

Federalism and Social Spending at State-Level in Mexico: An Exploratory Study

Anahely Medrano*

**Paper presented for 2019 CPSA Annual Conference University of British
Columbia June 4th-6th, 2019.**

(Draft)**

Abstract

During the twentieth century, the Mexican federalism was characterized by a centralization of powers in the hands of the federal government. However, since the 1980s, different decentralization processes have gradually increased the political leverage and income of states. In the realm of social policy, decentralized government is usually associated with more opportunities of innovation at state-level, as well as more responsiveness of subnational governments to social demands. Following this line of thought, it may be expected that decentralization had led to an increase in social spending at state level in Mexico. However, the analysis of the state social spending has been scarcely analyzed in this country. This is partially due to the lack of systematized data on social spending at state-level available to public. Therefore, the purpose of this study is twofold. First, this study aims to analyze the evolution and characteristics of social spending at state level in Mexico, from 2000 to 2018. In addition, this study discusses the evolution of state social spending in the context of different political, fiscal and administrative decentralization processes that led to a “golden age” for state governments in the last two decades. This quantitative analysis uses data from state public accounts of the 31 states and Mexico City.

***CONACyT-CentroGeo**

Key words: social spending; subnational social policy; expenditure decentralization

****Please, do not quote without author’s permission.**

1. Introduction

Mexico is federal country characterized by stark contradictions. Mexico was once one of the most centralized countries of the planet. In addition, Mexico is a high middle-income OECD country, and nearly half of its population live in poverty, with significant differences on poverty rates across states (see table 1 in Annexes). In the area of social policy, these contradictions are also present. In spite of the apparent availability of resources to invest in social policy, judging by the size of the public budget and of the Mexican economy, the provision of public social services and benefits to the Mexican population it still insufficient and far from the international quality standards.

In theory, federations are usually considered to be more democratic than unitary states because they offer citizens more political levers and more sites for accessing decision-makers (Weinstock, 2001,76-79). Furthermore, decentralization scholars’ claim that

subnational or local governments are more responsive to citizens, as they in better position to acknowledge their needs and demands. In this sense, democratic federations seem to offer a promising institutional framework to deliver social benefits and services to the population.

Mexico is still considering a democracy on process of consolidation, and poverty and inequality are chronic and pervasive problems. In this sense, it is obvious that the Mexican federalism have not contributed enough to increase the welfare of its population. However, in the last three decades, different processes of decentralization have brought different changes that created a seemingly favorable scenario for an increasing participation of states governments in social policy. In general, this scenario was characterized by the raise of political power of state governments *vis a vis* federal government, as well as increasing availability of fiscal resources to invest in their territories.

In this context, this study asked whether state governments use the gained political and economic resources to invest more in the wellbeing of the population, that is, in social policy, as measured by social spending. In other words, this paper explores how the apparent reactivation of the Mexican federalism was translated in social spending. In particular, the principal aim of this study is to analyze the patters of government social spending at state level, from 2000 to 2018, in Mexico. In addition, this papers discuss these patterns in the context of different political, fiscal and administrative decentralization processes that led to a “golden age” for state governments in the last two decades, within a federal system marked by stark contradictions and imbalances.

This work is organized as follows. In the second part, the main characteristics and contradictions of the Mexican federal system and their relationship with social policy are briefly discussed. In the third part, the analysis of state social expenditure data is presented. This data come from state public accounts of 31 states and Mexico City, from 2000 to 2018. At the end, as conclusion, comments are included.

2. Federalism and social policy at state level in Mexico (2000-2018)

During the last two decades, states have shown an increasing participation in social policy. In order to understand how this apparent participation has been reflected in terms of social spending at the state level in Mexico, it is important to consider some of the main features of Mexican federal system, as well as the impact of the decentralization processes on state governments during the abovementioned period. These aspects are briefly described in the following sub-sections.

2.1.State social policy and the contradictions of Mexican federalism

In formal terms, Mexican federal system provides an institutional framework that, in principle, allow states to have an active role in social policy. However, the actual states participation in social policy has been deeply influenced by the peculiarities of the institutional framework, as well as by the own dynamics of the Mexican political system, among other factors. We focused on two particular aspects that generate tensions and contradictions in the functioning of Mexican federal system. The first one is the substance

of Mexican constitutional design which, among other things, prescribes a dual model and territorial division of power. The second aspect has run transversally through the Mexican political system, affecting the functioning of the political institutions: a great centralization of the power by the federal government, which has progressively narrowed –in a rather tortious process– in the past three decades.

Dual federalism and territorial division of power. Mexico, whose official name is Estados Unidos Mexicanos (United Mexican States), is composed of 31 states and a federal district (now, City of Mexico). The Constitution of Mexico (formally, the Political Constitution of the United Mexican States) proclaims, in its Article 40, that Mexico is a representative, democratic, federal republic, composed of free and sovereign states regarding their internal regimes. Governmental powers are constitutionally separated in the executive, legislative and judicial branches both at the federal and the state levels. The Mexican federal system is composed of three levels of government which are the Federation, the States, and the Municipalities (here included the Federal District). The country has a presidential system of government. At the federal level, the legislative power is vested upon the National Congress, with a bicameral legislature consisting of the Senate of the Republic and the Chamber of Deputies.¹

The Mexican federal system was inspired by the American model (Carbonell, 1998). The Mexican union assumes the existence of sovereign and autonomous states, that is, the Mexican federalism prescribes a division of territorial power. Among other implications, this division of territorial power means that the states have the faculty to create their own laws and public policies in different areas, unless stated otherwise in the Constitution. The Mexican Constitution recognizes a common legal status for all the federal entities, without differentiating between them (Carbonell, 2003). Furthermore, the Mexican federal system has a dual character, that is, there are concurrent competencies that federal and state authorities share in different governmental issues (Cárdenas, 2004). While federal and state governments share responsibilities in many policy areas, the dual logic of the Mexican federalism was limited in the era of the hegemonic political party, especially in financial dimension, as it is explained below.

In the realm of social policy, the Constitution and federal laws establish the concurrence in various fields such as education, healthcare, poverty alleviation, social protection, among other. Furthermore, the Constitution clearly states that all the faculties which are not expressly attributed to the federation are attributed to the member states.² Formally, the symmetry in the distribution of powers between federal and state governments allow the development of different policy decisions at federal and state levels. In general, the institutional design of the Mexican federalism allows to federal entities to design and implement their own social policies, within the constitutional constraints.

Decentralization and the end of the hegemonic party. Despite its federal arrangement, Mexico had a long tradition of highly centralized government. In terms of the institutional division of power, the Mexican Constitution establishes the strongest possible formal

¹ The President, each state Governor and Mexico City's Mayor serve for a single six-years term without eligibility for a subsequent term.

² The Law of Social Development, for example, determines that states have joint responsibilities with the federal government in different social areas, including the provision of primary education, healthcare, poverty alleviation, social protection and water provision.

level of separation of powers. However, as a result of more than 70 years (from 1929 to 2000) of hegemony of the Partido Revolucionario Institucional (Institutional Revolutionary Party, PRI by its Spanish acronyms), Mexico functioned as a highly centralized political system (Cornelius, 1996). The 20th century one-party era (from 1929 to 2000) blurred the constitutional division of powers between the executive, legislative, and judicial branches; the president had a strong control over the entire political system, including the states' governments. This control meant that the administrative, political and financial powers were firmly concentrated in the presidency of the Republic and, in general, in the federal government (De Remes, 2006). Thus, until the 1990s, the federal system was characterized by an exaggerated centralism (Carpizo, 2002; Merino, 2013).

