

**Institutional context for local economic development in Mexico, 1990-2015. A need for a change?<sup>1</sup>**

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*Abstract*

Following North (1990) and Storper (1995), the economic performance of places is influenced by their particular institutional setting, among other factors. Relating their ideas to the bottom-up approach towards development, and its positive effect on the development of Mexican municipalities found by Rodríguez-Pose and Palavicini-Corona (2013), it is relevant and interesting to analyse if, in the Mexican context, formal and informal institutions have facilitated or not economic development at the local level. As the development from below approach stems from its proximity to local characteristics and agents, the lowest level of government jurisdiction is the focus of analysis. Two municipalities located in a Mexican state with a long presence of institutions and resulting mechanisms close to citizens were selected.

Two hypotheses are considered: The Mexican Constitutional context has evolved to have a propitious role in local economic development (LED); and, the effect of institutions on LED varies according to differences in the functioning of formal institutions and the particularities of informal ones.

It was found that the constitutive formal institutional setting has allowed and, at some degree, stimulated municipalities to plan and execute local economic development actions. However, abiding to the law and enforcing it are the main aspects to be addressed in this Latin American country. As far as the case studies are concerned, significant differences in their informal institutions affected the presence and contribution of the LED approach.

**Keywords:** Local economic development, institutional setting, Mexico, municipalities

**JEL codes:** H79, O18, O54, R50

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## 1. Introduction

From the seminal work of Douglass North (1990) to Andrés Rodríguez-Pose (2013) awarded paper, the role of institutions in economic performance and regional development has occupied the minds of not few economists and regional scientists. Through all those years the world economy has experienced significant changes caused by the consolidation of new technologies, the surge of new influential nations such as the emergent economies, a severe financial crisis, and discoveries of new supplies of resources to fuel economies and societies, among other factors.

What have been the role of institutions in this context of constant new challenges and opportunities? Are the most successful places the ones whose institutions have been adapted to changing circumstances? This paper will address these questions considering the bottom-up or local economic development (LED) approach in Mexico.

North (1990) and Storper (1995) argue that the economic performance of territories is affected by their institutional context. An essential element of the bottom-up economic development approach related to the institutional context is its proximity to citizens in the form of an active participation of the general public, private and social sectors in the development process (Palavicini-Corona, 2014). Other key institutional elements of the LED approach are the presence of entrepreneurial attitudes and local collaborative links within and outside localities (Rodríguez-Pose and Palavicini-Corona, 2013).

Considering the LED approach, and its positive effect on the development of Mexican municipalities found by Rodríguez-Pose and Palavicini-Corona (2013), it is relevant to analyse the role of formal and informal institutions in the contribution of this approach in Mexico. Therefore, it is interesting to answer the following questions in relation to the lowest level of government and the closest to citizens in this country: Has the formal institutional setting allowed or facilitated the design and implementation of LED actions at the municipal level in this Latin American country during the last 25 years? Could some aspects of the Mexican Constitution being identified as facilitators or obstacles for LED to flourish?

In order to analyse further the role of institutions in local economic development in Mexico, two municipalities in the state of Tlaxcala are selected on the basis of their different development achievement as measured by their municipal development indexes (MDI) for 1990 and 2005,<sup>2</sup> and their shared formal institutions: Apizaco and Chiautempan. Higher than average municipal development indexes, all other things being constant, are expected for any locality where its institutional context

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<sup>2</sup> This is an index calculated by the author based in the UNDP's human development index.

facilitates local agents' economic actions and interactions towards a better quality of life. These two jurisdictions engaged more than the average of Mexican municipalities in LED activities, though Apizaco followed a more integral route. Although both of them experienced much higher MDI's than the national municipal average, Chiautempan presents a significantly lower index than Apizaco in both years. The research hypothesis is that the institutional context did have a more favourable effect in Apizaco than in Chiautempan due to differences in their informal institutions and the functioning of the formal ones.

Platt (1988), Winchester and Rofe (2010), and Fontana and Frey (1994) agree that qualitative research helps to clearly explain and comprehend social structures and processes. More specifically, these and other experts maintain that qualitative methods contribute to identify how and why social actors and the contexts where they interact change (Bouma and Atkinson, 1995; Bradshaw and Stratford, 2010; Platt, 1988). Therefore, as Green (2011, p. 94) suggests, the main advantage of qualitative research is the depth that can be reached not only by 'answering descriptive research questions (i.e. what, when, which, where)' but also 'analytical questions (i.e. how and why)'. Geographical or territorial case studies put a special emphasis on the places themselves as the same phenomenon might show relevant differences from one region or locality to others (Baxter, 2010).

The main criteria for the selection of the case studies for this analysis are the elaboration of municipal development plans through participatory mechanisms as the Mexican law requires, in concurrence with the presence of a formal institutional setting which, in principle, allows population proximity to public affairs. The qualitative research on two Mexican municipalities will provide explanations on how this particular institutional framework, could have uphold, resist or modify LED actions and interactions.

The paper is divided in five further sections. First, I relate the literature on institutions and economic performance with the key concepts and ideas behind the LED approach. Second, Mexico's Constitutional setting for LED is presented. Third, Tlaxcala's formal institutional context in relation to its political organisation and citizens' proximity to municipal development processes is explained, as well as the attributes relative to the presence of the bottom-up approach in the state of Tlaxcala and the selected municipalities are unveiled. Forth, I investigate Apizaco and Chiautempan in terms of the functioning of their institutional features towards LED. Finally, I conclude on the role of institutions in the development of Mexican municipalities, in general; and, in the experiences of Apizaco and Chiautempan, in particular. Additionally, I propose adjustments to the national and subnational institutional settings that might contribute to successfully pursue LED strategies in Mexican municipalities.

