and groups articulate their interests, mediate their differences, and exercise their legal rights and obligations. It is the rule of law, institutional capacity, and practices that set the boundaries and provide incentives for individuals, organizations and the business sector.

Three actors are involved in governance: *the State*, which creates a conducive political and legal environment; *the private sector*, which generates jobs and income; and *civil society*, which facilitates social and political interaction. The essence of governance is to foster interaction between these three types of actors to promote people-centered development. Good governance refers to the question of how a society can organize itself to ensure equal opportunities and equity (social and economic justice) for all citizens (UNDP 2000).

The study establishes that over the past four decades public trust in Puerto Rico's government has fallen dramatically due to a "perfect storm" of contributing factors: (1) government has failed miserably to respond adequately to the crisis and generate long term solutions to the problems affecting PR citizens; (2) a pervasive fiscal crisis; (3) persistent scandals have shaken the foundations of public administration; (4) poor quality of services; (5) lack of political will, politicians reluctance for activat-

ing transparency and accountability principles and practices, and virulent political infighting.

The study proposes that open and transparent governance can generate trust among the various stakeholders and promote appropriate measures to develop alignment among the various economic variables: reducing inequality and influencing favorably, through fiscal public policy and private investment, the distribution of wealth and the creation of social capital to promote the necessary reforms to move forward economic competitiveness, sustainable development and prosperity in Puerto Rico.

The aim of the study is to analyze the government of Puerto Rico's fiscal and economic practices in the context of governance, with special emphasis on the following variables: fiscal policy, economic policy, government budget revenues and expenditures, budget results, public debt and the Gross Domestic Product (GDP), Gross National Product (GNP) and economic development. The research study also explores and analyzes the legal and regulatory framework related to fiscal responsibility, and its core pillars of transparency and accountability of public actors and institutions, recognized as best practices for fiscal responsibility and good governance. The study found that in the last four decades the government of Puerto Rico has been under pressure to respond to the demands of its citizens and to restructure policies, capabilities, and fiscal resources to effectively integrate Puerto Rico into the world economy.

The literature of governance has gained relevance in public administration studies. One of the main contributions has been its connection with economic competitiveness, prosperity and citizens well being. In today's "ecosystem" of governance, ¹ transparency and access to public information plays a pivotal role in building a government capable of meeting social needs, open to public scrutiny, with a high level of accountability and fiscal responsibility on the part of public officials, and the participation of non-governmental components and civil society in the design and evaluation of public policy.

When examining the situation of Puerto Rico the study found that there is broad consensus in various

¹ The term "ecosystem" in the biological field refers to a natural system consisting of a set of living and interdependent organisms that share the same habitat. The concept is metaphorically used in the context of governance to highlight the benefits of using networking schemes and associations of individuals, businesses and organizations. The "ecosystem" of governance can generate responses to public problems (economic, fiscal and social) through multidisciplinary approaches and decisions that translate into better results with added value for society.

sectors of society that the island is lagging in good governance, processes and systems that set the standard for economic competitiveness and sustainable development. Some manifestations of this failure include a weak legal and institutional framework; the continuity of an obsolete economic model; the lack of transparency and accountability; the hierarchical, centralized, bureaucratic government model; the lack of quality in the provision of public services; and a deteriorated political system and lack of political will to tackle the reforms needed to move forward the sustainable development of the Island.

In the last decade transparency has received considerable attention from both policy makers and researchers. Transparency is a concept widely used in the fiscal context, measuring the level of efficiency and effectiveness of public expenditure and promoting the democratization of the budgetary processes. Transparency promotes awareness to those affected by fiscal measures not only of the resulting figures, but also of its fiscal policies, mechanisms and processes.

A study on The State of the Legal and Regulatory Framework of Transparency and Accountability in the Government of Puerto Rico performed by the Center for Public and Corporate Governance (CGPC, 2013) concluded that Puerto Rico still lacks legal or formal mechanisms regarding transparency and accountability requiring officials to disclose relevant information on government performance and results. This absence contributes significantly to the level of actual and perceived transparency.² Without transparency in public administration (both formal or legal /real or perceived) accountability cannot effectively operate. The obligation of public actors is to assume responsibility for their actions in managing the affairs entrusted by citizens. It is vital to promote a transparent and accountable government able to make decisions for the common good and that its actions are efficient, effective and ethical as possible (CGPC, 2013).

The concluding remarks of the research study on transparency and accountability stresses that:

² It refers to the actual access to public information and the opportunity for citizens to participate effectively in governance, which is irrespective of the legal framework.

"The practice of transparency in government, that is, to make accessible and understandable all public matters to ordinary citizens, should lead to greater fiscal responsibility on the part of officials [...] and greater efficiency and effectiveness in the use of public resources. It should also drive citizens to become watchdogs of the actions and decisions of government and strengthen citizen participation in decision-making and the formulation of public policy. [...]."

Accountability therefore, must be understood within the context of management (administration) of results, having a public management that promotes compliance with government goals and strategic objectives. Accountability encourages focus on the quality of public services and meeting the specific needs of citizens. Government components are centered in obtaining measurable results, disclosure to citizens and effective use of public resources. This is achieved through the formulation of strategic plans including long terms goals and measurable objectives, implementation plans and periodic results reporting along with full disclosure mechanisms “.

However, it is well known that Puerto Rico faces a series of circumstances that adversely impact the governance of public affairs, process through which government institutions conduct matters of common interest, manage public resources and guarantee the attainment of human rights (UN, 2006). The profound crisis of the last decade has exposed the government's inability to maintain economic stability and generate results that promote sustainable development, economic competitiveness and social well-being.

Concerning the political system, José Joaquín Villamil (2013) states that in Puerto Rico there is a marked “institutional gap” with considerable political ruptures. Politics has become the mechanism to support a system that has transferred the capacity for innovation and management of the Island to federal agencies (which by definition have a limited scope). The political class has become a privileged economic class. Staying in political power has been the source of personal wellbeing (the political party and their relatives), which has relegated the general welfare of Puerto Rico.³

The political rupture is also evidenced by the growing dissatisfaction and disillusionment of citizens with regard to politicians and political parties in general that do not demonstrate long-term vision, causing

³ Villamil, J. Cometary the presentation of the book *Una Nueva Gobernanza para Puerto Rico* , March 13, 2013, Universidad del Turabo, Caguas, Puerto Rico. Available in: http://www.suagm.edu/ut_pr/gobernanza/pdfs/Resena-Presentacion.Libro-Una.Nueva.Gobernanza.PR.pdf

lack of credibility and confidence in the system and alienation from the political scenario. This makes the political process a poor indicator of social preferences and in fact only certain groups advance their agendas through the political system.

Another indication of the government's inability to accomplish its purpose is its commitment to a public administration paradigm that for the past decades has created a bureaucratized and ineffective structure to meet social and economic needs. Elected officials have exercised an almost autocratic role in generating responses and decision-making of public affairs without obtaining the desired results in the public interest. The lack of integration of diverse social actors in the search for solutions to the problems facing Puerto Rico has hindered further development and effective management of public long term economic and fiscal policies.

Similarly, in Puerto Rico significant commitment to the economic development model of the 50s' which focused on industrialization and essential conditions (cheap labor, access to the US market, and federal and state tax incentives) that are virtually nonexistent today. Furthermore, there is significant dependence on foreign investment capital (mainly from the US) whose production is basically for export and its relationship with the rest of the Puerto Rican economy is minimal (Ruiz, 1982).

The island demonstrates a sub-

tancial deficit in the quality of governance to the extent that it cannot effectively guarantee the constitutional right to free public education, at primary and secondary level, and the advancement of human development (quality education), nor the achievement of aspirational rights such as housing, adequate nutrition, suitable medical care, among other social protection and access to justice rights.

The United Nations Development Program (UNDP, 2008) has stated that the institutional capacity of government depends on the administrative capacity and its ability to integrate and network with various actors in society and citizens towards solving problems, as its management structure alone is not enough to advance the necessary reforms. Institutional capacity fosters effective and efficient actions that repeat over time, and bring about management transformation. At one level capabilities manifest as effects, impacts or outcomes. At a second level capacities are drivers of change (strategic leadership, knowledge, human resources skills and mechanisms of accountability). The activities at this level are reflected in products (outputs).

A priori, factors which mainly contribute to the deficit in the quality of the management of public affairs in Puerto Rico are the lack of institutional capacity to perform functions, solve problems, define and achieve objectives in a sustainable manner and lack or abdi-

cation of political will. *Political will*, implies the desire to resolve public problems and improve social conditions through democratic politics and the institutions that define it. Refers to take action to create the changes expected by groups and stakeholders. It is to observe and enforce the rules, agendas and commitments above partisan and personal interests or the convenience of public actors and create conditions for change as expected by society.

In the words of Kofi Annan, seventh Secretary General of the UN during the period 1997-2006:

The will of the people must be the basis of government authority. This is the foundation of democracy. This is the foundation of good governance, which will give every citizen ... A real and lasting role politically, economically and socially in the future of their societies.