This extreme centralization of the Mexican political system began to change in the 1980s. In this decade, the federal government launched different political, administrative and fiscal decentralization reforms. The full description of the characteristics and extent of these reforms is beyond the purpose of this paper. Nevertheless, the political reforms resulted in the democratization of the political system and, ultimately, as they led to the end of PRI's dominance in 2000, when the electoral victory of Vicente Fox –running on the ticket of the right-wing political party, Partido Acción Nacional (the National Action Party, PAN by its Spanish acronyms)– put an end to 71 years of PRI's hegemonic rule, at the federal level.

Hence, political decentralization meant a notable increase in electoral competition and political alternation at all scales of government, which augmented the political influence of the state governments (Medina and Ramírez, 2014; Marín, 2013; Modoux, 2006; Lagston, 2008). In the realm of social policy, the federal government transferred more responsibilities to the states in the provision of healthcare (Linares and López, 2012; Homedes and Ugalde, 2011; Arredondo et al., 2011; Galilea et al., 2011) and education provision (Galilea et al., 2011; Alcántara, 2008). In the fiscal dimension, decentralization resulted in a sustained and notable increase in the transfers of resources from the federation to the states. Therefore, governors dramatically increased their power vis á vis the federal government, as well as their budgets, leading to a “golden era” for Mexican governors, as we will see in the next section.

2.2. Social policy in the “golden era” of the *Mexican viceroys* (2000-2018)

During the era of the hegemonic party, governors were subordinated actors to the will and influence of the President, nullifying the decentralized government that the Mexican Constitutions prescribes. As mentioned before, the rise in the importance of state governments, after the mid-1990s, was due to two main interacting processes. In the first place, the fading control of the federal executive branch over subnational politicians via the party channel (Hernández-Rodríguez 2003; 2008), due to the increasing electoral competition at all levels of government. The second process refers to the increasing decentralization of fiscal resources from federal government to states.³

This fiscal decentralization essentially consisted in a sustained increase in the transfers of resources from the federation to the states. The federal fiscal system comprises the

³ According to Díaz-Cayeros (2006) this decentralization was part of PRI's strategy to decentralize resources and power to inferior government levels in order to counteract the assumed negative effects caused by the loss of the federal presidency after 2000.

unconditional transfers (participations) and the conditional ones (contributions). The contributions include eight funds, related to the provision of social services, the development of basic infrastructure and public security. Most of these conditional transfers are allocated in two specific funds, the Basic and Normal Education Fund (FEBN) and the Health Services Fund (FSS). Since 2000, both conditional and unconditional federal transfers to the states have grown continuously (ASF, 2013; Abbot et al., 2016).

Fiscal decentralization reflected entirely in the spending area, while states became highly dependent on federal resources, granting their power to tax to the federation. On average, from 2003 to 2015, federal transfers constituted 86% of the total state revenue (Abbot et al., 2016). In other words, states are highly dependent on federal transfers (although just a few states and the City of Mexico are more autonomous in financial terms). In 2013, federal transfers represented up to 90%, on average, of the total incomes of the states (ASF, 2013). Nowadays, fiscal authority is highly concentrated in the federal government. Except for some minor taxes, the federal government level collects all major taxes.

Most of the federal transfers are non-discretionary (they are provided for specific expenditures, such as education and health). From 2003 to 2015, about one-third of the federal transfers that states received were discretionary transfers (Abbot et al, 2016). In addition, states had lax restrictions on acquiring debt, barely enjoying *de facto* interference from the federal government in this regard (Benton & Smith, 2013). As a consequence, state debt outstandingly increased during the last two decades (CEFP, 2018). Clearly, this context created a bonanza of fiscal resources at the states' level, which, in theory, could be invested in the wellbeing of the population.

As a matter of fact, this period of bonanza at the states' level coincided with an increasing involvement of state governments in designing and implementing social policies and programs. According to official data, state governments have implemented a rising number of different social programs, mostly during the last decade (CONEVAL, 2016). States have even implemented social policies that are innovative in the Mexican context, such as social programs for vulnerable groups (for instance, the elderly who lack contributive pensions, disabled people and single mothers) (Medrano & Smith, 2017; Willmore, 2014; Medrano & Berrios, 2013). Mexico City is the most remarkable case in terms of policy innovation (Béland, Medrano & Rocco, 2018).

These two decades of notable increment in their fiscal resources and in political power represented a “golden era” for states; particularly, for governors, who are even labeled as modern “viceroys” (Kahn, 2016). On the dark side, apart from the notable increment in states' debt, state governments have been involved in different scandals of corruption (Rodríguez, 2018). Nevertheless, taking into consideration the vast increment in economic resources and political leverage of state governments, these two decades pictured a scenario that seemed to favor a more active role of state governments in social policymaking. In the next section, we analyze how this favorable scenario translated into social spending.

3. Social spending at state level in Mexico (2000-2018)

Since 2000, states have increasingly obtained more money to spend, due mainly to a striking growth in intergovernmental transfers from the federal government (ASF, 2013). Although there are studies on state public expenditure (see, for instance, Abbot et al., 2015) in Mexico, the area of social expenditure remains practically unexplored. This work seeks to fulfil this gap and analyses state social spending data from state public accounts, from 2000 to 2018. The methodology and data used for this analysis is described below.

3.1 Methodology and data

Data for state public spending in Mexico has been taken from the annual state public accounts of 31 states and Mexico City, from 2000 to 2018, which were compiled for conducting this study. The number of state public accounts collected was 576 out of 608, that is, 94.6% of the total. All data is presented in real pesos of 2010. It is important to mention that disaggregated social spending data was not available in all the state public accounts collected for this study. This was due to a lack of standardized criteria to classify social public expenditure, which was introduced in 2012.

In 2012, Mexican congress established the functional criteria to classify public expenditure for all level of governments, in the General Law of Government Accounting (Ley General de Contabilidad Gubernamental in Spanish). Functional classification of expenditure is based on a classification of the various functions performed by public authorities, and one of these functions is social development. According to this law, the functional classification “social development” includes seven categories: 1) environmental protection; 2) housing and services to the community; 3) healthcare; 4) recreation, culture and other social manifestations; 5) education; 6) social protection; and 7) other social issues. Thus, all state public accounts ought to report social spending in the item of social development.

Since 2012, states have progressively adopted the functional criteria for reporting social spending. Before this year, states decided their own criteria to report social spending in their public accounts. For this reason, detailed data by social area or branch (education, healthcare, and so and so for), that is, disaggregated social expenditure is not always available in the state public accounts. While harmonization of accounting at state level is almost accomplished to date, there is not yet a total compliance with reporting standards of social spending by states. Therefore, for the years 2000-2018, the recording of spending items varies between and within states over this period. Overall, state governments often reported aggregated social spending, that is, without specifying the amounts allocated to each category of social spending above-mentioned. Alternatively, some states disaggregated social spending into two or more different categories (for instance, social spending was disaggregated into education and healthcare only). There were a very few cases in which social expenditure included some items that are not considered to be categories of social policy, such as public security (e.g. policing) and communications.

In consideration of the deficient harmonization in the report of social spending in state public accounts, this analysis focuses on four main indicators of state social investment:

1) total social expenditure (aggregated social expenditure) and social expenditure per capita; 2) education (total spending on education and spending on education per capita); 3) healthcare (total spending on healthcare care and spending on healthcare per capita), and 4) other social spending (this category includes any category of social policy except healthcare and education). As explained above, the last three indicators are not always available for all years (2000-2018) in all states, as some failed to include disaggregated data on social spending. When disaggregated social expenditure was reported in state public accounts, the items of spending that are not considered to be categories of social policy, such as public security (e.g. policing) and communications, were excluded from the social expenditure variables. Graph 1 shows the proportion of state public account that report only aggregate social expenditure and disaggregated social expenditure.