## 2. The development of places, institutions and the bottom-up approach

The development of places has mainly been related to the economic sphere as job creation, productivity increases and income growth goals predominated in the development agendas during the 20th century (Geddes and Newman, 1999). Policies affecting the economic performance of regions and localities were mainly designed at a national level following the dominant economic theories at the time. However, the intensification of the globalisation of the world economy, the transition from close to open economies, the necessary reduction of public deficits in some countries, the number and geography of people living under poverty conditions, in combination with a perceived low effectiveness of top-down policies; facilitated a change of focus towards a more bottom-up and comprehensive notion of development (Martin and Sunley, 2008; Tödtling, 2011). To this, it can be added the emergence of other concerns such as increasing sub-national disparities and the awareness of the presence of sustainability problems (Ruiz-Durán, 2005; Martin and Sunley, 2008; Tödtling, 2011).

Multilateral organisations such as the OECD and the United Nations (UN) by means of different endeavours such as the UN Development and Environment programmes and the OECD's Centre for Local Development have emphasised dimensions and perspectives of development other than the economic dimension and the top-down perspective. At the ideological level, post-development views argue that the capitalism structures imposed by Western countries reinforce inequalities among rich areas and places lagging behind. To fix this structural aspect of a capitalist society, those views propose to promote local and regional own forms of development according to places' particular circumstances (Leyshon et al. 2003). At the same time, the emergence of social actors have been filling gaps in poverty reduction, social inclusion and environmental issues, among others (Amin et al. 2002).

Consequently, the *raison d'être* of the development of places is improving the well-being of the population living in a particular area. To achieve this, an approach close to the people seems to better capture the comprehensiveness of the task as it includes spheres other than only pursuing economic growth. On these grounds, bottom-up strategies have been carried out and different key elements for their success can be identified (CAF, 2010; Rodríguez-Pose and Palavicini-Corona, 2013). This allows the LED approach to gain importance and be recommended by academics and development experts as a development alternative without disregarding the possibility of benefiting from national and supra-national development actions (Stöhr and Taylor, 1981; Giordano et al. 2005; Rodríguez-Pose and Crescenzi, 2011).

According to Peet (1998), and Gordon and Low (1998), the idea of a particular space as an active element in the economic and social outcomes of places has been present in the geography literature since Doreen Massey's (1978, 1984) and Philip Cooke (1986, 1989) contributions in which social processes are seen as place specific and as essential elements in shaping the economic trends of localities. The same academics attribute the notion of local influence over localities' economic own destiny in a globalised context to the same authors. In a similar line of ideas, Teitz (1994) traces back the change in emphasis on LED strategies from mainly attracting outside investment to enhancing the local ability to generate employment from within to the beginning of the 1980s.

The bottom-up perspective towards the development of places concentrates on a specific context and takes into account its geographic, economic, and other factors such as its formal and informal institutional framework to propose potentially successful economic development strategies (Vázquez-Barquero, 2009). Similarly, Gordon (2006) argues that the relevance and richness of analysing localities lies on the concrete institutions, circumstances and people living there.

Why is place specificity important? One of the main reasons is that the proximity to people's needs and wishes at the local level (for example, the smallest administrative unit in a country) is seen by bottom-up proponents as the foundation of the development process (Hugonnier, 1999; Stöhr, 1990; Vázquez-Barquero, 1988 and 1999). This suggests that the benefits of the bottom-up approach towards economic development may not only entail the delivery of services or policies more efficiently (i.e. maximising the total surplus for the local society), but also the possibility of a better accountability of its processes due to the mentioned proximity (Martínez-Vázquez and McNab 2003).

Place specificity is also important because, as Cooke, et al. (1997) suggest, learning and passing on practical knowledge relevant for the development of regions are collaborative processes deeply embedded in each region. By the same token, Cooke and Morgan (1998) and Iammarino (2005) stress the importance of local conditions to disseminate knowledge and create innovations through constant interactions among different localised agents such as firms, research and technology centres, and governmental offices, among others.

Hence, the fundamental idea behind the bottom-up approach is to harness the development potential of a particular geographical area to improve the well-being of its residents (Cheshire and Gordon, 1996; Vázquez-Barquero, 1999). The local dimension implies the participation in the development process of local agents from different sectors such as the public, private, social and academic (Hugonnier, 1999; Pike, et al. 2006; Stöhr, 1990). Therefore, as argued by Storper (1995), although the economic aspect of

development is of core importance, the local economic development process is determined by diverse local characteristics including the prevailing local bonds of different nature (i.e. economic, social, cultural, and political, among others).<sup>3</sup>

An implication of the previous ideas on LED is the relevance of local capabilities and the local context in diverse aspects to make the best of the physical and economic conditions (Rodríguez-Pose and Palavicini-Corona, 2013). Those local capabilities refer, in part, to the specific institutional framework of localities consisting 'of an interdependent web' of formal and informal institutions and resulting organisations (North, 1991, p. 109). The actions and interactions within that institutional and organisational setting affect the economic performance of places. According to North (1990, 1991) formal institutions refer to the prevailing legal setting conformed by constitutions, laws and consequent rules; while the informal institutions to informal limits such as codes of conduct, traditions, taboos, rituals and habits. By the same token, for Storper (1995), the prevailing market and non-market factors (i.e. social, relational and other informal institutions that may influence economic behaviour) are particularities that affect places' potential of economic success.