Reflecting on the reality of Puerto Rico in the context of governance it is evident that the Island finds itself in a paradox and a crossroad. On the one hand, governance is essential to promoting good governance and advance a sustainable development agenda; whereas, policy makers and public administrators seem to avoid at all costs the strategies and processes that advance a reform and transformation agenda⁴ The

apparent inability of public actors to undertake a new road towards good governance with new and varied forms of social interaction makes it necessary to strengthen the partnership between the government, the private sector, non-governmental and civic interest groups to push forward collectively determined solutions to the

⁴ Last year the Center for Public and Corporate Governance law has driven without success in this direction. In particular, has driven the Draft Law on transparency, access to information and accountability in governance as an effort to establish the public policy of the Government of Puerto Rico in this field and regulate the principles for implementation; to recognize the right to public information as one critical and autonomous and establish procedures to ensure the effective exercise of this right; to establish public policy regarding the regime or system of exceptions to the disclosure and right of access to information; to provide mechanisms for the establishment of strategic planning and performance measurement of public programs and the dissemination of results and impacts of public administration, among others. The intention to move this bill, which was the result of the first research project of the Center for Governance, has been to strengthen transparency and accountability in governance Puerto Rican, through an integrated and coherent legislation allowing ordinary citizens to know governance, have the relevant information and strengthen public confidence in public institutions based on the knowledge of its operation and the results obtained for the work they perform their officials. The ultimate goal is to guide public action to serve the specific needs of citizens, according to the principles of legality, efficiency, effectiveness, economy, speed, simplicity, accessibility, timeliness, consistency, transparency, good faith, honesty and accountability accounts, among other relevant principles. The Bill was articulated in consideration of the importance of education, prevention, action and finally the disclosure of the specific consequences of non-compliance with the rules of transparency, access to information and accountability. All this initiative was intended to lay the foundations of budget transparency as a sine qua non for it to operate effectively surrender and relevant accounts in which citizens participate of government work.

pressing problems facing Puerto Rico and ultimately the satisfaction of social needs.

FISCAL RESPONSIBILITY AND ECONOMIC PERFORMANCE: PR'S LANDSCAPE AT A GLANCE

The fundamental premise is that economic and fiscal performance of a country is influenced by factors such as the ability of public sector administrators, the various functions of public spending and the fiscal structure through which the public sector is financed. A look at prior fiscal results of Puerto Rico in the past years shows continued fiscal negligence on the part of the public actors who formulate the annual income and expense budget, a significant increase in public spending, a persistent fiscal deficit and a high level of borrowing. Recognizing these circumstances, Puerto Rico is challenged to achieve long term fiscal sustainability and to recover sustained economic growth.

The study on Fiscal Responsibility emphasizes the role played by fiscal practices and outcomes; transparent and open governance; the capacity of public institutions; the legal and regulatory framework; proper coordination of planning, budget

formulation and evaluation; transparency and accountability of public affairs and interactions through which this affects fiscal policy and economic development. This perspective suggests that an open and transparent governance can generate trust among the various stakeholders and introduce appropriate measures to promote balance among the various economic public policy variables; reducing inequality and influence favorably public investment through fiscal policy; while generating an impact on private investment, distribution of wealth and the creation of social capital for reforms (CEPAL, 2007; IMF, 2013; ILPES, 2006).

During the past two decades, international organizations such as the International Monetary Fund (IMF), the International Budget Partnership (IBP), the Organization for Economic Cooperation and Development (OECD) and the World Bank (WB), have supported efforts to increase transparency, accountability, fiscal responsibility and participatory budget protocols which have been identified as important to cope with the financial crisis (IMF, 2013; IBP 2015; OECD 2005).

Fiscal transparency is part of a broader notion of transparency or access to information in the public sector. Transparency has two distinct dimensions: first, access to information about the processes and procedures by which the public sector makes and implements decisions; and second, ac-

cess to information generated, owned and used by the public sector.

Fiscal transparency is important because it allows citizens and financial markets to accurately assess the government's financial position and the true costs and benefits of government activities, including present and future economic and social implications".⁵ Disclosure of fiscal information reduces market risks and asymmetries of information allowing markets to function more efficiently. By enabling accountability for public spending, fiscal transparency can also reduce fiduciary risks and improve efficiency and effectiveness of public spending. Cross-country analyses have shown that countries with more transparent public finances display better fiscal discipline, a lower perceived level of corruption, better credit ratings and lower public sector borrowing costs.⁶

In recent years, transparency has become an integral part of a broader good governance agenda pursuing to achieve improvements in accountability, institutional capacity and government performance. The term is also used in reference to the development and administration of a balanced budget in which operating expenses do not exceed revenues. It is related to the commitment of government officials to act with prudence in public spending and to maintain a balanced budget.

Fiscal responsibility is defined as the state's commitment to generate the revenue needed to operate the government apparatus without imposing an unsustainable burden on citizens and the obligation to prudently manage public resources. The term is also used in reference to the development and administration of a balanced budget in which the operating expenses do not exceed revenues. It is related to the commitment of government officials to act with prudence in public spending and to maintain a balanced budget.

According to the research findings, the necessary institutional capacity to solve the problems facing Puerto Rico depends on both the design of coherent public policies, administrative, legal and fiscal capacity and the political authority (the ability to integrate and interact with various social actors and

5 George Kopits and Jon Craig (1998) Transparency in Government Operations, IMF Occasional Paper 158.

6 Farhan Hameed (2005) Fiscal Transparency and Economic Outcomes, IMF Working Paper, WP/05/225.

citizens), as the government structure alone is not enough to advance the necessary reforms.

The most relevant fiscal performance outcomes of Puerto Rico found in the research includes: a fiscal deficit of unsustainable levels; poor budget formulation and execution, accompanied by noticeable discretionary public spending; a lack of accountability by public policy makers and public actors; lack of reliable and accessible fiscal information, and lack of coordination between strategic planning, budget formulation and execution and managing for results.

Over the past decade or so there has been growing evidence that the best way to improve the allocation of public finances is through budget systems that are transparent, open to public engagement and scrutiny, and that have robust oversight institutions and mechanisms. (OECD 2005,2002, IMF 2003, 2013). Research commissioned by the IBP finds that, after controlling for various economic variables, countries with higher levels of fiscal transparency have higher credit ratings and lower spreads between borrowing and lending rates, thus reducing governments' borrowing costs.⁷ Even for countries with similar credit ratings, higher transparency is associated with lower spreads.

An International Monetary Fund (IMF) study found that an important predictor of a country's fiscal credibility and performance is the level of transparency in its public finance system and practices. In looking at the recent global economic crisis, the IMF study attributes almost a quarter of the unexpected increases in government debt across the countries studied to a lack of available information about the government's fiscal position.⁸ In other words, opacity in fiscal matters contributes significantly to the suffering being felt directly by the citizens of the crisis-stricken countries in Europe.

The new evidence on the impact of budget transparency and accountability indicates that: *Transparency can help attract cheaper international credit; Opacity in fiscal matters can undermine fiscal discipline; Transparency and public participation can help shine the light on leakages and improve efficiency in public expenditures and Transparency and public participation foster equity by matching na-*

7 See <http://internationalbudget.org/wp-content/uploads/IBP-Working-Paper-1-Budget-Transparency-and-Financial-Markets.pdf>.

8 See <http://internationalbudget.org/wp-content/uploads/IMF-Fiscal-Transparency-Accountability-and-Risk.pdf>.

tional resources with national priorities.

Given such evidence, and the current fiscal environment, it is not surprising that there is a growing international consensus among governments, civil society, and other public finance and economic development actors on the need for greater budget transparency and accountability. This consensus has spurred several global, multistakeholder initiatives to promote open and accountable governance.

Notwithstanding, in Puerto Rico there is no genuine commitment to comply with the constitutional provision that public spending should not exceed tax revenues in order to attain a balanced government budget. The study highlights that in 1999-2012 the government exceeded the amount budgeted for spending by \$ 6.8 billion, while, revenues were overestimated by a total of \$ 4.7 billion. The persistent practice of underestimating expenses and overestimating revenues is a highly negligent fiscal practice allowed and encouraged by the lack of openness, transparency and access to relevant, accurate information understandable to the public during the budget formulation and execution process (See Table1);

TABLE NO. 1 BUDGET OF INCOME VS. COLLECTIONS

Budgeted income vs. collection levels of the executed budget				
Fiscal Year	Budgeted	Collected	Difference	%
1999	6703	6540	(163)	(2.4)
2000	7043	6877	(166)	(2.3)
2001	7490	6745	(745)	(10.0)
2002	7342	7186	(156)	(2.1)
2003	7554	7341	(213)	(2.8)
2004	7771	7834	63	0.8
2005	8144	8603	459	5.6
2006	8699	8423	(276)	(3.2)
2007	9065	8718	(347)	(3.8)
2008	9104	8207	(897)	(9.9)
2009	9340	7583	(1757)	(18.8)
2010	7512	7593	81	0.6
2011	7933	7994	61	0.7
2012	8522	8573	51	0.6