(Figure 1 near here).

Figure 1 shows that the percentage of state public accounts that reported desegregated social spending. In 2008, 2009, 2010, 2011 and 2012, state public accounts registered the lowest proportions of desegregated social spending, which were 60%, on average. On the other hand, in 2018, all state public accounts reported desegregated social spending. From 2000 to 2008, state public account showed a relatively similar proportion of desegregated social spending, which was almost 80%, on average. The main results of the analysis of the trends and composition of state social expenditure are presented in the next sub-section.

3.2 Trends and composition of state social expenditure in Mexico (2000-2018)

State public expenditure has grown steeply during the last two decades. This remarkably growth of state spending was largely driven by the expansion of intergovernmental transfers, as mentioned before. Table 2 and figure 2 shows the evolution, from 2000 to 2018, of both total state spending and social spending (aggregated and disaggregated).

(Table 2 and Figure 2 near here.)

Figure 2 shows that both total state expenditure and social expenditure have increased over the last two decades. In other words, the expenditure decentralization seen over the last two decades translated into more social investment. However, the slope of the total expenditure line is slightly steeper than the slope of the social expenditure (aggregated), which suggests that, within this period, the total expenditure grew somewhat faster than social expenditure.

Table 3 shows the annual percentage of change of the total state public expenditure and of the social expenditure (2000 to 2018). On average, the percentage of annual growth of state public expenditure is slightly lower than the percentage of annual growth of state social expenditure (15.41% and 16.15%, respectively). This small difference is because, from 2000 to 2001, state social spending registered a dramatic increase of over 50 percent. Therefore, on average, both state public expenditure and social spending have increased in a rather similar rate. In 2018, state social spending showed a notable decrement, interrupting the positive trend registered in previous years.

(Table 3 nears here)

To gauge the state preference in terms of social expenditure, it is helpful to look at social spending as a share of the total state expenditure, which provides a consistent frame of reference over time to gauge the relevance of social spending. Table 4 shows the summary statistics of the proportion of social expenditure as a share of total spending per state, from 2000 to 2018. Figure 3 displays the dispersion of the annual percentage of the total spending that each state devoted to social spending during the period under study.

(Table 4 and Figure 3 near here.)

On average, total social expenditure constitutes 56.6% of the total state spending, with a standard deviation of 11.8 percent. In other words, figure 3 shows that most of the variation in state social spending over time is within states (rather than across states). On average, the proportion of total social expenditure can be as little as 3.8% (in Morelos) or as high as 88.2% (in Yucatán, in 2016). Some states show a wider dispersion on the proportion of social spending invested per year under the period of study, such as Tlaxcala and Morelos. Both states figure among the smallest in the country, and are located in the central area of Mexico, close to Mexico City. Morelos and Tlaxcala have relatively high poverty rate (52.3% and 58.9%, respectively, in 2014), with an economy mainly dependent on services and agriculture. On the other hand, Yucatán is located on the South of the country, and had a relatively low proportion of poverty, 45.9%, in 2014, taking into account the national poverty rate was 46.2% that year, according to official figures (CONEVAL, 2016). (Table 1 shows the percentages of state and national poverty for 2008, 2010, 2012, and 2014.)

It is important to keep in mind the deficiencies of the harmonization in the report of social spending in state public accounts under the period of study, especially from 2000 to 2013. According to the degree of achievement in the harmonization in the report of social spending in state public accounts, there are two periods: from 2000 to 2013, with the lowest degree of achievement, and from 2014 to 2018, with highest degree, that is, 80%, on average (see figure 1). Figure 3 and 4 shows the differences in the dispersion of the annual proportion of social spending between these two periods of time. As it was expected, from 2014 to 2018, the dispersion of the proportion of social spending per state is more homogenous than in the previous years. Nevertheless, some states (Morelos, Oaxaca, Puebla, Querétaro, Quintana Roo, Sinaloa and Zacatecas) show a relatively high gaps in the annual proportion of social spending during period of time.

(Figures 4 and 5 near here.)

Another a key indicator of social investment at state level is social spending per capita. However, as explained before, the detailed data on social spending (disaggregated social spending into three categories: education, healthcare and other social spending) was not available for all the years under study. Table 5 and figure 6 show trends in aggregate social expenditure and disaggregate social expenditure per capita from 2000 to 2018.

(Table 5 and Figure 6 near here.)

For the years of 2000-2009, the total state public expenditure and state social spending per capita have an almost linear trend, as well as for the years of 2011-2015. Table 3 shows that the percentage of change was negative in 2010, 2016, and 2018. During the latter year, the decrement of social expenditure per capita was bigger than that of total expenditure per capita. Figure 6 shows that, overall, the line of the state social spending per capita has a similar slope to that of the total state expenditure. Table 6 shows the ranking of states in social spending per capita in 2000, 2006, 2012, and 2018. In this years, several states that appear in the top ten positions of this ranking have a relatively low poverty rate, such as Campeche, Aguascalientes, Durango, Sinaloa and Nayarit.

(Table 6 nears here.)

Measured as a share of total social expenditure, the highest long-term growth in state social spending has come in education. Besides education, the next biggest category of social spending at state level is “other social spending”, a broad category that includes different kinds of social assistance programs, such as aid to indigenous groups, cultural activities and other social programs and benefits. As explained before, states received earmarked funds from the federation to finance education and healthcare. Therefore, state expenditure on education and healthcare are financed with federal funds plus other state resources. For this reason, it may be expected that state investment in both, education and healthcare, shows a steady growth over time.

On the other hand, the state investment in other social policy areas seemed to be more variable over time. However, it is important to keep in mind that detailed expenditure data by social area or branch (education, health, and other social spending) is not available for all the reference years. Because of this, comparing among the lines of different categories of social spending across time is limited. Nevertheless, the available data may suggest general trends on the investment in these categories over time.

In sum, for the years 2000-2018, state public expenditure and state social expenditure (total and per capita) have increased over time. In general, state public expenditure was positively related to the increase of federal transfers. The level of public expenditure depends on government priorities in terms of policy initiatives, which are ultimately the outcome of political decisions. As poverty and inequality are a chronic and pervasive problem in most states, it would make sense that states’ governments may decide to invest in social policies and programs once they got more fiscal resources and the space to decide over the allocation of such resources. The statistics of state-level public expenditures at current prices show that social expenditure has increased in real terms. This aggregate data suggests that decentralization favored state social investment. However, this data is insufficient to gauge the quality of this investment, as well as its effects on population wellbeing.

4. Conclusive remarks

Before 2000, Mexican federalism was characterized by an exacerbated centralization in the hands of the federal government and, especially, the Executive power. Among other

consequences, this de facto centralism inhibited the participation of the state governments in the creation of their own social policies. After three decades of different decentralization processes that have taken place in Mexico, this scenario has changed, particularly since 2000. From 2000 to 2018, state governments enjoyed a notable increment in fiscal resources to expend, as well as political influence. In a country in which poverty and inequality are still chronic and extensive problems, like in Mexico, one should expect that state governments show clear efforts to invest the maximum amount possible in the social welfare of their populations.