Academics, practitioners and other LED experts argue that certain institutions can originate, facilitate and/or consolidate local development processes (CAF, 2010; Rodríguez-Pose and Crescenzi, 2008). This refers to different mechanisms in which members from the local public, social and private sectors interact in relation to development issues. Some authors such as Putman (2000) and Barreiro (2000) refer to this as social capital. A recurrent characteristic of local economic best practices is the flexibility of their institutions and resulting mechanisms and organisations. This means that adaptation to change in a highly competitive context is a desirable characteristic for a locality in order to be able to succeed in their development endeavours (Chari, 2004; Kebir and Crevoisier, 2008; Molina, 2005; Rabellotti, 1999; Sammarra and Belussi, 2006; Sforzi, 2003; Storper, 2005).

However, Bardhan (2002) and Bardhan and Dilip (2000) argue that governance failure in development policy and public services delivery could occur not only among actors located at different scales but also at the local level. Lack of cooperation could prevent setting and/or achieving LED goals. This means that the bottom-up approach also entails establishing the conditions which would allow success to take place, and might require modifying existing structures of participation and power within localities (Rodríguez-Pose, 2013).

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<sup>3</sup> Some bonds dissipate when bigger geographical areas are considered while others may appear.

The degree of institutionalisation and the type of institutions and resulting mechanisms could vary among experiences even within the same industry and country such as the case of the electronics sector in Baja California and Jalisco, Mexico (Iammarino et al., 2008). In addition, Rabelotti and Schmitz (1999) found in their study of clusters in Italy, Brazil, and Mexico that, within the same type of organisations, great variations could be found in the ways firms interact with each other and benefit from that interaction. This depends on the size of clusters, firms and the market they serve, among other things such as the knowledge base of firms illustrated by Giuliani (2007) in her research about Italian and Chilean wine clusters. In the case of the apparel industry in Torreon, Mexico, Bair and Gereffi (2001) explain that were bridging ties (foreign buyers) and not precisely bonding ones (as a result of a lack of trust among cluster's firms) the kind of ties that were important for its success. By the same token, Giuliani, et al. (2005) found in their analysis of clusters in seven Latin American countries that the collective efficiency of firms in terms of their upgrading processes varies considerably among different economic sectors.<sup>4</sup>

### **3. The formal institutional context for LED in Mexico, 1990-2015**

This section offers details on the Mexican Constitution mandates in relation to municipal authorities' functions and responsibilities. The review of the Mexican Constitutional framework will contribute to identify if legal mandates have prevented or encouraged municipalities from engaging in bottom-up economic development processes.

Article 115, in the fifth section of the Mexican Constitution, refers to municipal issues covering from the general framework by which the municipal government is elected and organised to municipalities' specific functions. Article 115 sets particular public services to be delivered by municipalities such as sewage and clean water systems; garbage collection and disposal; public lighting; markets and cemeteries construction and administration; parks and streets' maintenance; among others. Municipalities are also entitled to formulate and manage their development plans, authorise and monitor land use in their jurisdiction, and grant construction licenses.

During the period of analysis up to now, there have been three important constitutional reforms in relation to decentralisation and strengthening the role of the municipal sphere in designing and delivering public services and policies.

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<sup>4</sup> They considered traditional manufacturing, natural-based, software, and complex products clusters in their analysis.

Firstly, in 1999, the Article 115 was modified to explicitly allow municipal authorities to set the rules and mechanisms for guaranteeing citizens' participation in public affairs. In addition, it establishes that the federal and states' governments must secure municipal participation in designing their regional development plans. Moreover, before the 1999 reform, this article contemplated that bordering municipalities in the same state could agree to form partnerships among them if by doing so they could achieve a more efficient public service and policies' delivery. In 1999, this is also explicitly encouraged for bordering municipalities located in different states. However, they still need the approval of their state Congress (legislature) in both cases.

Secondly, the 2001 major reform of article number 2 of the Constitution gives special recognition of indigenous groups' rights. This required to reform Article 115 in order to explicitly contemplate the right of indigenous communities to organise themselves in the municipal sphere in order to participate in public affairs and even rule their political, social and economic lives according to their culture. These articles also establish that it is imperative that indigenous groups or communities have a permanent representation in the municipal government in mixed municipalities. Article 2, goes further by obliging all levels of government to fight poverty and development gaps of indigenous population through the stimulation of local economies, regional sustainable development actions, as well as the empowerment and capacity building of indigenous communities, in general, and their women, in particular.

Finally, the 2014 reform allows new municipal authorities to be re-elected in consecutive terms of maximum three years. Nonetheless, municipal authorities were not allowed to stay in office for two consecutive periods until the election of new municipal authorities, basically from mid-2015 onwards.<sup>5</sup> The duration of their mandate is, generally, three years; and, if it is longer they cannot be re-elected in consecutive periods.

Mexican Constitution does not limit the duration of municipal administrations as it does for the national and state mandates (i.e. six years). Thereby, reforms at the state level can be pursued by municipalities to increase their municipal mandates to more than three years. In 2006, Torreon, Coahuila was the first municipality in Mexico that started a four years period as a result of a local political reform (Pardo and Ordaz, 2007).