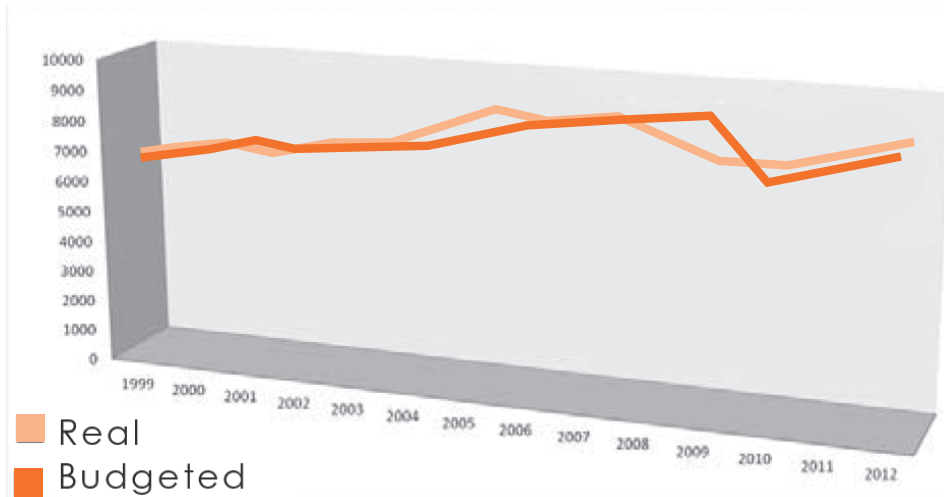


Figure1. Budget of Income vs. Collections

Table 2. BUDGET OF INCOME VS. COLLECTIONS

Fiscal Year	Budgeted	Collected	Difference	%
1999	4530	4430	(110)	(2.4)
2000	4952	4887	(115)	(2.3)
2001	4755	4778	18	0.4
2002	6908	8542	1634	23.7
2003	7187	7366	179	2.5
2004	7537	7942	405	5.4
2005	8128	8908	780	9.6
2006	8419	9461	1042	12.4
2007	8511	8786	275	3.2
2008	8458	8809	351	4.1
2009	8840	9927	1087	12.3
2010	9582	9640	58	0.6
2011	2949	9075	126	1.4
2012	9081	9911	830	9.1

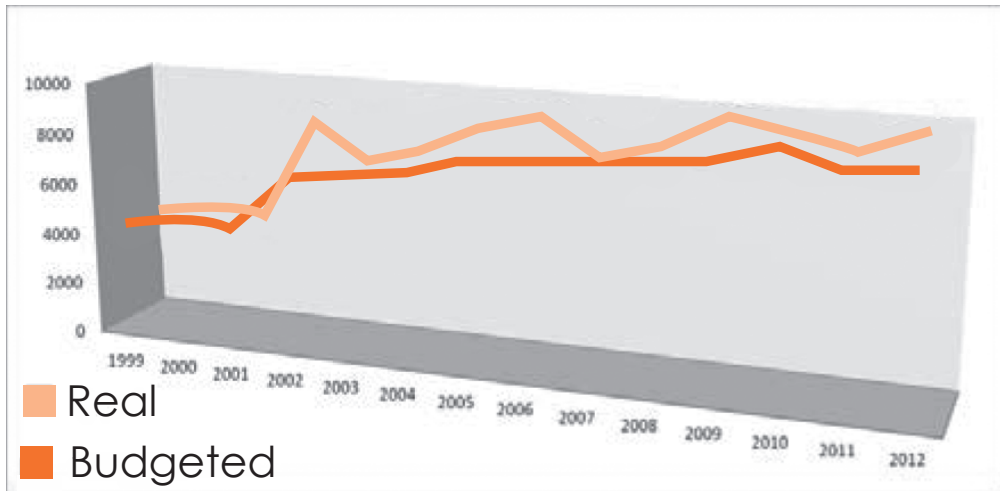


Figure 2. Budgeted Expenses vs. Expenditures

The continuous budget deficits have led to yearly budget insufficiencies financed through loans, decisions that were not adequately disclosed to the public. Balancing budget deficits with borrowing and constantly refinancing debt close to maturity increased the total public debt from 1972-2013 from \$ 2.6 billion to \$ 70 billion, the latter being greater than the current Puerto Rico GNP. The enormous increase in public debt is also due to the use of an extra-constitutional financing mechanisms which today represents 85% of total public debt or approximately \$59.4 billion. Of this amount \$25.6 billion has been generated by public entities and corporations.

From 1999 to 2012 the central government transferred to public entities and corporations close to \$15.0 billion of their already limited funds, as most of these do not generate enough revenue to cover their operational costs. These fund trans*"The continuous budget deficits have led to fers have seriously worsened the fragile fiscal poyearly budget insufficiencies financed through sition of the government of Puerto Rico (See Taloans, decisions that were not adequately ble 3; Graphic 3; Table 4; Table disclosed to the public". 5)*

TABLE 3. INCREASE IN PUBLIC DEBT 1972 - 2013 (BILLIONS)

Fiscal Year	Public Debt	% In-crease	GNP	Public / GNP Debt
1972	\$2596	-	5,768	45%
1976	\$5587	115.00%	7,550	74%
1984	\$8693	56.00%	14,183	61%
1992	\$14336	65.00%	23,696	60%
2000	\$25284	76.00%	41,827	61%
2004	\$37434	48.00%	51,827	72%
2008	\$53393	43.00%	62,703	85%
2012	\$69948	31.00%	68,698	102%
2013	\$70043	0.14%	70,740	99%

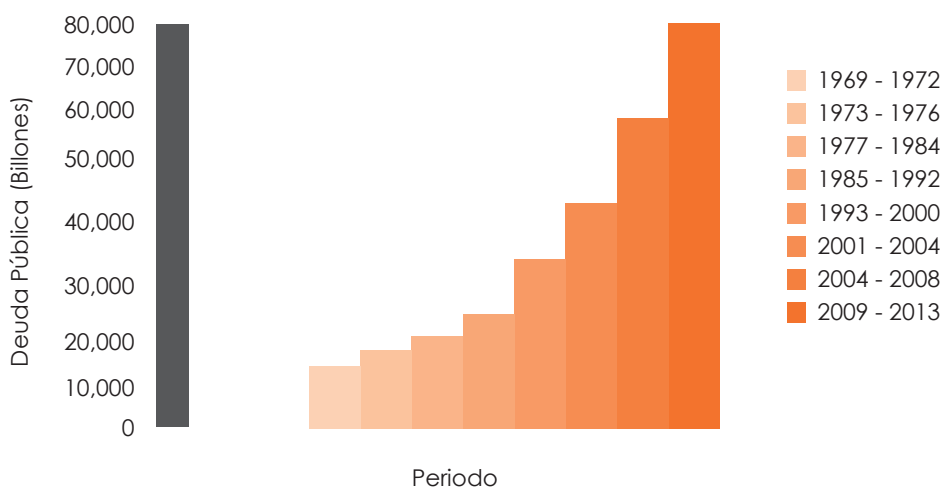


Figure 3. Increase in Public Debt

TABLE 4. DISTRIBUTION PR PUBLIC DEBT
(IN MILLIONS) JUNE 30, 2013 (BGF, 2013)

Nature of Debt	Quantity	%	Observations
General Obligations	\$10,599	15.2	Guaranteed with General Found
Debt Guaranteed by the Commonwealth	5,634	8	
COFINA	15,224	21.7	Guaranteed by tax collections
Corporations and Public Agencies	25,575	36.5	Guaranteed to revenues generated by corporations and public agencies
Municipalities	3,882	5.6	Guaranteed by property taxes
Other	9,129	13	
Total:	\$70,043		

TABLE 5. TRANSFERS FROM THE GENERAL FUND TO ENTITIES
AND PUBLIC CORPORATIONS (IN THOUSANDS) 1999-2012

Year	Quantity
1999	\$1,643,557
2000	1,803,020
2001	2,030,523
2002	583,809
2003	677,214
2004	980,681
2005	808,797
2006	936,617
2007	921,373
2008	514,492
2009	1,100,289
2010	*1,071,259
2011	1,071,259
2012	991,303
Total:	\$15,062,934

In some instances the central government has funded the fiscal deficits of public entities and corporations with the intention of postponing increases in the costs of the services provided by such entities. This practice has hindered the urgent transformation of public entities and corporations into highly efficient and effective institutions.

The findings of the research analysis regarding the economic policies of the past four decades reveals that the development strategy based on foreign direct investment (FDI) has created a significant difference between GDP and GNP. For the past 50 years, Puerto Rico’s GNP - GDP ratio has decreased while this ratio for the United States has remained stable. This means that the income produced on the island is much higher than the income received suggesting that federal transfers from the United States have not offset the benefits of US companies and the granted tax exemptions (See Graphic 4).

Similarly, the results of the Granger-Wald test Modified, Toda and Yamamoto (1995) indicate that in the line.

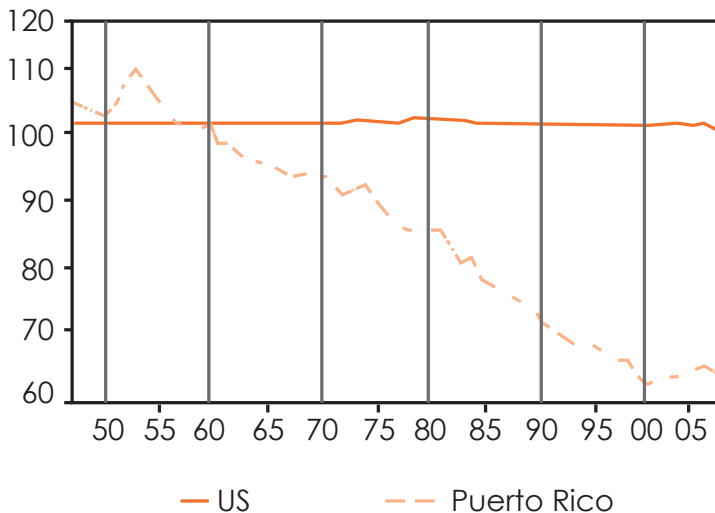


Figure 4. GNP-GDP ratios: USA and Puerto Rico

Short term the fiscal deficit has caused a deterioration in the current account of Puerto Rico. This is corroborated by using fiscal spending instead of fiscal deficit. In other words, increases in government spending have also worsen the current account. One of the reasons for Puerto Rico’s current account position is its primary deficit (See Graphic 5). A persistent current account deficit, with a stagnant economy and a level of debt of in excess of 100% of GNP, worsens over time the repayment capacity of the public debt of Puerto Rico leading to

potential insolvency and worsens the present conditions and future of the population. This situation is exacerbated by cost increases in the economy such as energy costs, bureaucratic costs and the effects of the Jones Act (see Table 6).