This study showed that, on average, the volume of state social spending raised steeply in the last two decades. Furthermore, states seemed to expend more resources on certain social areas, particularly, education and other social expenditure. In general, states' efforts to allocate more resources in social areas is a positive outcome of decentralization. However, considering that the poverty rates remained essentially the same during the period of study, it seems that either the amount of resources or the quality social policies financed with these resources (or both) are insufficient. Finally, further research is needed to gauge the quality of this investment, in terms of its effectivity and efficiency in fulfilling citizens' social demands, and promoting their wellbeing and social rights, which is the ultimately goal of social policy.

References

- Abbott, A., Cabral, R., Jones, P., & Palacios, R. (2015). Political pressure and procyclical expenditure: An analysis of the expenditures of state governments in Mexico. *European Journal of Political Economy*, 37, 195-206.
- Auditoría Superior De La Federación (2013). ASF - Diagnóstico sobre la Opacidad en el Gasto Federalizado. Retrieved from <http://www.asf.gob.mx/uploads/56 Informes especiales de auditoria/Diagnostico sobre la Opacidad en el Gasto Federalizado version final.pdf>
- Alcántara Santuario, A. (2008). Políticas educativas y neoliberalismo en México: 1982-2006. *Revista iberoamericana de educación*, (48), 147-165.
- Arredondo, A., Orozco, E., Hernández, C. y Álvarez, C. (2010). Estrategias de reforma y protección social en salud en México, segunda parte: efectos sobre equidad, eficiencia, cobertura y condiciones de salud. *Cuad. méd.-soc. (Santiago de Chile)*, 50(4), 263-277.
- Beland, D., Medrano, A., & Rocco, P. (2018). Federalism and the Politics of Bottom-Up Social Policy Diffusion in the United States, Mexico, and Canada. *Political Science Quarterly*, 133(3), 527-560.
- Charbit, C. (2011) Governance of Public Policies in Decentralised Contexts: The Multi-level Approach. OECD Regional Development Working Papers, 2011/04. Paris: OECD Publishing. <http://dx.doi.org/10.1787/5kg883pkxkhc-en>
- Cárdenas, J. (2004) México a la luz de los modelos federales. *Boletín Mexicano de Derecho Comparado*, 37 (110), 479-510.
- Carbonell, M. (1998). El federalismo en México: principios generales y distribución de competencias. *Boletín de Derecho Comparado. México. Enero-Abirl.*
- Carpizo, J. (2002). *El presidencialismo mexicano*. México, D.F.: Siglo XXI.
- CEFP (2018). Obligaciones Financieras de las Entidades Federativas de México al Tercer Trimestre de 2018. Estudio del Centro de Estudios de las Finanzas Públicas 042 / 2018. Ciudad de México: Centro de Estudios de las Finanzas Públicas (CEFP)
- Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL) (2016). Inventario CONEVAL de Programas y Acciones Estatales de Desarrollo Social (Inventario Estatal). Retrieved from <https://www.coneval.org.mx/Evaluacion/IPE/Paginas/default.aspx>
- Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL) (2016). Información de Pobreza y Evaluación en las Entidades Federativas. Retrieved from <https://www.coneval.org.mx/coordinacion/entidades/Paginas/inicioent.aspx>.
- De Remes, A. (2006). Democratization and dispersion of power: New scenarios in Mexican federalism. *Mexican Studies/Estudios Mexicanos*, 22(1), 175-204.
- Galilea, S., Letelier, L. & Ross, K. (2011). *Descentralización de servicios esenciales. Los casos de Brasil, Chile, Colombia, Costa Rica y México en salud, educación, residuos, seguridad y fomento.*

- Galle, B. D., & Leahy, J. K. (2009). Laboratories of democracy? Policy innovation in decentralized governments. *Emory Law Journal*, 58, 1333.
- Hernández Rodríguez, R. (2008). El centro dividido. La nueva autonomía de los gobernadores. México: El Colegio de México: México.
- Hernández-Rodríguez, R. (2003). The Renovation of Old Institutions: State Governors and the Political Transition in Mexico. *Latin American Politics and Society*, 45 (4), 97-127. <https://doi.org/10.1111/j.1548-2456.2003.tb00259.x>
- Homedes, N. & Ugalde, A. (2011). Descentralización de los servicios de salud: estudios de caso en seis estados mexicanos. *Salud pública de México*, 53(6), 493-503.
- Kahn, T. (2016). Viceroy in the states? The Political Economy of Subnational Fiscal Federalism in Mexico. Working paper presented at the Conferencia Anual de la Asociación de Estudios Latinoamericanos (LASA) 2016, New York, NY.
- Linares-Pérez, N. & López-Arellano, O. (2012). Inequidades en la salud en México. *Órgano Oficial de la Academia Nacional de Medicina de México, A.C.*, 148, 591-7.
- Marín González, J. (2013). La conferencia nacional de gobernadores, aspectos de disfuncionalidad dentro del proceso de fortalecimiento de las relaciones intergubernamentales del federalismo mexicano, 1999-2011. Tesis Doctoral. Universidad Autónoma de Nuevo León, Nuevo León.
- Medina, L., & Ramírez, E. (2014). Las asociaciones de gobernadores y su papel político. En Cuna, E., González, M., & Santiago, J. (Coords.) *México entre siglos contexto, balance y agenda*, pp. 215- 228. DF: UAM Iztapalapa-PRD. Recuperado el 11/05/18 de http://desh.izt.uam.mx/cen_doc/cede/M%C3%A9xico_entre_siglos_Contexto_balance_y_agenda%20/%255bUTF-8%255dMeI-xico-entre-siglos-216-230.pdf
- Medrano, A., & Smith, H. J. M. (2017). Inversión estatal en programas sociales a tres décadas de la descentralización y la reforma social en México. *Gestión y política pública*, 26(SPE), 157-189.
- Medrano, A. Berrios, P. (2013). Política social en ámbito subnacional en México: análisis del diseño de programas de apoyo económico para mujeres en tres entidades federativas. CLACSO: Buenos Aires.
- Merino, M. (2013). El federalismo en México. *Studia Politicae*, (17), 19-29.
- Modoux, M. (2006). Geografía de la gobernanza: ¿La alternancia partidaria como factor de consolidación del poder de los gobernadores en el escenario nacional mexicano? *Foro Internacional*, 185 (3), 513-532.
- Murray, T. (2006). State Innovation in Health Care: Congress' Broad Spending Power Under a National Health Care System will Stifle State Laboratories of Democracy. *Ind. Health L. Rev.*, 3, 263.
- Newton, L. (2012). Policy innovation or vertical integration? A view of immigration federalism from the states. *Law & Policy*, 34(2), 113-137.
- PNUD (2014). Capítulo 3.3. Gobiernos subnacionales y descentralización. En PNUD, Auditoría a la democracia. Más y mejor democracia para un Chile inclusivo, (pp. 369-397). Chile: Programa de las Naciones Unidas para el Desarrollo (PNUD). Recuperado el 22/06/18 de http://www.auditoriaalademocracia.org/archivos/1405094379Cap-3-3--Gobiernos_subnacionales_y_descentralizacion.pdf

- Rodriguez, J. (2018). Understanding the Problems and Obstacles of Corruption in Mexico. Issue Brief No. 09.13.18., Houston, USA: Rice University's Baker Institute for Public Policy.
- Vischer, R.K. (2001). Subsidiarity as a principle of governance: Beyond devolution. *Indiana Law Review*, 35: 103-142.
- Weinstock , Daniel 2001.'Towards a normative theory of federalism' *International Social Science Journal* 53:75-83.
- Willmore, L. (2014). Towards Universal Pension Coverage in Mexico (May 1, 2014). Pension Watch Briefing no. 13, HelpAge International. Available at SSRN: <http://ssrn.com/abstract=2473631>