The reform lessens the municipal administrations' incentive for setting mainly short term development goals, as the population will be able to see the results of longer term actions while they are still in office;

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<sup>5</sup> Some but not many municipal authorities in Mexico were elected in 2014, after the reform of February 2014. For example, 20 new municipal presidents were elected in the state of Nayarit in July 2014.

or, at least, elect them again with the expectative to give continuity to their public policies. However, it exists the practice of political actors, in general, and municipal presidents, in particular, of not finishing their periods by requesting license to contend for states' governorships or becoming members of the states' or national congresses, among other public sector positions.<sup>6</sup>

This may not represent a problem in the Mexican context as there are no restrictions for the involvement of the social and private sectors in the development process. The continuity of a development strategy could be secured if mechanisms of participation are in place and functioning.

The main municipal sources of income considered in Article 115 are property taxes and federal transfers. Once a significant part of the latter has been assigned directly by the federal government to the states, the state legislatures determine the assignation criteria and; therefore, the amount of monetary resources to be transferred to their municipalities (Law of Fiscal Coordination). Hence, municipal sources of revenue are limited and one of them depends on discretionary adjudications from state authorities (Martínez, 2003; Moreno, 2003). Transparency and more certainty in the assignation of resources would let municipalities to better plan and implement their development strategies (Martínez and Díaz, 2003).

<b>2003</b>	22.67	<b>2008</b>	24.11
<b>2004</b>	24.60	<b>2009</b>	23.41
<b>2005</b>	25.30	<b>2010</b>	22.71
<b>2006</b>	25.51	<b>2011</b>	21.84
<b>2007</b>	26.52	<b>2012</b>	25.29

**Source:** Own calculations with data from INAFED's information system called 'Sistema de Información Hacendaria':

[www.inafed.gob.mx/es/inafed/Municipales](http://www.inafed.gob.mx/es/inafed/Municipales).

Information retrieved on March 4, 2015.

<sup>6</sup> To give some examples, for the 2015 elections, in the state of Nuevo Leon, the municipal president of Monterrey left her position to contend for the candidature of her party to the state governorship (<http://www.jornada.unam.mx/2014/12/28/politica/009n1pol>). In the state of Guerrero, the municipal president of Acapulco did the same (<http://www.excelsior.com.mx/nacional/2015/01/21/1003717>). In the state of Mexico, 4 municipal presidents requested license to leave their office to contend for national congress candidatures (<http://www.eluniversal.com.mx/ciudad-metropoli/2015/cuatro-alcaldes-de-edomex-buscaran-diputacion-federal-1066685.html>). In Mexico City, 13 of 16 elected delegates, the equivalent to municipal presidents in Mexico's capital city, followed the same path (<http://www.animalpolitico.com/2015/01/12-de-16-delegados-del-df-ya-pidieron-licencia-para-contender-en-elecciones-2015/>). All Internet pages accessed in January 2015.

<sup>7</sup> According to Moreno (2003), before 2003, on average, municipalities' revenue from their own sources (i.e. fees, surcharges, and taxes, among others) did not exceed 25% of their total resources.

Another relevant aspect to consider is the conditional character of a part of the federal transfers, yet Herrera and Covarrubias (2003) show evidence that municipal expenses of non-conditional resources, in general, are not assigned efficiently and suitably in relation to citizens' needs.

Municipalities' complaint about the scarcity of monetary resources is a complex phenomenon because, even if they were allowed to levy other taxes, there is no guarantee that they would introduce new taxation schemes. In general, their efficiency in collecting the property tax has been low as a result of insufficient administrative capacity, a separated management of land registries and the property tax system, and/or the political cost of levying taxes (Aguilar, 2010; Moreno, 2003; Santana 2006). However, the scarcity of monetary resources could be overcome under a bottom-up approach strategy as it entails actions and interactions of local actors, including looking for resources, not only monetary, locally and externally (Palavicini-Corona, 2012).

Furthermore, municipal governments in Mexico have not had restrictions in contracting debt; which, contrary to a legal mandate, mainly has been used to pay current or operational expenses, instead of expenditures related with economic long term goals.<sup>8</sup> In fact, in February 2015, a Constitutional reform was approved by the Mexican Congress to regulate and control sub-national debt in order to decrease the risk of defaults, as well as to monitor and sanction sub-national authorities when they do not abide to law, including the ruling of devoting the borrowed resources to productive investment.<sup>9</sup>

In short, as far as the bottom-up approach to LED is concerned, the Mexican Constitution grants municipalities the faculty of planning their development, encouraging citizens' participation in public affairs, and coordinating with both, other levels of government, and other municipalities. Moreover, local authorities have had the important faculty of regulating the use of land in their jurisdictions, increasing the relevance and pertinence of designing and implementing strategic development plans at the local level.

Although tailored at the national government, a precedent of the institutional relevance and the bottom-up approach in Mexico towards LED is the '*Municipal Social Development Fund*', which mechanism of operation included the formation of *community committees* within municipalities.<sup>10</sup> Each committee selected representatives to participate in the so-called *Municipal Committees' Coordination*

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<sup>8</sup> Interview with Gerardo Carrillo, Public Finance Director at Fitch Ratings, Mexico (February 14<sup>th</sup>, 2015); and <http://eleconomista.com.mx/estados/2015/02/17/fin-congreso-avala-candados-deuda-estatal> (Accessed on February 18<sup>th</sup>, 2015).

<sup>9</sup> Official Senate document: <http://www.senado.gob.mx/index.php?ver=sp&mn=2&sm=2&id=52809> (Accessed on February 18<sup>th</sup>, 2015).