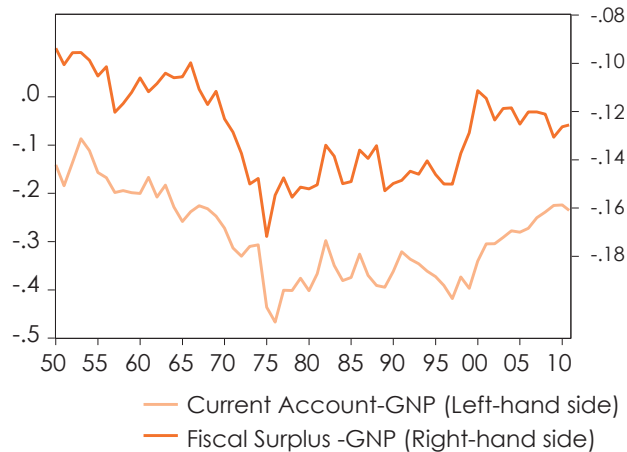


Figure 5. Fiscal Account -GDP and current account GDP (1950-2011)

Less private investment (gross capital formation) less government spending minus the change in stocks. The tax bill is direct taxes less government consumption. Data obtained from the website of the Planning Board.

TABLE 6. GRANGER CAUSALITY TEST -WALD MODIFIED

	Excluded Variables	
Dependent variable	Fiscal Account - GNP	Current account - GNP
Panel A)		
Fiscal Account - GNP	-----	0.02
Current account - GNP	6.08*	-----
	Fiscal Expenditure - GNP	Current account - GNP
Panel B)		
Fiscal Expenditure - GNP	-----	0.03
Current account - GNP	7.75**	-----
Critical Values of Chi-square		
Degrees of freedom	(1)	
5%	3.841	
10%	2.706	

The manufacturing structure of Puerto Rico is very fragile affecting its short and long term performance. The persistently negative current account makes Puerto Rico a net debtor, in need of capital (longterm or external funding) to fund private and public consumption, and private investment. Econometric evidence, apart from the weak manufacturing structure and the effects of the Jones Act, indicate that the main determinant of this persistent external deficit is the fiscal deficit. A persistent current account deficit with a stagnant economy worsens over time its ability to repay its debt.

The economic insolvency of Puerto Rico today has led to the reduction of essential public services; job losses in the public and private sector; an overall impact on the economic climate and investment; an increase in taxes, license fees and other taxes; increases in the cost of living; increases in the cost of public services, among others.

Furthermore, Puerto Rico's lack of institutional capacity (legal, fiscal, administrative, policymaking and political will) is linked to the absence of a coherent public policy that promotes transparency and accountability in the public sector as well as the lack of integration between strategic planning and the budgeting process in all its phases. In this context, governance (capacity of public institutions), governance (how to manage public affairs) and the legal framework governing public processes is very frail.

The lack of institutional management capacity of the past decades has been linked with high politicization of public administration; a lack of vision and coherent planning to promote sustainable development; high levels of bureaucracy in civil service and high operational costs; poor quality of services and the lack of results and outcomes to meet citizens' needs.

"The lack of institutional management capacity of the past decades has been linked with high politicization of public administration; a lack of vision and coherent planning to promote sustainable development; high levels of bureaucracy in civil service and high operational costs; poor quality of services and the lack of results and outcomes to meet citizens' needs".

In the context of the study, the lack of metrics and information about the financial risks and future fiscal plan that meets international standards of transparency, accountability and fiscal responsibility prevented the formulation of appropriate responses to cope with the social, economic and fiscal crisis that it faces.

The research findings reveal that fiscal policy in Puerto Rico can improve through a change in the way public affairs are governed. It is imperative to raise awareness at all levels of public organizations of

the importance of discipline and efficiency to achieve fiscal performance and the macroeconomic effects of fiscal policies. In this process of change is important to assess the role played by each social actor as part of a society that has common expectations.

A noteworthy finding of the study is that fiscal responsibility legislation should clearly establish how the government will disclose proposed and adopted fiscal policies to ensure that citizens know how government will comply with the principles of responsible fiscal management adopted. The IMF establishes the best practices principles required in a fiscal responsibility law: (1) The publication of a statement of budgetary policy that contains the strategic priorities for each financial year, specify the short-term fiscal intentions, and express, in turn, its medium and long term goals; (2) The projection and disclosure of the impact of fiscal decisions over a multiyear period; (3) The inclusion of all financial information according to international generally accepted accounting principles; (4) Provide timely, adequate and accessible to the public of all fiscal, economic and financial statements required by law; (5) Demand greater responsibility to the heads of agencies with incentives to those who comply and penalties for those who breach compliance; (6) Establish processes for assessing and measuring results of public management indicators.

To address the lack of fiscal discipline Puerto Rico needs to reform its government spending practices, its tax and budget policies and control its level of debt to retake the path toward fiscal sustainability, sustainable development and economic growth. It is also necessary to adopt a comprehensive and coherent institutional and legal framework that addresses the following issues: High discretionary public spending; Failures in the formulation and implementation of public budgets; The lack of mechanisms to control public spending and fiscal deficits; The lack of government accountability; The lack of fiscal targets, without medium-term planning, criteria or evaluation mechanisms; and the absence of indicators of public sector performance.

LEGAL AND INSTITUTIONAL FRAMEWORK

The institutional framework is determined by the legal framework. This refers to the group of institutions, organizations, networks and agreements, national or municipal that are linked in one way or another to the implementation of laws, rules, regulations, policies and guidelines for the provision of services. An institutional framework lays out the roles and responsibilities of the different institutions involved in the provision of services and the levels of authority and monitoring, and

their interaction and ways of sharing information (adapted from IEEC 2006 HERRÁN C. 2012).

On the other hand, the *legal framework* is the set of laws, rules, and regulations that generally relate to each other and provide the regulatory information needed to perform activities by a given sector.

There is no categorical list of the principles of sound fiscal responsibility. However, studying and comparing fiscal responsibility initiatives in the international arena we identified several principles that transcend the boundaries of the countries analyzed, which in turn are recognized by organizations such as the IMF and the IBP. The research study highlights five key principles: (1) Identify and clearly delineate the roles, responsibilities, goals and objectives; (2) Establish transparent and open methods of formulation and statement of public policy; (3) Enact transparency rules for public information on fiscal policies; (4) Require accountability and assurances of integrity; and (5) Establish a system of sanctions and responsibilities, both administrative and at the citizens level. However, it should be noted that these principles do not work in isolation, as they are interconnected and dependent on each other, so that compliance with one, sets forth the basis for the requirement and eventual achievement of the other. This paper examines the fiscal responsibility legal framework that an increasing number of countries are using as a tool of governance. Table No. 7 details the general legislative guiding principles adopted by: New Zealand, Australia, Brazil, Colombia, Mexico, Chile and the United States discussed in this research study.

TABLE 7. GUIDING PRINCIPLES FOR FISCAL RESPONSIBILITY LEGISLATION

Country	Year of approval	Guiding Principles				
		Roles, responsibilities, goals, and objectives clearly delineated	Transparent procedures for formulating and reporting public policy	Availability of information on fiscal policies and economic	accountability and assurances of integrity	Penalties and administrative and citizenship responsibility
Nueva Zelanda	1994	⊗	⊗	⊗	⊗	
Australia	1996		⊗	⊗	⊗	
Brasil	2000	⊗	⊗	⊗	⊗	⊗
Colombia	2003	⊗	⊗	⊗		
México	2006	⊗	⊗	⊗	⊗	⊗
Chile	2006		⊗	⊗	⊗	⊗
EEUU	Varies			⊗		
Puerto Rico	There is no integrated fiscal responsibility legislation, although there are scattered laws that serve some of these international principles					

TABLE 8. ANALYSIS OF INTERNATIONAL CRITERIA FOR FISCAL RESPONSIBILITY PRESENT IN THE LEGISLATION OF PUERTO RICO

Country	Year of approval	Guiding Principles				
		Roles, responsibilities, goals, and objectives clearly delineated	Transparent procedures for formulating and reporting public policy	Availability of information on fiscal policies and economic	accountability and assurances of integrity	Penalties and administrative and citizenship responsibility
Constitución de PR	1952	Yes	Partially	Partially	No	No
Ley Núm. 230 Ley de Contabilidad	1974	Yes	No	No	No	Yes
Ley Núm. 147 Ley Orgánica OGP	1980	Yes	No	No	No	No
Ley Núm. 91 Fondo interés Apremiante	2006	No	No	No	No	No
Ley Núm. 103 Reforma Fiscal y enmiendas	2006	Partially	No	No	Partially	Yes
Ley Núm. 236 Sostenibilidad Fiscal	2010	Yes	No	No	Partially	No
Ley Núm. 236 Sostenibilidad Fiscal	2014	Yes	Partially	No	No	No
Ley Núm. 71 Cumplimiento Corp. Públicas	2014	Yes	No	No	No	No

With regard to Puerto Rico the study reveals that the island still lacks an integrated and coherent legislation on transparency and accountability, Table 8 examines Puerto Rico’s legal framework legislation in the light of the aforementioned international principles.