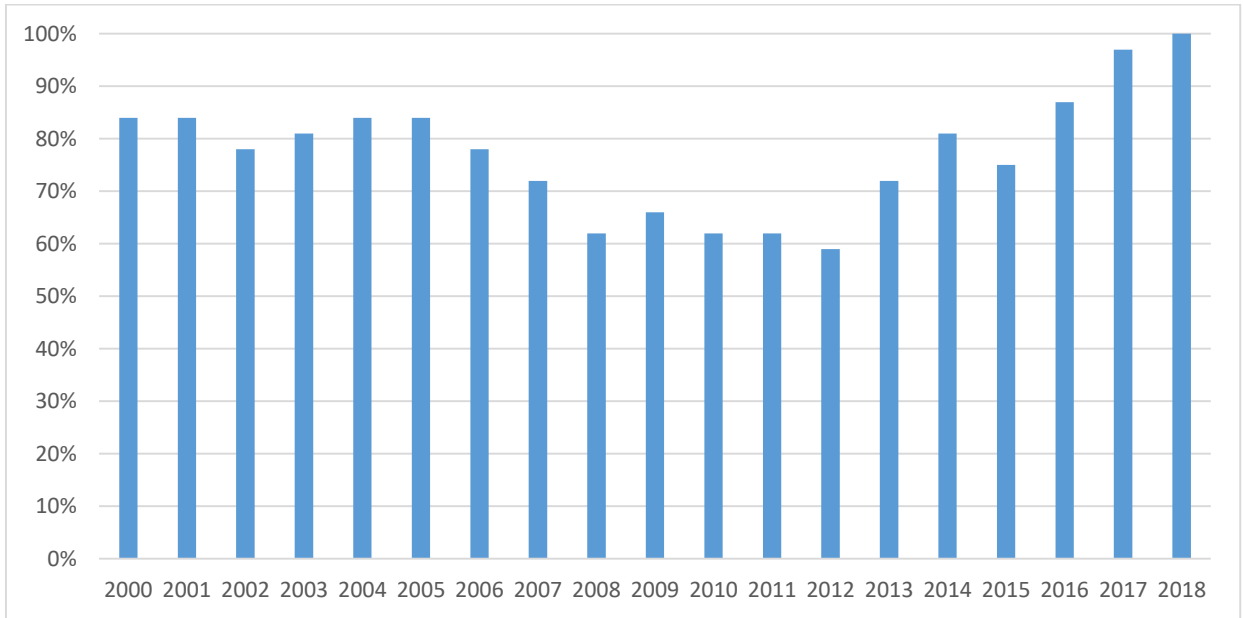
Annexes

Table 1. Percentage of national and state poverty, 2008, 2010, 2012, 2014.

States	2008	2010	2012	2014
Aguascalientes	37.6	38.1	37.8	34.8
Baja California	26.0	31.5	30.2	28.6
Baja California Sur	21.4	31.0	30.1	30.3
Campeche	45.9	50.5	44.7	43.6
Coahuila	32.7	27.8	27.9	30.2
Colima	27.4	34.7	34.4	34.3
Chiapas	77.0	78.5	74.7	76.2
Chihuahua	32.1	38.8	35.3	34.4
Durango	48.4	51.6	50.1	43.5
Guanajuato	44.1	48.5	44.5	46.6
Guerrero	68.4	67.6	69.7	65.2
Hidalgo	55.2	54.7	52.8	54.3
Jalisco	36.7	37.0	39.8	35.4
Mexico City	27.6	28.5	28.9	28.4
Michoacán	55.5	54.7	54.4	59.2
Morelos	48.8	43.2	45.5	52.3
Nayarit	41.7	41.4	47.6	40.5
Nuevo León	21.4	21.0	23.2	20.4
Oaxaca	61.8	67.0	61.9	66.8
Puebla	64.6	61.5	64.5	64.5
Querétaro	35.2	41.4	36.9	34.2
Quintana Roo	33.7	34.6	38.8	35.9
San Luis Potosí	50.9	52.4	50.5	49.1
Sinaloa	32.4	36.7	36.3	39.4
Sonora	27.1	33.1	29.1	29.4
State of Mexico	43.6	42.9	45.3	49.6
Tabasco	53.8	57.1	49.7	49.6
Tamaulipas	33.8	39.0	38.4	37.9
Tlaxcala	59.6	60.3	57.9	58.9
Veracruz	51.2	57.6	52.6	58.0
Yucatán	47.0	48.3	48.9	45.9
Zacatecas	50.1	60.2	54.2	52.3
National	44.4	46.1	45.5	46.2

Source: CONEVAL (2016).

Figure 1. Percentage of state public accounts with disaggregated social spending, 2000 – 2018.



Source: Own estimations based on state public accounts (2000-2018).

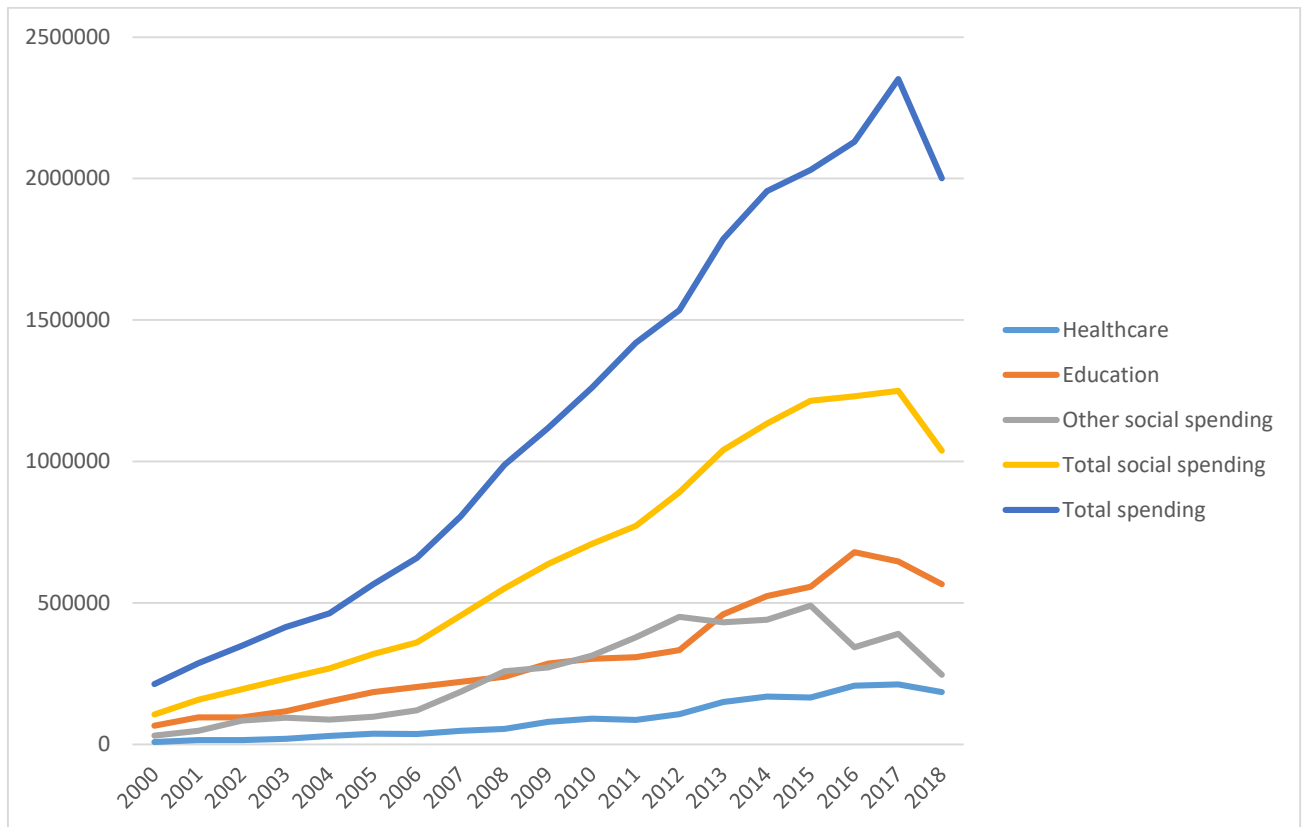
Table 2. State total spending and state total social spending (aggregated and disaggregated) in Mexico, 2000-2018 (constant Mexican million pesos).