<sup>10</sup> This fund operated during the second half of the 1990's decade.

Body where, correspondingly, representatives were elected for their participation in the *Municipal Social Development Council* integrated by them and municipal authorities. This council had the function of determining the municipal priorities and, therefore, the projects to finance with the fund's resources (Corro and Palavicini-Corona, 2008).

Critics to this mechanism highlight the fact that the structure of citizens' participation was rigid and that alternative forms needed to be considered according to local social and cultural characteristics (Arellano and Rivera, 1997). In addition, some municipalities failed to obtain the resources of the fund as they were not able to integrate all the technical particularities of the selected projects. This illustrates the need of considering the capabilities of local agents as a prerequisite to properly identify the starting point of a development strategy, and the importance of vertical governmental coordination and cooperation.

It is noteworthy to mention that Article 115 contemplates the possibility of the state government delivery of public services and performing some of the municipal functions when the municipal capacity is not enough to satisfy the local demands. This implies a recognition in the Mexican Constitution of the heterogeneous capacity of municipalities to perform their functions efficiently. In this respect, the federal government initiative called '*Agenda towards municipal development*' has as main goal to help municipal authorities to identify areas for improvement in diverse aspects of their administration from raising revenue to delivering public services and implementing development strategies.<sup>11</sup>

#### **4. The institutional context of the state of Tlaxcala<sup>12</sup>, and the presence of the LED approach<sup>13</sup>**

##### *Institutional setting*

Lumbreras and Morales (2007) highlight the importance of distinguishing among different forms of participation as they determine the degree of protagonism that citizens can have in the formulation of local development strategies. Based on Ziccardi (2000), they stress that citizens' participation refers to their interaction with local authorities to secure their intervention in public affairs and the closest

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<sup>11</sup> In 2014 this project was revised and modified to include more aspects related with the role of municipal authorities in economic and social development, as well as environmental sustainability (<http://www.agendaparaeldesarrollomunicipal.gob.mx/> - Accessed on March 3, 2015). Before 2014, it was known as '*Agenda from the local*'.

<sup>12</sup> This section is primarily based on the review of the following Tlaxcala's legal framework: Constitution of the State of Tlaxcala (*Constitución del Estado Libre y Soberano de Tlaxcala*), Tlaxcala's Territorial Organisation Law (*Ley de Ordenamiento Territorial del Estado de Tlaxcala*), Public Works Law for the State of Tlaxcala and its Municipalities (*Ley de Obras Públicas para el Estado de Tlaxcala y sus Municipios*), and the Municipal Development Planning Committee Rules (*Reglamento del Comité de Planeación para el Desarrollo Municipal*).

<sup>13</sup> The features of the bottom-up approach in Tlaxcala were obtained from Rodríguez-Pose and Palavicini-Corona (2013) database on LED in Mexico.

representation of local interests. This, for them, is far beyond political participation, consisting basically in the execution of the right of voting in political elections; social participation, consisting in social sector organisations set up to defend their particular social related interests; and community participation, consisting in helping to perform public sector activities to satisfy immediate and specific needs of communities' residents. Tlaxcala's institutional context, which is close to the idea of citizens' participation, is a fundamental reason for choosing two of its 60 municipalities. Through this section details are given about Tlaxcala's context that led its formal institutional framework to stand out in relation to its citizens' proximity to public sector decision-making.

According to Acedo (2003) and Olmedo (2005), although other states in Mexico, at some point during the second half of the XX century, experienced changes aiming either to strengthen the engagement of citizens in public affairs or the autonomy of municipalities and their localities, the state of Tlaxcala has been at the vanguard in Mexico. In this respect, Olmedo (1999) argues that this might stem from before the Spanish Conquest when the indigenous groups in the region fought with determination against the Aztec empire to preserve their autonomy. By the same token, in 1868 Tlaxcala's governor Lira González, for the first time in the country, gave municipalities certain freedom to determine their main attributions and organise themselves.

Depending on the local organisation of municipal administrations, across states in Mexico, municipalities may have designated municipal government representatives in rural and urban localities within their territory during the period of analysis (CIDE, 2002-2009). However, in Tlaxcala, there was a tradition of appointing municipal government representatives in localities during the majority of the XX century. They were delegates or agents of the municipal government who mainly helped to coordinate the provision of public services in the different communities of each municipality (Olmedo, 1999).<sup>14</sup>

A reform of state of Tlaxcala legislation in 1983 established that municipal representatives in communities within each of the, at that time, 44 municipalities, would become community presidents and would not be appointed anymore by the municipal authorities, but nominated and elected directly by communities' residents (Flamand, 2007; Olmedo, 1999).<sup>15</sup> Furthermore, they were allowed to be full members (i.e. with voice and the right of voting) of the *cabildo* (i.e. municipal council) as *regidores* (i.e. communities' aldermen), participating in the decision making together with the municipal

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<sup>14</sup> This kind of municipal authorities' supportive figure has been common in Mexico. For example, in Yucatán the so called commissaries help in the delivery of public services and administrative issues in the localities of its municipalities, while in Nayarit mainly the same functions are responsibility of the delegates (Sources: State's regulations). The legal framework of Mexican States and Municipalities can be consulted online in the following electronic address: <http://www.ordenjuridico.gob.mx/index.php> (Yucatán and Nayarit regulations accessed on April 25, 2011).