The discussion of the legal framework in countries analyzed in this research study by key principles found that:

1. ROLES, RESPONSIBILITIES, GOALS AND CLEARLY DELINEATED OBJECTIVES

Fiscal responsibility laws are characterized by identifying the roles and responsibilities of the actors involved in the budget process and clearly outline

the goals and fiscal targets, allow the correction of goals not achieved and provide a contingency clause for fiscal emergencies. Thus, fiscal management officials and the public will know in advance where to direct the efforts of the management of public affairs.

New Zealand and Australia, being the pioneer countries in this field, have laid the groundwork for other countries to establish clearly defined roles, responsibilities, goals and objectives. For example, in New Zealand, before presenting the budget proposal to the Legislature, the government must define and disclose short term and long-term fiscal objectives. It must also describe the annual budget and the medium-term strategy that serves to achieve fiscal targets. While in Australia, the development of a fiscal strategy is required with medium-term goals and short term objectives in order to improve public finances. The medium term strategy is aimed at increasing public savings. The main objective is to ensure that government savings would be enough to cover future investments, without the use of private financing. To achieve fiscal balance over the economic

cycle it is necessary to incorporate fiscal targets, such as: (1) maintaining fiscal surpluses while continuing growth, (2) reducing the public debt ratio, and (3) appropriate resources to sectors in greatest need.

In 2000, Brazil joined the international trend towards fiscal responsibility and passed legislation to that effect. The Fiscal Responsibility Act of Brazil was innovative in urging the state to include a schedule with the fiscal targets. The approved law contains clear and precise rules for the management of public revenue and expenditure, the level of indebtedness and asset management in general. In Brazil spending limits were established for officials of the three branches of government and different government levels (union, state, federal district and municipality), a balance budget and public debt limits and a requirement for an emergency reserve.

In 2003, Colombia passed a law on fiscal responsibility with the primary aim of rationalizing fiscal activity, limiting sustainable public debt and to generate economic stability that allows reaching expected levels of development. This law determines the rules, processes and procedures for the different administrative bodies on public finances, to a constant accountability on the use of public resources. Among its objectives is the sustainability of debt through the preparation and presentation of a balanced budget and streamlining the programming and budget execution, among others.

Moreover, Chile established in the Fiscal Responsibility Act (2006) the obligation of the President, within 90 days of the date he assumes his duties, to outline the fiscal policies that will apply during his administration. This statement should express the implications and effects that such policies will have on the structural balance. Also, it must provide information on the structural state of public finances, reflecting the sustainability of fiscal policy and its macroeconomic and financial implications. Thus, the calculation of the structural balance of the public sector is incorporated into the financial program.

In 2006, Mexico had the opportunity to incorporate international experiences with fiscal responsibility to enact legislation in this direction. For example, Mexico's Legislation requires that the country be in a stable and sustainable medium-term fiscal position and facilitate the reallocation of resources to higher priority applications with the necessary flexibility. This law has focused on strategic planning through clearly delineated goals and objectives, including incentives for entities that operate more efficiently and obtain the expected results. Requires that the interests of society and the new parliamentary activism (democratization of the budget) are reflected and that transparency and accountability in the use of resources is promoted.

The Act applies throughout Mexico, all public spending, including

legislative, judiciary and autonomous entities. All are bound to account for the administration of public resources. So administrators of public expenditure should have a management unit, responsible for planning, programming, budgeting, measures for internal administration, monitoring and evaluating their activities on public expenditure. Although the law seeks a balanced budget, it recognizes that certain circumstances may generate a fiscal deficit.

On the other hand, the United States Constitution has no specific provision for the adoption of the federal budget; but states that "Congress shall have power to impose and collect taxes, tariffs, duties and consumption; to pay the debts and provide for the common defense and general welfare of the United States; but all duties, taxes and excises shall be uniform ...". Section 2 provides that "Congress shall have power to borrow money on the credit of the United States." Similarly, "any bill to increase revenue shall originate in the House of Representatives; but the Senate may propose or concur in the same way as on other projects." And although the initial responsibility is conceived as a constitutional requirement, unlike the aforementioned countries, the legal situation in the United States differs by the absence of a law as the basis and guiding principles.

Puerto Rico's Constitution, confers authority to the legislature to enact general budget laws, including budget allocations and

rules for disbursement. The preparation of the budget draft constitutionally has been delegated to the Executive; who in turn, has the responsibility to implement it when approved by the Legislature.

The study demonstrates that in the past fifty years Puerto Rico has not clearly established goals, even in the short term. In more recent years, the State of the Commonwealth address has not included the facts and information needed for the formulation of a program of economic and fiscal legislation. It has become more a progress report and the formulation of political promises, while the spending proposal is forwarded separately near the end of the legislative session, detached from the process of managing for results and accountability. Consequently the public does not have access to the information necessary to determine the strategic direction of the commonwealth, much less how it relates to the budget.

2. OPEN PROCESS FOR FORMULATING AND REPORTING PUBLIC POLICY

A fiscal responsibility law has fiscal transparency as its guiding principle. Any proposed tax imposition has to be transparent and include timely and adequate information on the institutions involved, reliable statistical data and projected fiscal and social risks.

The New Zealand Act details how the government should disclose its

proposed fiscal policies to ensure that the legislature and the public can learn how the government will comply with the principles of fiscal responsibility. It lays the foundation for procedures and policy statements aimed at reducing debt. In turn, it requires the government to publish a statement of fiscal policy including the strategic priorities for the next budget, detailed short-term fiscal intentions, and, indicates the long-term fiscal objectives, prior to the submission of the document to the legislature. Moreover, the government must disclose the impact of fiscal decisions over a three-year forecast period, with appropriate updates in economic, tax and expenditure matters. Nonetheless, it recognizes that situations may arise where the government can set aside or temporarily postpone the principles adopted, but must do so publicly, and provide the justification for such changes, and report how and when it will meet the standards adopted.

The "Charter of Budget Honesty" of Australia requires establishing a fiscal strategy based on the principles of good administration and facilitate public scrutiny of fiscal policies and performance evaluation. In compliance with international principles of transparency, the Charter of Budget Honesty requires that the fiscal strategy be disclosed, on or before the first budget, then the annual report at the end of the fiscal cycle. This will increase public awareness about the government's strategy,

and in turn, provide a benchmark for evaluation. The fiscal strategy should include, among others, an explanation of the priorities on which the budget is based; economic assumptions used; fiscal measures that the government considers important; objectives, goals and budget estimates for the fiscal year and the next three years; disclosure of risks and expected results. Similar to New Zealand, the law allows that if the government changes or amends the fiscal strategy, if it known in advance by the public.

Furthermore, in Brazil the Law recognizes the importance of the processes of planning and fiscal management complemented by the Budget Guidelines Law (LDP) and the Annual Budget Law (LPA) which establish the basis for financial planning. In the area of transparency, the Law refers to the LDP processing and publication of two annexes: Tax Goals and Fiscal Risks.

The first Appendix (Fiscal Targets), provides information on the assessment of compliance with the fiscal targets the prior year, setting goals and priorities for the next two years, changes in equity, actuarial projections, assessment method and estimates tax waivers, among others. This report gives flexibility to the government, and in turn, lays the foundation for the following fiscal year. Furthermore, the Law provides for government to make decisions that include the foregoing of income either by amnesty or other tax strategy. In addition, it must show

that the waiver of revenue will be offset by other activity, either by increasing or formulation of a new tax or contribution. In that case, the waiver will only apply when compensation is insured by increased revenue.

For its part, the Annex Fiscal Risks report includes three categories: (1) budget fiscal risks (possibility of not achieving revenues and/or expenditures); (2) fiscal risks of debt for government securities (arising from changes in interest rates, exchange rates and/or inflation); and (3) contingent liabilities, especially those involving judicial disputes. This toolkit aims to inform society of the evolution of public accounts, to demonstrate to the taxpayer how funds raised are used.

In Colombia, to ensure accountability and transparency in their fiscal processes, a horizontal planning process is promoted for a period of 10 years. This displays the future effects of decisions on taxes, spending capabilities and level of indebtedness. The Medium Term Fiscal Framework is a key instrument of the Colombian law on fiscal responsibility, which requires the delivery of a financial plan, which must consider the historical trend or behavior of income or earnings for the three years prior to the annual cycle in question and the inclusion of new policies. It will also include a report on macroeconomic and fiscal current year results, evaluation of public services, and an estimated cost of exemptions, deductions or discounts it offers. Thus, it is intend-

ed that the development of each annual budget, each agency analyze its fiscal responsibility to ensure debt sustainability. Managers of public resources should be cautious in the calculation and estimation of revenues, greater control of their operating costs, and meet the goals established primarily to service the debt.

In Chile procedures for fiscal transparency and public policy are highlighted by the creation of two funds to maintain and invest the tax savings resulting from the structural balance approach: the Pension Reserve Fund (FRP) and the Fund for Economic and Social Stabilization (FEES). This, in order to distribute over time the financial burden.

The FRP was created with the aim of providing financial stability to the treasury, to build part of fiscal surpluses to secure funding from the public budget for deficit years. With FEES Chile avoids exposing social spending and public investment to changes in the economy, while facilitating public savings. For both funds, the law provides different percentages and formulas by which the contributions should be increased, and the investment ceiling.

However, in Mexico the principles of transparency require that fiscal instruments be developed on the basis of objective and quantifiable parameters of economic policy. They must be accompanied by performance indicators, based on the objectives, strategies and annual goals.

Projections must cover a period of five years and the exercise of the fiscal year in question, which are reviewed annually; while the results of public finances, including financial requirements, must also be projected for a period of five years immediately preceding the fiscal year in question.