Year	Total spending	Total social spending (aggregated)	Social spending (disaggregated)		
			Other social spending	Education	Healthcare
2000	\$213,127	\$105,099	\$31,035	\$65,785	\$8,280
2001	\$286,141	\$157,747	\$47,942	\$95,062	\$14,743
2002	\$348,886	\$194,689	\$84,389	\$95,283	\$15,016
2003	\$414,638	\$232,038	\$94,850	\$117,297	\$19,890
2004	\$463,517	\$268,577	\$87,183	\$151,597	\$29,796
2005	\$566,649	\$319,905	\$97,295	\$185,186	\$37,424
2006	\$658,579	\$360,740	\$120,459	\$203,211	\$37,070
2007	\$805,856	\$455,378	\$186,514	\$220,784	\$48,080
2008	\$988,190	\$551,882	\$258,174	\$239,209	\$54,499
2009	\$1,118,653	\$637,707	\$271,693	\$286,005	\$80,009
2010	\$1,260,494	\$708,524	\$314,136	\$303,056	\$91,332
2011	\$1,418,850	\$772,064	\$377,875	\$307,706	\$86,482
2012	\$1,534,783	\$890,947	\$450,816	\$333,177	\$106,954
2013	\$1,785,652	\$1,040,069	\$430,968	\$459,716	\$149,384
2014	\$1,956,285	\$1,133,719	\$441,090	\$523,781	\$168,848
2015	\$2,030,211	\$1,214,234	\$490,732	\$557,408	\$166,094
2016	\$2,130,521	\$1,230,419	\$343,295	\$679,468	\$207,657

2017	\$2,352,315	\$1,249,170	\$390,413	\$646,513	\$212,245
2018	\$2,001,450	\$1,038,200	\$245,430	\$566,060	\$184,475

Source: Own estimations based on state public accounts from 2000 to 2018.

Figure 2. State total spending and total social spending (aggregated and disaggregated) in Mexico, 2000-2018 (constant Mexican millions of pesos)



Source: Own estimations based on state public accounts from 2000 to 2018.

Table 3. Percentage of change of total and per capita state public spending and state social spending (aggregated) in Mexico, 2000-2018.

Year	Total spending	Social spending	Total spending per capita	Social spending per capita
2000	-	-	-	-
2001	34.26%	50.09%	47.60%	53.43%
2002	21.93%	23.42%	24.98%	27.29%
2003	18.85%	19.18%	21.77%	24.18%
2004	11.79%	15.75%	10.88%	13.67%
2005	22.25%	19.11%	23.36%	20.14%
2006	16.22%	12.76%	16.98%	13.11%
2007	22.36%	26.23%	16.22%	23.16%
2008	22.63%	21.19%	22.42%	14.16%
2009	13.20%	15.55%	14.36%	14.50%
2010	12.68%	11.10%	-2.37%	-1.14%
2011	12.56%	8.97%	13.42%	10.60%
2012	8.17%	15.40%	6.33%	15.62%
2013	16.35%	16.74%	13.38%	16.98%
2014	9.56%	9.00%	8.98%	8.67%
2015	3.78%	7.10%	15.91%	18.69%
2016	4.94%	1.33%	-1.51%	-5.00%
2017	10.41%	1.52%	12.32%	1.47%
2018	-14.92%	-16.89%	-13.41%	-15.42%
Average	13.72%	14.31%	13.98%	14.12%

Source: Own estimations based on state public accounts from 2000 to 2018.

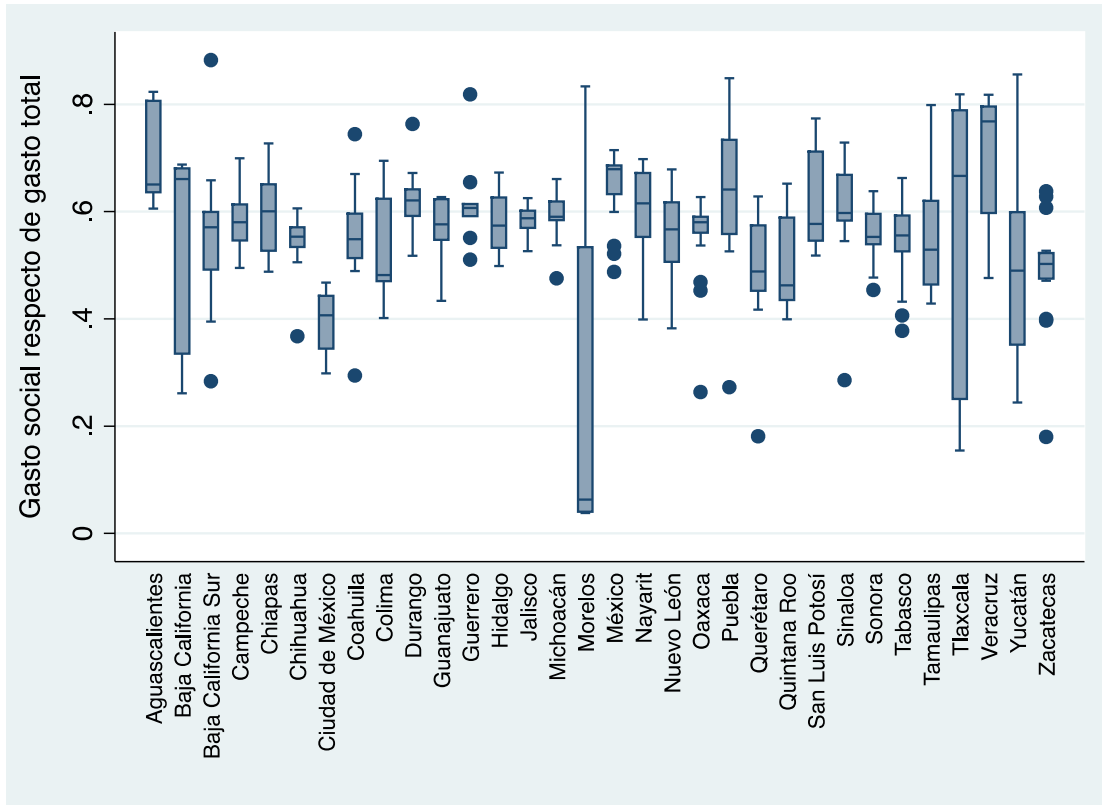
Table 4: Summary statistics for the percentage of state social expenditure in total state public expenditure (2000-2018).