<sup>15</sup> In few Mexican states this auxiliary figure is also elected (although not necessarily by means of traditional communities' practices) such as the cases of Yucatán and Puebla (Source: *Ibid*).

president and the other members of the *cabildo* that are elected by the political parties' system (i.e. municipal aldermen) and who represent wider areas within a municipality (i.e. an electoral district). As explained, the bottom-up approach relevance of considering smaller spaces such as municipalities or even communities, stems from the advantage of achieving a better understanding and putting together local needs and preferences. Therefore, in Tlaxcala's context, the proximity of the municipal government to its citizens is likely to be high due to the closeness experienced by elected community representations.

Later, in 1995, by means of another institutional reform, the community presidents were given the status of *auxiliary municipal presidents* in Tlaxcala's Constitution.<sup>16</sup> Since then, these *auxiliary presidencies* have not only the same representation in the *cabildo* than the community presidents had, but also prerogatives and resources established by law (Sánchez-Fernández, 2009). Among the prerogatives given to these presidencies are elaborating a public works programme according to social interest, collecting municipal taxes, the provision of public services, policing, sanctioning transgressions of law, and promoting the participation and cooperation of residents in programmes that benefit their neighbourhood.<sup>17,18</sup> As a consequence, Tlaxcala's legislation allows for a formal complementary governmental structure with specific responsibilities that is closer to the people than in most of the other Mexican states.

Before offering further details on the peculiarities of the formal institutional setting in Tlaxcala, let us have a brief immersion in the only two other experiences, at present, following similar objectives in Mexico (Olmedo, 2005). Those experiences also formalised their reforms towards autonomy and a more participatory democracy. In the state of Puebla, by 1997, the so called *auxiliary boards* (*'juntas auxiliares'*) were not only elected in the communities of this state to be their agents before municipal authorities, but also a law was approved by the state Congress to distribute a particular fund of federal resources directly to these boards to be used at their own discretion considering the National Law of Fiscal Coordination mandate which says that these resources must be used giving priority to education, health infrastructure, and clean water and sewage systems (Flamand, 2007).<sup>19,20</sup> All this means that municipalities in Puebla could have also made good cases for the qualitative analysis; however, as

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<sup>16</sup> Since 1995, there are 400 municipal auxiliary presidencies in a total of 60 municipalities. Recently, two more auxiliary presidencies were created.

<sup>17</sup> Source: Municipal Law for the State of Tlaxcala, December 2001. In 1995 this law was called Organic Municipal Law.

<sup>18</sup> Although the auxiliary presidencies can collect municipal taxes in their jurisdictions they must sign an agreement with the municipal authority in which the way they will hand over the resources to the municipality is established.

<sup>19</sup> In Tlaxcala the Municipal Law reform of 1995 granted monetary resources to auxiliary presidencies for being able to perform the responsibilities conferred by the 1983 and 1995 reforms.

<sup>20</sup> This refers to the Municipal Social Infrastructure Fund (*Fondo de Infraestructura Social Municipal, FAISM* (Flamand, 2007)).

information about the LED approach in Puebla could not be gathered, they were ruled out from the outset of the research design.

Finally, in 1995, in Oaxaca, before the federal reforms on indigenous people rights, municipal elections following traditional indigenous practices were officially approved by the state legislature allowing the right of each community to govern themselves according to their idiosyncrasy. A high proportion of Oaxaca's population is indigenous with a tradition of communal government (Olmedo, 2005). Within other states in Mexico with high concentrations of indigenous population, similar forms of organisation have been present, such as in Chiapas and Yucatán (Lynn, 1997; INDEMAYA<sup>21</sup>). Interestingly, in Tlaxcala there are no municipalities with a majority of indigenous residents. The elections by traditional practices have taken place in localities with or without the presence of indigenous citizens. In Oaxaca, municipalities displayed a low presence of LED elements, and the mentioned indigenous element makes it significantly relevant to be analysed substantially in another study.

Tlaxcala's institutional framework for the election of what are currently known as auxiliary presidents allows two kinds of systems: one based on political parties and another on communitarian traditional channels (Sánchez-Fernández, 2009). It is expected that the citizens' proximity to public policy has been closer in the latter. This is because, in principle, the traditional communitarian mechanisms generate a sense of belonging and duty only towards the locality. In contrast, in the political party channel, these aspects are shared, for good or bad, with the politicians' agendas at the municipal, state and/or national level.

As far as the particular political organisation in Tlaxcala's municipalities is concerned, let us look at the local electoral districts that have representation in the state chamber of deputies based on our selected municipalities. The territory of Apizaco is included together with other municipalities in two of Tlaxcala's 32 electoral districts, whereas Chiautempan in one of them. In other words, there are 32 deputies who represent in the state legislature the different electoral sections in which the state has been divided. A part of Apizaco has one district (deputy) for itself while the rest share another with electoral sections which include other jurisdictions. Chiautempan is represented by one deputy only (INAFED, 2009)<sup>22</sup>.

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<sup>21</sup> Institute for the Development of the Mayan Culture of the State of Yucatán (*Instituto para el Desarrollo de la Cultura Maya del Estado de Yucatán*). Online resource accessed on April 25 2011: <http://www.indemaya.gob.mx/descargas/legislacion-pueblo-maya.php>.

<sup>22</sup> In Spanish it is called *Enciclopedia de los Municipios de México*. This is an online resource published and elaborated in conjunction by the National Institute of Municipal Development and Federalism (*Instituto Nacional para el Federalismo y Desarrollo Municipal, INAFED*) and the governments of the different Mexican Federal entities (i.e. the States and the Federal District). Resource accessed on January 14, 2011: [http://www.e-local.gob.mx/wb/ELOCALNew/enciclo\\_tlax](http://www.e-local.gob.mx/wb/ELOCALNew/enciclo_tlax).