Under this Law Mexico will always procure a balanced budget, however the law recognizes that due to economic and social conditions, it may incur in a budget deficit. If this happens, the specific amount of funding needed to cover the deficit, the reasons for it, and the time and actions required to eliminate the deficit to restore budget balance must be revealed to the public.

The constant changes in financial regulations in the United States makes it difficult to identify whether fiscal transparency is implemented in the formulation and statement of public policy. For example, when the Budget Control Act (2011) was adopted, several mechanisms, such as the creation of the Congressional Joint Select Committee on Deficit Reduction and the "budget sequestration" were introduced. This law delegated to federal agencies and departments budget cuts. Two years later, Congress approved the Sequestration Transparency Act of 2012 to require the President and his administration to report in 30 days detailing how it will implement the automatic cuts. The report would include an estimate for each category of percentages and amounts

necessary to achieve the required reduction and identification of the accounts, estimates of resources and projects, among other details.

Reviewing the situation in Puerto Rico, we observe that it is far from adopting transparent procedures and formulation of fiscal policy similar to those enacted in the countries analyzed. There is a constitutional provision that tax allowances for any fiscal year may not exceed the total resources calculated for that year. The Constitution also requires that there be a budget; and if there are no funds, it establishes an order of priority, where debts are paid first and then other spending priorities. Although there is a clear legal limit for a balanced budget of income and expenses, the practice in recent years has been to use non-recurring sources of income (debt) to cover recurrent costs (financing of government operations). These sources of income are not disclosed to the public when the budget is established, but when obligations are to be met and there are no resources available, the legislature then authorizes the issue of new debt.

The Tax Reform Act passed in 2006 to address the economic and fiscal crisis of Puerto Rico, established that the government should develop a Strategic Plan which would contain strategies for fiscal stabilization, including restructuring of agencies, austerity measures and other government management measures. All budget requests submitted by

the Governor would be accompanied by a seven year Strategic Plan. A review of the Strategic Plan of Puerto Rico reveals that it contains a broad general statement of the goals set for the required period. However, the process for approval of the Plan is not clear, and the strategies described are not transparent, they do not reflect the sources of revenue or identify measures and performance indicators.

3. PUBLIC ACCESS TO INFORMATION ON TAX POLICIES

Another essential principle of transparency and fiscal responsibility, is the disclosure to citizens of proposed and adopted policies. This implies that citizens should be provided complete information on past and present fiscal activities and major fiscal and social risks. The information must be timely, adequate, complete and accessible.

The New Zealand Act details how the government should disclose its proposed policies to ensure that the legislature and the public can learn how government is complying with the principles of fiscal responsibility. All financial information must be presented according to generally accepted accounting principles. The government has a duty to inform the projected fiscal position, including income, expenses, operating balance on an accrual basis, total debt and equity. All the required

financial statements are similar to those of any private company and include a statement of responsibility, where the Minister of Finance affirms the integrity of the information contained in the financial statements.

In Australia, the Charter of Budget Honesty requires that annual reports be published with the fiscal budget and economic outlook. This annual report shall include, among others, estimates for the fiscal year and the next three years; economic assumptions used; sensitivity analysis; summary of estimated tax expenditures for the budget year and the next three years; and a statement of risks.

The law in Brazil establishes transparency as a control mechanism by publishing reports and certifications on budget execution and provide the taxpayer the actual use of public resources. Specifically, it outlines the instruments of transparency in fiscal management, among which are public hearings, accountability publications, and fiscal reports. The Act provides that public hearings be conducted at the time of the preparation and discussion of the budgetary documents (multiannual plan, budget directives law and annual budget law). It also establishes the requirement, every four months, for the Executive to publish and assess compliance with fiscal targets.

Colombia's Medium-Term Fiscal Framework must be reviewed periodically and as if the assessment shows that it has not met the proj-

ect goals it must make the necessary adjustments. Adjustments require a justification and a review to meet debt sustainability. Both the framework and the financial plan and the corresponding evaluation must be accessible to the public, including through electronic means.

Legislation in Chile requires the Treasury to issue quarterly reports on the status of the sovereign funds, and in turn, prepare every three years an actuarial study to assess its sustainability. The State shall maintain permanently available to the public through their websites, updated information at least once a month, of various government activities, including information on the allocated budget and reports on its implementation, under the terms provided in the respective Budget Act each year. In addition, the government must provide the results of financial year audits of each entity and, when appropriate, additional clarifications.

In Mexico the principle of accessible information is covered in the law by requiring public institutions to deliver monthly and quarterly reports. Quarterly reports must be submitted with monthly breakdowns and must include information on the Income and Expenditure Budget performance and on the economic situation, including an analysis on production and employment, wages and prices; and the situation of public finances and generation of tax and non-tax revenues, status of collection targets,

realization of public expenditures, among others. These also include key indicators on the results and progress of programs and projects in meeting the goals and objectives and the social impact, in order to facilitate its evaluation.

The US has established the Office of Budget and Management which is responsible for reporting the fiscal situation, including the "budget sequestration" agency. This includes adjustments to spending limits for the fiscal year and each succeeding year, as required by law. The law requires a timetable for presentation and disclosure of reports, including the holding of public hearings, if necessary.

In the case of Puerto Rico, its Constitution proclaims one of the most fundamental parliamentary functions in a democratic society: Keep citizens informed by various means on legislative procedures. This constitutional provision also applies to aspects related to tax legislation and budget. However, this regulatory progress on the principles of transparency, access and availability of information, has not gone hand in hand with our social reality. The Constitution does not set a term or deadline for the State to provide relevant information. In practice it is difficult to find official documents; statistics are not updated, and public reports do not contain all information necessary for proper evaluation of policies and fiscal practices.

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY

Another guiding principle, which is shared among the legislations analyzed, is accountability and providing assurances of integrity. Accountability ensures that the government provides and demonstrates that the decisions, actions, or authorized and implemented projects are consistent with clearly defined and approved goals. In addition, information and fiscal practices must meet certain accepted quality standards and are subject to independent verification. Thus, without the principle of transparency in the budgeting processes accountability cannot operate effectively.

The New Zealand Act requires the State to follow the legislated principles and publicly assess their fiscal policies against such principles. The Act requires that the government present all financial information in accordance with accepted accounting practices. All required financial statements are similar to those of any private company and include a statement of responsibility, where the Minister of Finance ensures the integrity of the information contained in the required financial statements.

In compliance with the principles of accountability and fiscal transparency, the Charter of Budget Honesty Act of Australia requires the government to analyze and publish to the public a report and statement of responsibility,

within six months implementation of the budget. The purpose of this report is to present the economic and fiscal outlook and provide updated information to allow citizens to assess government fiscal performance against previously established and disclosed fiscal strategy information. The information contained in the reports must include all government decisions and circumstances that may have an effect on the fiscal and economic outlook.

The government of Australia has to provide a report on the economic and fiscal outlook within 10 days of the order issued for general elections. This report should include the situation of government for the year and expectations for the next three years; with the economic assumptions that have been used in the preparation of tax estimates; An updated list of risks, including data declaration. The information provided should reflect, to the extent possible, all decisions of the government and other circumstances that may have a significant effect on the fiscal and economic outlook. In addition, the law requires that the report be signed by the responsible officials asserting that the report reflects their best professional judgment; which includes all the financial information provided by the Treasury Department and all fiscal information available; and incorporates the tax implications of government decisions.

The law in Brazil provides that top government officials should

be available for public consultation. Reports of public accounts must provide a portrait of the performance of public spending to test the government's fiscal position. The law provides for ample disclosure of the results of the assessment of the accounts and that these remain available for consultation and assessment by citizens and institutions of society. Similarly, uniform procedures for all government agencies are regulated which facilitates the standardization of reports. By complying with the rule of transparency, publication of consolidated accounts in electronic format is also expected.

On the other hand, the process of transparency and accountability established by law in Mexico is the evaluation of programs. This is to verify compliance targets, which show the results of the allocation of public resources. All evaluations are made public and contain at least general data of the external evaluator, general data of the responsible administrative unit to monitor the evaluation; the hiring process of the evaluator; evaluation contract type, the database generated for analyzing the evaluation; the data collection instruments (questionnaires, interviews and formats, among others); the methodology used; an executive summary outlining the main findings and recommendations; and the total cost of the external evaluation, with its source of funding.

The United States requires accountability through various forms,

special laws and the establishment of inquiry commissions. While these mechanisms are known to the public, its exercise is essentially by the legislature, which is insufficient. The presidential message to the House of Representatives is interpreted as a form of accountability to the people.

The Commonwealth of Puerto Rico, approved in 2010 a public policy that every government agency should implement a program to optimize performance and service, which should be achieved through the formulation of strategic plans with measurable goals and objectives. Thus, the State intends to implement a system of accountability and open government in which the government components are directed to the achievement of goals and objectives to determine the efficiency, effectiveness and quality of services through the disclosure of results.

This legislation was novel and took a step in the right direction by requiring a strategic planning document to agencies and public corporations. Nevertheless, we found that this law did not have the necessary elements for the creation of an integrated assessment and implementation tool to evaluate the outcomes and measure their impact; it does not contain mechanisms for quality control in the development of agency strategic plans; does not set the parameters for the disclosure of plans or require that plans be linked to the budgeting process. Also, the law does not

require agencies to review and certify that the strategic plan developed is aligned with the agency mission as manifested in the law which governs its operations. Less than a third of the agencies (49 as of 2013) have submitted their strategic plans to OMB and of these just a few publish a progress report on its Web site.