Percentage of social spending respect the total spending

Mean	56.6%
Min	3.8%
Max	88.2%
Standard deviation:	
Overall	11.8%
Between	7.8%
Within	10.3%

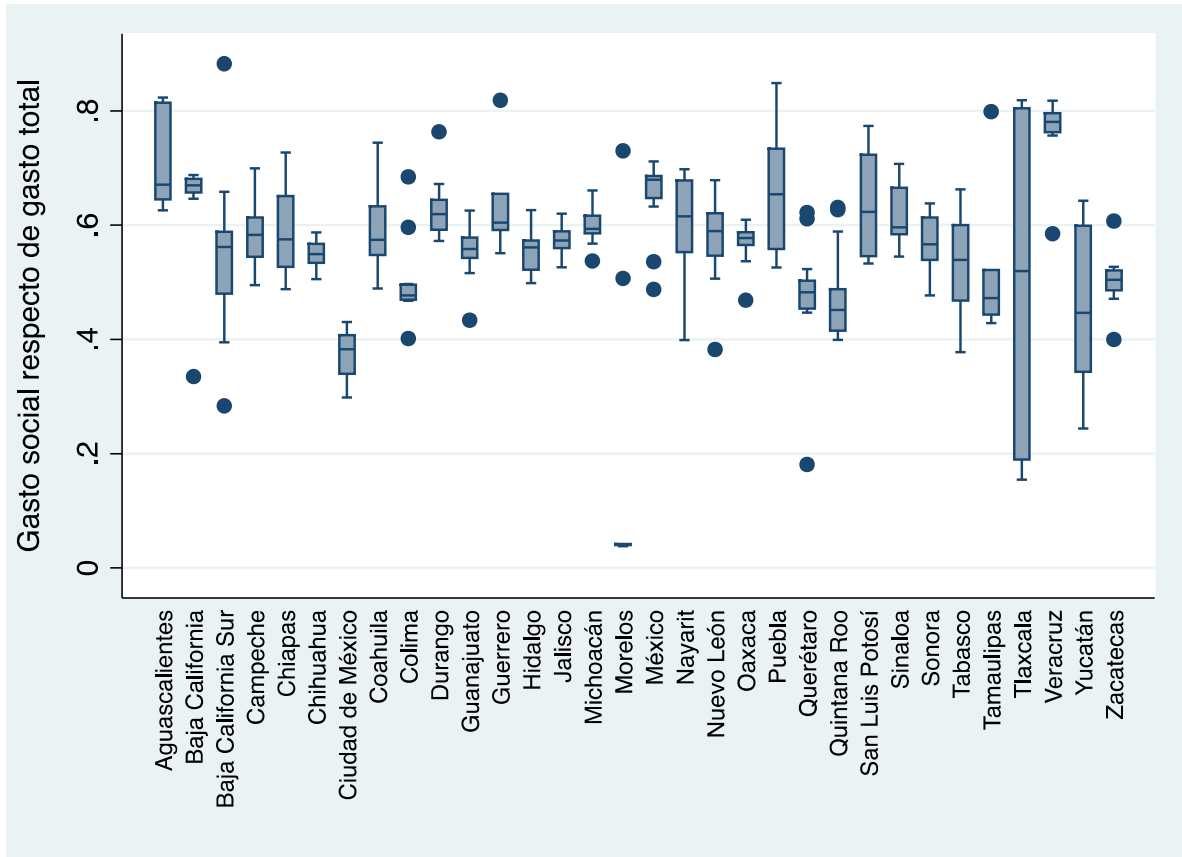
Source: Own estimations based on state public accounts from 2000 to 2018.

Figure 3. Proportion of social spending in total spending at state level in Mexico (2000-2018)



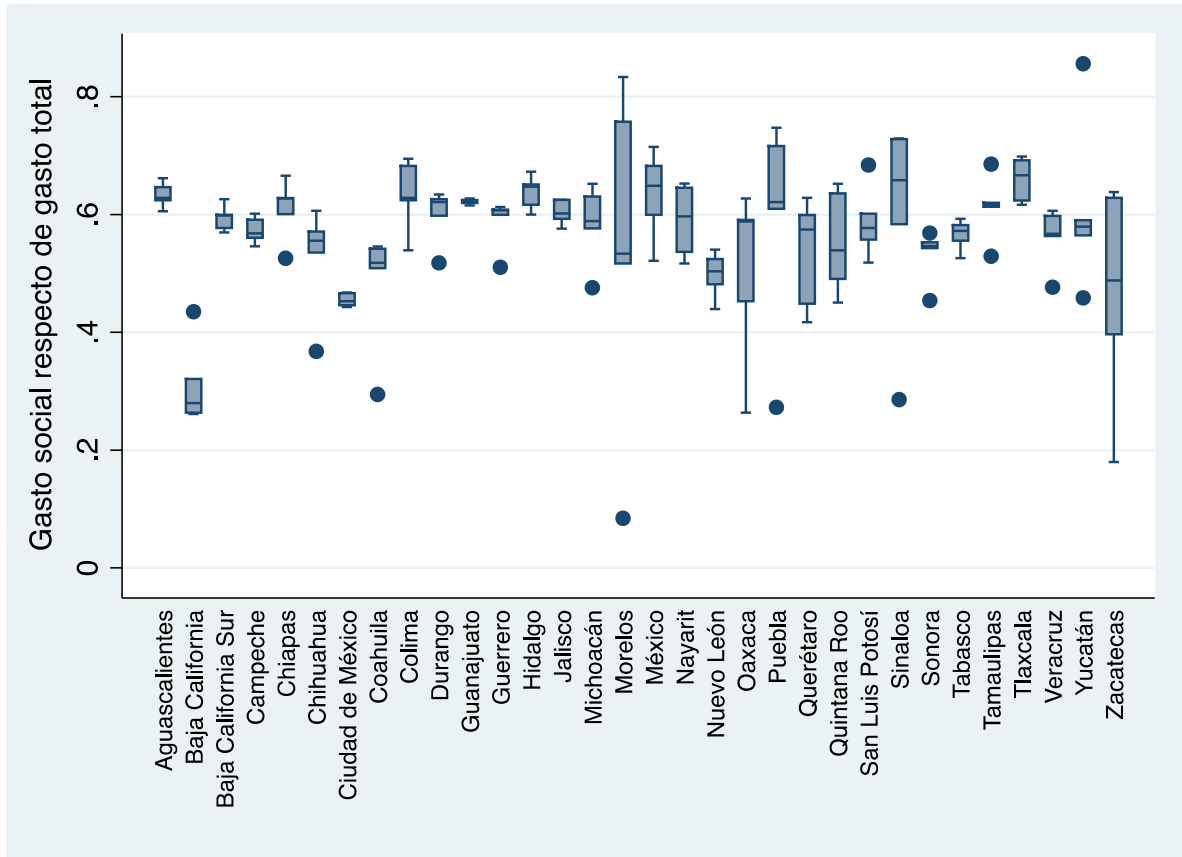
Source: Own estimations based on state public accounts from 2000 to 2018.

Figure 4. Proportion of social spending in total spending at state level in Mexico (2000-2013)



Source: Own estimations based on state public accounts from 2000 to 2018.