Hence, the only formal mechanism that seems to be really close to the people and represent them in decision making processes in Tlaxcala's municipalities are the auxiliary presidencies. One reason for the differences in the number of auxiliary presidencies within Tlaxcala's municipalities is the extension of their territory. The correlation coefficient between the size of their geographic surface, measured in squared kilometres, and the number of auxiliary presidencies is positive and high (0.8386). To give some examples, the municipality of Tlaxcala has 52.46 km<sup>2</sup> and 11 presidencies; Ixtlacuixtla has 163.22 km<sup>2</sup> and 23 presidencies, while Huamantla has 340.33 km<sup>2</sup> and 39 presidencies. Municipalities with larger territories exhibit a greater number of these presidencies in comparison to municipalities with similar population size than the former, but smaller territories.

In Mexico, by law, new municipal administrations must present a development plan to their citizens and the respective state congress. The purpose of this document is to delineate the objectives and strategies for municipal development and set the main areas of public policy that the new municipal government will consider for the design of its annual operative programmes (i.e. the concrete governmental actions that are planned to be implemented during each year of the administration). The plans should seek to create synergies with the state and national development plans.

The mechanism to elaborate the municipal development plans in Tlaxcala is basically the same as in other states of Mexico. It is through the so called Planning Committee for Municipal Development (*Comité de Planeación para el Desarrollo Municipal, COPLADEM*) where the individuals in charge of municipal offices, mainly related with public works and services, participate together with state's administration authorities and municipal social and private sector representatives, such as associations of peasants or chambers of commerce. There is not a concrete channel or explicit way by which the auxiliary presidents participate in the elaboration of this fundamental document.

Other instruments intended to give direction and coordinate governmental actions at the state and municipal levels in Tlaxcala are the Territorial Organisation Law (*Ley de Ordenamiento Territorial del Estado de Tlaxcala*)<sup>23</sup> and the Law for Public Works for the State and its Municipalities (*Ley de Obras Públicas para el Estado de Tlaxcala y sus Municipios*). In none of them the role of auxiliary presidencies in planning territorial aspects, public services or development policies is mentioned.

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<sup>23</sup> According to this law, the organisation of the territory involves the planning of human settlements and management of public policies and strategies that promote urban sustainable development and the even distribution of economic and social activities within the territory of the state.

The previous paragraphs suggest that the benefits of the proximity of Tlaxcala's population to the public sector as a consequence of the existence of the auxiliary presidencies might be limited as they seem to take part of decision making processes only after the priorities of the municipal administration have been determined and set up in the municipal development plans. However, these plans are not followed to the letter.

In short, Tlaxcala's authorities have put in place a legal structure which encourages citizens' participation in public affairs, but some adjustments can be proposed in the direction of a more comprehensive approach for the real participation of local actors from the very beginning of municipal administrations.

#### *The bottom-up approach in Tlaxcala, 1990-2005*

In this section, the features of the bottom-up approach in Tlaxcala are unveiled. The information is obtained from Rodríguez-Pose and Palavicini-Corona (2013) database on LED in Mexico. This is a 898 municipalities dataset which refers to the bottom-up approach towards economic development as it takes into account the presence of its fundamental elements within municipalities and/or their promotion by municipal actors.<sup>24</sup>

The presence of the bottom-up approach towards local economic development in the 44 municipalities of Tlaxcala for the period 1990-2005 is low as on average only two LED elements per municipality were identified. Nationally, the average of the 898 municipalities included in the LED database is three, with the presence of development links being the most recurrent criterion followed by the promotion of capacity building and empowerment. In Tlaxcala, the elaboration of municipal development plans based on a diagnosis was first, followed by capacity building and empowerment promotion considerations as shown in table 2. The municipalities where the highest number of bottom-up key elements were found at some point during the period of analysis are Apizaco, Tlaxcala (i.e. the jurisdiction that host the capital city) and Tlaxco with all six identified in each of the first two, and five in the latter.

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<sup>24</sup> There were 2441 municipalities in Mexico in 1990, and 44 in Tlaxcala.

**Table 2: Number of municipalities with presence of the LED criteria, 1990-2005**

LED criterion	Mexico	Tlaxcala
Links or networks of cooperation and coordination within and outside the municipality.	<b>574</b> (63.9%)	<b>17</b> (38.6%)
Capacity building or empowerment policy actions.	<b>439</b> (48.9%)	<b>22</b> (50.0%)
LED plan based on a diagnosis of the local economy.	<b>421</b> (46.8%)	<b>34</b> (77.3%)
Existence or creation of participation mechanisms for private, public, social sectors and the general public.	<b>421</b> (46.8%)	<b>8</b> (18.2%)
Policies or development actions to foster entrepreneurship.	<b>380</b> (42.3%)	<b>5</b> (11.4%)
Environmental considerations.	<b>245</b> (27.3%)	<b>4</b> (9.1%)

Despite the low state average of bottom-up LED elements, Tlaxcala's municipalities commonly designed development plans. The importance of local development plans stems from the fact that these documents are seen by LED experts as an indispensable guide where policies to stimulate entrepreneurship, and empowerment or capacity building actions, among others, are considered and organised strategically to achieve the development goals established by local agents.