A look at the OMB web site reveals the absence of a timetable established for the evaluation of public services. Citizens have no official information about the services rendered or the economic or social impact evaluated. An evaluation report or audit must provide the public an explanation for the accuracy and reliability of the use of public funds, including whether it has complied with the laws and administrative guidelines, and efficiency and effectiveness of government spending (IBP, 2011). Disclosure and evaluation of public services performed, provides citizens with a glimpse of the implementation of the budget during the fiscal year.

5. DEFINITION OF PENALTIES AND ADMINISTRATIVE AND CIVIL RESPONSIBILITY

Notably, as social control is essential for the enforcement of legal compliance, establishing sanctions serves as a powerful tool for initiating responsible governance (Almeida, 2008).

In Brazil the lack of publication of the required reports can cause

the offender the suspension of all voluntary budget transfers and the prohibition to contract credit operations. The LRF is complemented by the Penal Code and the Law on Tax Crimes to address penalties for noncompliance. The penalties are classified as civil (to repair the damage); administrative (loss of office, disqualification, fines, suspension of political rights) and criminal (commission of offense). The law emphasizes that a civil case does not preclude criminal or administrative proceedings. Furthermore, the omission of a ministerial duty under law brings about the sanctions described (Almeida, 2008).

Penalties are classified as personal or institutional. Institutional penalties befall on the administrative bodies responsible for the irregularities, while personal sanctions affect the agents or individuals who committed the wrongful act. The author points out as an example: the prohibition to carry out voluntary transfers is an institutional sanction and removal from public office is a personal penalty. The penalties associated with noncompliance of the LRF have varying degrees of severity, but require from the public administrator: integrity; acceptance of responsibility, and commitment to legality and transparency of their actions. Penalties apply to all those responsible in the three branches and the three levels of government.

Notwithstanding, the article, "Fiscal Responsibility Law: The Experi-

ence of Latin America", explains that although it is unlikely that a violation of the law reaches criminal charges because of the slowness in the judicial system, many politicians prefer to avoid entanglement in the process. The law serves as a tool for denying political favors. In several places in Brazil signs have been posted expressing the repercussions of failure to understand why certain projects are not possible. However, in Colombia a breach of this law, by a public servant, "will be considered as a disciplinary offense" under the provisions of Act 734 of 2002.

On the other hand, in Mexico situations that could lead to disciplinary measures are identified. The law asserts that the acts or omissions involving its breach be punished in accordance with the Federal Law of Administrative Responsibilities of Public Servants and other applicable provisions. The law lists various situations requiring sanctions, and in relation to accountability, transparency and fiscal accountability highlights the following:

... not comply with the general provisions on programming [budgeting] exercise, monitoring and evaluation of federal public spending established in law; do not adopt the budgetary and accounting records in the form and terms established by this Act, with reliable and accurate information; comply with the

obligation to provide timely and required information; take actions or incur in omissions that impede the efficient, effective and timely exercise of resources and the achievement of annual goals and objectives; and perform actions or incur in omissions that deliberately cause failure to meet targets and annual targets in their budgets.

In addition to the penalties provided by law, public servants which cause harm or damage will be responsible for paying the due compensation. However, sanctions and compensation will be imposed regardless of the responsibilities of political, criminal, administrative or civil character, if any, come to be determined by the competent authorities.

In relation to non-compliance with fiscal laws in Puerto Rico, as in the US, we have segmented laws that consider this problem. For example, Article 24 of the Tax Reform Act establishes sanction to any person who willfully violates any provision of this Act shall be charged with a misdemeanor, and upon conviction shall be punished with fine from \$ 1,000 to \$ 5,000, which will be paid by the official or employee who, for his carelessness, negligence or intention, commits the violation. In addition to any appropriate disciplinary action against any officer or employee who carelessly or

negligently violates or assists in the breach of any provision of this Act or of any laws, regulations or rules adopted under it.

CONCLUDING REMARKS

The research team ascertains that Puerto Rico must embrace the challenge to sustainable development by reframing its governance practices. The absence of good governance principles and practices in Puerto Rico has created uncertainty and lack of confidence in citizens, entrepreneurs and investors. The lack of consistency in the development and management of fiscal policies has increased governance problems and a lack of capacity of government agencies to comply with their mission. The lack of institutional capacity in the management of public affairs in the past decades has been linked to high politicization of public administration; lack of vision and coherent planning to promote sustainable development; high levels of bureaucracy in civil service and high costs operations; the poor quality of services and the lack of results to meet citizens' needs.

Among the most significant findings of this study we can mention: the fragile fiscal situation of the island; numerous flaws in the budgeting process; a high government deficit; unsustainable levels of indebtedness; lack of planning

of public expenditures; lack of clear goals and metrics for evaluating results; significant discretionary public spending; lack of reliable and accessible information and statistics to citizens and an obsolete management model utilized during the past four decades.

Moreover, Puerto Rico lacks an integrated and coherent fiscal responsibility legal and institutional framework. The lack of a clear and consistent fiscal policy has led to weak performance by the entities in charge of managing economic and fiscal matters.

Among the major recommendations of the study we can highlight the adoption of fiscal policies of transparency and accountability that attune with the best practices guiding principles followed by nations globally and used by successful countries such as: Increased participation of institutions and public sector agencies; Reporting and publishing comprehensively the public assets and liabilities of the government; Publish more frequent and timely fiscal reports; Using a more rigorous approach to developing fiscal projections; Develop and implement standards to align strategic plans, budgets, statistics and accounts. Building on experiences of countries such as New Zealand, Australia, Mexico, Chile, and others are valuable and can serve as a reference to move forward. In addition, the study provides general and specific recommendations to strengthen the institutional capacity of government; develop a coherent institutional and legal framework; and strengthen the capabilities of human capital among other pressing matters.

The research study also proposed a model of open and transparent governance of public affairs anchored on international principles (the model proposed by the Governance Center model in its book, *Una Nueva Gobernanza para Puerto Rico*) is a scientific roadmap to guide the process of formulation and implementation (Figure no. 1);

To articulate pillar 1, culture of good governance, it is necessary to focus on transparency, accountability and government fiscal responsibility. Pillar 2 addresses economic competitiveness by improving the investment climate, generating capital, creating jobs and developing a culture of entrepreneurship and productivity.

Pillar 3, developing social capital, emphasizes the importance of fostering the skills and capabilities of human capital, social culture and resilience to overcome adversity, uncertainty and crisis management capabilities. Finally, to successfully advance the governance reforms a platform of indicators and metrics to assess the results and impacts of the progress of efforts is necessary to ensure that they maintain sustainability in the long run and that transparency and accountability permeate the whole process.

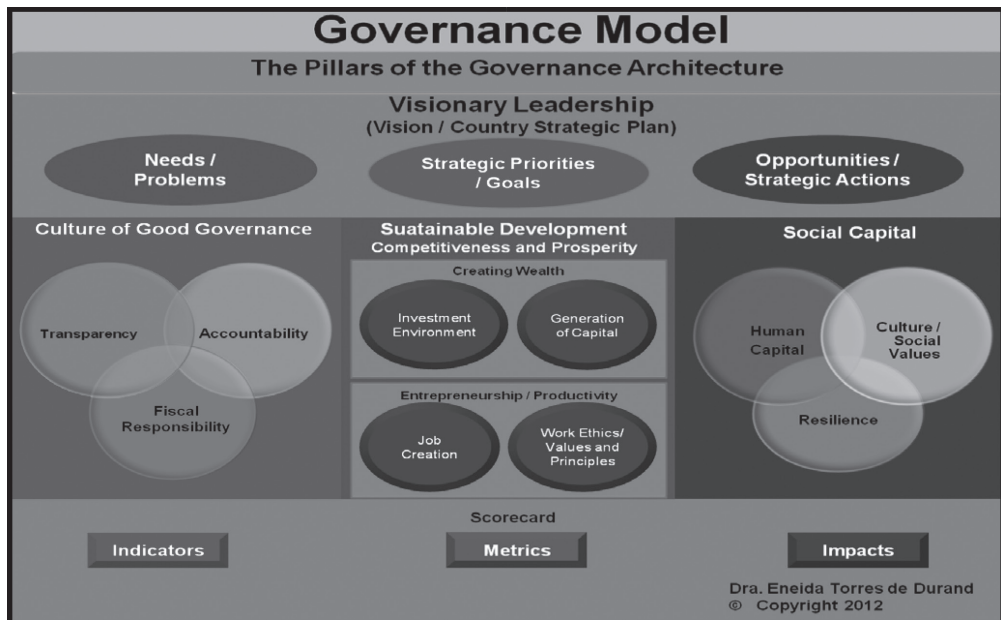


Figure 6. Governance Model Source Una Nueva Gobernanza para Puerto Rico 2013

The study also emphasizes, the following key findings: Puerto Rico must adopt an integrated fiscal responsibility legislation as a first step to promote order and discipline in the management of public finances; The establishment of general rules and strict reporting requirements to foster a more transparent budget formulation process, improve the quality of public spending, control the level of indebtedness and provide a framework to improve public policy and weigh the effects of fiscal decisions; Enhance the government institutional capacity (design of policies, systems and administrative, legal, fiscal processes and political authority) suitable and sufficient to manage public affairs in an increasingly complex and volatile environment with limited resources; Adopt a national strategic plan with long-term strategic vision for sustainable development which considers short and medium term actions to ensure a balance between planning, budget formulation, fiscal discipline and managing for results and outcomes; Adopt the international principles, practices and metrics of transparency and accountability in the man-

agement of fiscal affairs as a pillar to create an environment that discourages corruption; Undertake structural reforms in public administration anchored on strengthening human capital competencies management; Adopt transparency and accountability policies in fiscal affairs that incorporate components used by successful countries; Develop a model of sustainable development of the economy of Puerto Rico to take into account its competitive strengths and address and reduce risk and the impact of unfavorable conditions; Develop a transparent, accessible, coherent and integrated results management and budget planning as a tool to promote quality in the delivery of public services and more efficient use of limited public resources; Adopt the criteria and standards established by the IMF and the IBP for transparent budget processes and involve citizens in the discussion of the budget as a measure to improve the formulation, implementation and evaluation of fiscal policy; Develop multi-year budgets as defined in international standards; and Strengthen information technology infrastructure as a mechanism to improve the quality of data as a basis for generating better quality information to support the decision-making process in fiscal and budgetary matters ("e-government", "open government").