Figure 5. Proportion of social spending in total spending at state level in Mexico (2014-2018)



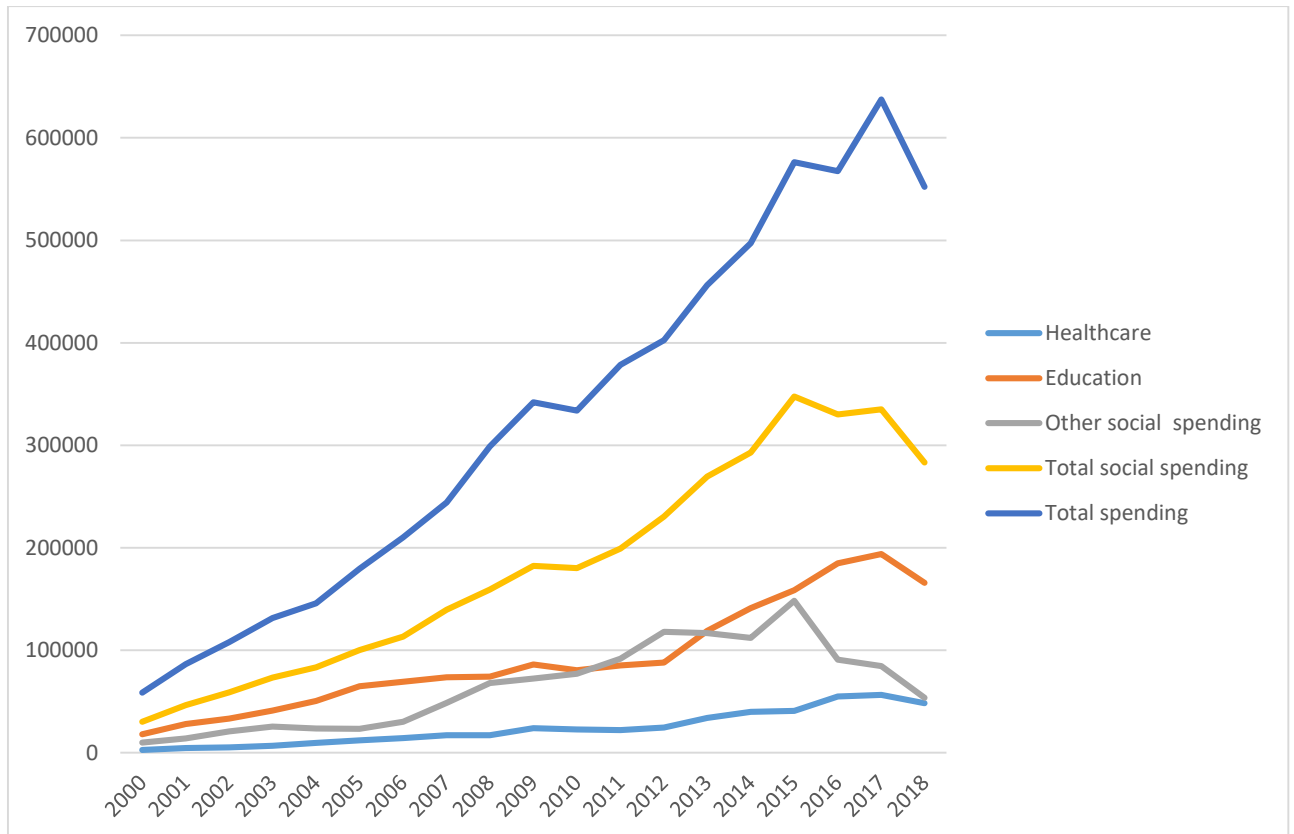
Source: Own estimations based on state public accounts from 2000 to 2018.

Table 5. State total spending per capita and state total social spending (aggregated and disaggregated) per capita in Mexico 2000-2018 (constant Mexican pesos).

Year	Total spending	Total social spending (Aggregate)	Disaggregated social spending		
			Other social spending	Education	Healthcare
2000	\$58,439.19	\$30,204.09	\$9,794.68	\$17,867.15	\$2,542.26
2001	\$86,257.90	\$46,341.36	\$13,928.99	\$28,012.34	\$4,400.03
2002	\$107,804.54	\$58,988.46	\$20,714.68	\$33,186.47	\$5,087.31
2003	\$131,276.28	\$73,250.54	\$25,462.04	\$41,143.32	\$6,645.18
2004	\$145,565.19	\$83,266.42	\$23,460.71	\$50,417.04	\$9,388.67
2005	\$179,570.88	\$100,037.56	\$23,192.87	\$64,795.83	\$12,048.86
2006	\$210,064.21	\$113,153.02	\$29,978.81	\$69,109.06	\$14,065.15
2007	\$244,128.54	\$139,357.56	\$48,629.34	\$73,652.32	\$17,075.90
2008	\$298,856.70	\$159,086.20	\$67,966.97	\$74,225.69	\$16,893.54
2009	\$341,767.19	\$182,157.89	\$72,268.45	\$86,038.54	\$23,850.90
2010	\$333,654.09	\$180,074.05	\$77,001.09	\$80,389.73	\$22,683.23
2011	\$378,425.15	\$199,155.27	\$91,744.75	\$85,260.41	\$22,150.11
2012	\$402,381.59	\$230,253.41	\$117,990.88	\$87,914.09	\$24,348.44
2013	\$456,218.92	\$269,361.87	\$116,566.01	\$118,791.98	\$34,003.88
2014	\$497,179.89	\$292,725.99	\$111,924.61	\$140,949.26	\$39,852.12
2015	\$576,302.19	\$347,451.03	\$148,364.58	\$158,479.04	\$40,607.41
2016	\$567,607.47	\$330,069.43	\$90,658.92	\$184,646.07	\$54,764.44
2017	\$637,561.45	\$334,919.37	\$84,530.40	\$193,898.74	\$56,490.23
2018	\$552,037.32	\$283,272.37	\$53,549.18	\$165,792.26	\$48,216.09

Source: Own estimations based on state public accounts from 2000 to 2018.

Figure 6: Total spending per capita and total social spending per capita (aggregated and disaggregated) in Mexico 2000-2018 (constant).



Source. Own estimations based on state public accounts from 2000 to 2018.

Table 6. Ranking of states in social spending per capita (2000, 2006, 2012, 2018)

Ranking	States			
	2000	2006	2012	2018
1	Campeche	Tabasco	Campeche	Campeche
2	Aguascalientes	Campeche	Sonora	Colima
3	Nayarit	San Luis Potosí	Baja California Sur	Sonora
4	Baja California Sur	Nayarit	Guerrero	Sinaloa
5	Durango	Nuevo León	Sinaloa	Durango
6	Chihuahua	Aguascalientes	Tabasco	San Luis Potosí
7	Sonora	Baja California	Chiapas	Nayarit
8	Nuevo León	Oaxaca	Durango	Tabasco
9	Sinaloa	Durango	Nayarit	Aguascalientes
10	Veracruz	Colima	Oaxaca	Baja California Sur
11	Michoacán	Sonora	Zacatecas	Ciudad de México
12	Chiapas	Baja California Sur	Aguascalientes	Tamaulipas
13	Ciudad de México	Sinaloa	Nuevo León	Chihuahua
14	San Luis Potosí	Yucatán	Ciudad de México	Hidalgo
15	Oaxaca	Coahuila	Chihuahua	Oaxaca
16	Puebla	Chihuahua	Hidalgo	Veracruz
17	Quintana Roo	Zacatecas	Michoacán	Guerrero
18	México	Quintana Roo	San Luis Potosí	México
19	Guanajuato	Michoacán	Quintana Roo	Guanajuato
20	Yucatán	Ciudad de México	Baja California	Yucatán
21	Querétaro	Hidalgo	México	Querétaro
22	Colima	Puebla	Querétaro	Jalisco
23	Morelos	Chiapas	Colima	Michoacán
24	NA	Veracruz	Veracruz	Quintana Roo
25	NA	Jalisco	Coahuila	Nuevo León
26	NA	Querétaro	Guanajuato	Tlaxcala
27	NA	Guanajuato	Jalisco	Coahuila
28	NA	México	Puebla	Baja California
29	NA	Morelos	Tlaxcala	Chiapas
30	NA	Tlaxcala	Morelos	Zacatecas
31	NA	NA	Tamaulipas	Morelos
32	NA	NA	Yucatán	Puebla

Source: Own estimations based on state public accounts from 2000 to 2018.