In summary, for Puerto Rico it is imperative to take advantage of the deep and prolonged cri-

sis as an opportunity to advance structural reforms which require commitment and willingness. Advancing the agenda for managing public affairs in the current historical juncture to generate responses and produce the results will require talent, participation and willingness of all. In the words of Albert Einstein "the crisis is the greatest blessing that can happen to people and countries

Given the complexity and depth of the challenge Puerto Rico must focus on the necessary reforming agenda anchor on strengthening governance, improving fiscal practices and reforming public institutions. The understanding needed to develop the roadmap to mobilize action to undertake the structural (economic, fiscal, budgetary, and public administration) reforms and generate responses and outcomes for society are clear. Furthermore, all the tools needed to advance reforms are at hand: consensus on standards, stakeholders and understanding of current deficiencies. If these tools are used properly and in a concerted manner, Puerto Rico can achieve historic progress in its capacity to govern public affairs that allows fiscal transparency, accountability and fiscal responsibility can be accomplished for the common good and prosperity of the Island.

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DEMOCRATIC GOVERNANCE IN LATIN AMERICA

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If we consider part of the 80's decade and the 90's, the main concern of most of the Latin-American countries lay in making the transitions to democracy possible. Two decades after, the main challenge is not reduced to achieve a fully democratic political system, but to ensure good quality politics.

Mainwaring and Scully edited and published 'Democratic Governance in Latin America', a book that tries to quite clearly present a *state of the art* of the regional reality in the first years of the twenty-first century, submitting works that go beyond fundamental politics, economics and public policies analysis. This accurate text brings together different specialists not only from the '*world of academics*', but also thinkers, intellectuals who play or have played relevant positions at a high political level in their respective countries.

Those points of view certainly enrich any analysis about the central theme of the book, which has to do with the "democratic governance".

The introductory part of the book made by the editors alongside Jorge Vargas Cullell, conceive *democratic governance* in terms of the success of public policies implemented by governments, that is to say, in the ability to provide goods and services and to guarantee certain rights for the welfare of citizens within democratic institutions.

It is possible to think of a restrictive approach of the initial statement, given that is circumscribed to the improvement of the efficiency of the public sector, however, authors offer a methodological proposal consisting in a *measuring of success of governance* applied to several coun-

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tries of the region and that consists of nine dimensions that go beyond the procedures. The dimensions are as follows: level of democracy, rule of the law, containment of corruption, economic growth, inflation, job creation, poverty, education and citizen security.

The book is divided into three parts. The first part considers the regional context and focuses analysis on the level of success of the governments of their public policies. The second section refers to the national cases studies and their level of success in the matters of social policy. The third one puts together two final chapters that deliver conclusions and an urge to draw lessons regarding democratic governance in Latin America.

De Gregorio exhibits his chapter from a strong defense of the free market and economic growth in Latin America, analyzing a group of reforms that involved, among other measures, tax expenses control, decline of public expense, privatization of public enterprises and utilities, market's deregulation to motivate competition, etc. In the 90's, many governments of the region, with the exception of Chile, managed to deploy a large part of these measures, to address severe macroeconomic imbalances that came from the last decade.

In retrospective, these economic resolutions have not been exempt from criticism and, as Rodriguez emphasizes in its chapter, some of them are focused

on the type of a *mold* criteria, as he points out, "*one size fits all*". In other words, he gives importance on framing unique recipes, with a strong economist tone, leaving aside social reasons, and above all, the institutional political framework of the countries.

That is why, following this reasoning, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) carried out an internal effort, not programmatic and not idealized, defined as the "*productive transformation with equity*", as a single solution to all regional issues in a way to counteract against the applied model until then.

Foxley's considerations on the market and the State, has generated great debates on the future of the State itself. Regrettably, these discussions have had an ideological bias, turning around its size. The author believes that the size of the State is a false dilemma. The experiences in Latin America for almost fifty years point to the need of having a smaller State, but the complexity of the problems facing our society, and the profound imbalances, requires a more intelligent, strategic, regulator State, a generator of equal opportunities.

This raises the need for a reform of State performed in carried out in depth. The feasibility of this goal collides with three obstacles: first, the idealization of the topic; second; the tendency to consider that the modernization of the State is limited to the public services and

their management; and third, the low priority of this objective among government programs.

The electorate requests health, education, housing, quality of life in the cities, citizen security, protection of the environment, regional development and other priorities that configure the electoral platforms. Unfortunately, those requests are made without noticing that the compliance of such a complex variety range of objectives requires a new State with a modern capacity to formulate adequate well-timed public policies for the solution of these problems.

The cases' analysis that perform Huber and Stevens in his chapter, taking assorted elements of regimes in the region show successful results in the field of social policy. It is considered that Argentina, Chile, Uruguay and Costa Rica represent the most successful cases in Latin America. This is due, considering their specific historical backgrounds, to the consolidation of its party system as well as the economic structural reforms applied at the beginning of the eighties decade.

However, despite this relative success, the authors make an invitation to question the evidently economic scrutiny of the analysis of social policies, calling for a greater leading role of other social sciences in order to provide more inclusive solutions to increasingly complex issues and that go beyond a simple economic analysis.

Brinks executes an analysis in his chapter that attend to the in-

stitutional design and the judicial efficiency in five cases of human rights, emphasizes that we face a reality that is, socially, strikingly uneven and adds up an almost non-existent presence of citizen networks of support. This block, by itself, the advances of the institutional reforms that guarantee the efficiency of the judicial system.

The chapter addressed by Navia and Walker gives a general overview of the regional political developments and the quality of democracy. It points up that there are two obviously different flows to cope with the neoliberal reforms implemented in the 90's in the region. The first one, a populist reform based on politicians personal agendas and a noticeable internal leaderships; the second one, a non-populist reform centered on the strength of its institutions that have had certain corrections in the neoliberal model, to adapt them to the specificities of each reality so its sustainability can be ensured.

Finally, they emphasize in a series of articles disseminated in the region over the last years that widespread the expansion of the left wing populist wave. This situation according to authors is not supported in reality and to prove it, they point a couple of countries as examples to deny it. They perform a fundamental distinction regarding the association among political institutions, populism and democracy.

Alan Angell analyzes the case of Chile and the success in its

transition process and democracy consolidation in the 1990s. However he warns that this experience, many times acclaimed in the region, can hardly be applied as a model to other realities that do not have a strong state as the Chilean. On the other hand, Angell stresses that Chile has high levels of citizen dissatisfaction with democracy and institutional issues not yet resolved to improve its governance.

In this case, democracy is a disconcerting paradox. On one hand, it extends and is legitimated by the world, and on the other hand, consolidated democracies, some mature and others not so much, show a considerable disappointment and discredit on their institutions. Curiously, the causes of this discredit are the same elements that collaborated on the democracy expanding, such as the impact of capitalism and the globalization of social life.

The chapter examined by Seligson and Franzoni presents another case of success in the region, Costa Rica. However, it puts in evidence that despite a rich history of governance, the implementation of neoliberal policies in the country caused that broad social sectors did not feel benefited with the system and that only a few take advantage of it, creating a noticeable division and conflict.

The former president of Brazil, Fernando Henrique Cardoso, defends the structural policies of economic reforms based on his own experience as president of Brazil in

the nineties. He considers that the Brazilian experience is successful given that he consolidated democratic governance in the country. However, he underlines that knowing the successful experience of his country, not all the implemented actions are transferable to another country, i.e. all decisions in this regard must consider the reality and the specific context of each one. In summary, there is no single recipe for success.

The book concludes with the analysis of the General Secretary of the *Organization of American States* (OAS), José Miguel Insulza, who has some very interesting reflections regarding democratic governance in Latin America, highlighting three central ideas. The first one, governance is consolidated with more democracy and not with limitations of democratic rights. Secondly, governments must have the capacity to govern with greater effectiveness and finally, consolidating a strong institution is an essential condition for ensuring the sustainable democratic governance in our countries over time.

Finally, the editors conclude that for the majority of Latin-American countries, the process of democracy consolidation and governance has turned out to be complex, producing a variety of experiences with very different levels of success between one and another.

Without doubt, this compilation is a mandatory reference to understand the changes and the future

challenges for the State and its institutions, to ensure good governance and the quality of democracy in Latin America. The prime responsibility for the maintenance of the governance resides in the State itself, so for its achievement, State must interact with civil society, the private sector and the different social and economic agents.

Complementing the final reflections of Mainwaring and Scully it is imperative to adequately, focus the problem of governance. It is easy to fall into the temptation of circumscribing the problem simply to the improvement of government and its ability to manage the process of economic development and to manage the efficiency of the public sector.

There are more deep and relevant variables to consider such as stability, legitimacy and governance of our political regimes. It is worth to say, a broad systemic approach surpassing the restricted and instrumental gaze. This book precisely provides us with some answers to the great questions that will continue to emerge on the governance in Latin America.