Despite the existence of auxiliary presidencies all over the state, only 18.2% of its municipalities were identified to have active and well-functioning participation procedures. An interesting issue related with this is the already mentioned difference in the closeness to citizens of the different auxiliary presidencies, which could arise depending on the way their heads have been nominated and elected. The study of Apizaco and Chiautempan will shed more light on the functioning of this mechanism in Tlaxcala, and on the ways the organisations within the private and social sectors participated in their development processes.

Finally, the 'development links' element in the LED database is a categorical variable indicating the degree of the presence of links among local agents and also between them and agents located outside their municipality. It has a scale from one, denoting the non-existence of links, to three, indicating a strong presence of external and/or internal links or networks. At the national level the average in the LED dataset is 1.8 while for the state of Tlaxcala is 1.6, suggesting a slightly lower level of connectedness in Tlaxcala alone.

*LED features and the MDI in Apizaco and Chiautempan, 1990-2005*

All six LED key elements were identified in Apizaco. In Chiautempan, by contrast, the LED effort has been less extended. Only the elaboration of a development plan, participation mechanisms and development links were observed. Apizaco and Chiautempan are among the municipalities in the state of Tlaxcala with the highest level of connectivity (i.e. development linkages), both reporting a three in the scale of the corresponding variable in the LED database, while the state average was 1.6. As far as the degree of municipal autonomy in designing and implementing public policies with impact on their territory is concerned, Apizaco is classified in the category which indicates a balance between state and federal strategies, and locally originated ones; while Chiautempan is placed in the category indicating a predominance of external interventions.

Table 3 compares Apizaco's and Chiautempan's MDI data with the state and national level figures. The improvement in the development index calculated for the state of Tlaxcala between 1990 and 2005 was 0.1849, higher than Apizaco's, and lower than Chiautempan's. Both municipalities were in a better condition in both years than their state considered as a whole. The figures for the state of Tlaxcala are poorer than the national ones except for a higher improvement during the period of analysis. As expected for a locality with a strong presence of LED features, Apizaco's development level as measured by the MDI was higher than Chiautempan's in both years.

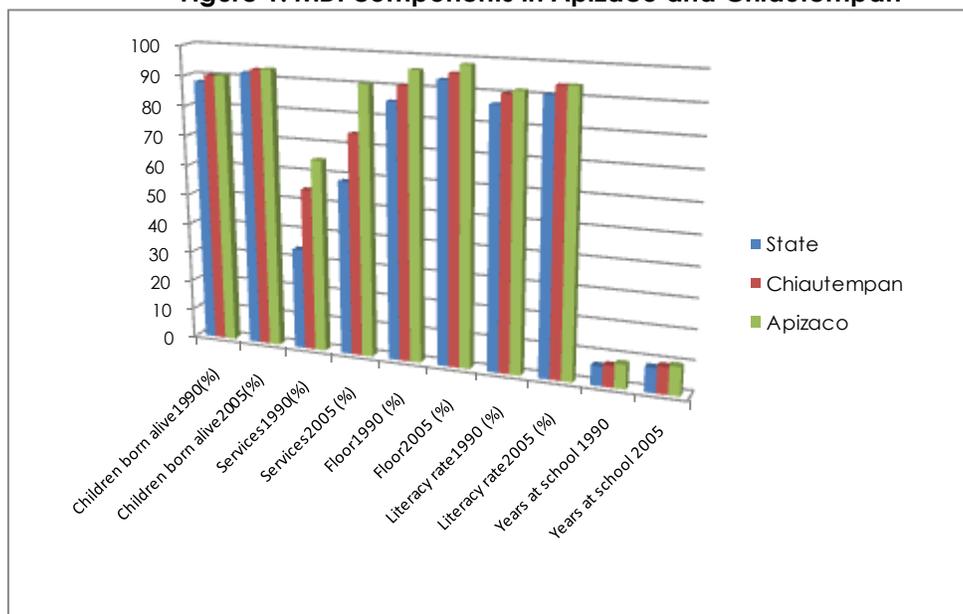
**Table 3. Municipal Development Index figures: Apizaco and Chiautempan**

	National	State	Apizaco	Chiautempan
<b>MDI<sub>1990</sub></b>	0.5382	0.5003	0.7116	0.5770
<b>MDI<sub>2005</sub></b>	0.6910	0.6852	0.8635	0.7829
<b>MDI<sub>2005</sub>-MDI<sub>1990</sub></b>	0.1528	0.1849	0.1520	0.2059

*Data source: Own calculations with data from INEGI's online resources*

Let us look now to the MDI components in both municipalities and at the state level in figure 1. First, the percentage of children who survived out of every 100 born alive reveals that both municipalities were in a better situation than the state considered as a whole in 1990 and 2005. Although the difference between our case studies is small, Apizaco experienced lower levels of child mortality. Second, housing characteristics in terms of three fundamental services (i.e. electricity, clean water supply and sewers) taken together were poor in all cases in 1990, but again Apizaco was in a more advantageous position. Tlaxcala's figure for 2005 kept being very low although it improved considerably. In relation to the floor material, a better panorama than the access to fundamental services was observed in all cases, with Apizaco again in a better position.

**Figure 1. MDI components in Apizaco and Chiautempan**



Data source: Own calculations with data from INEGI's online resources

Finally, as far as education is concerned, Apizaco was again above Chiautempan, and both municipalities experienced higher literacy rates and average years of education than the state figures in both years. Chiautempan's population experienced higher improvements in the majority of MDI components than Apizaco (i.e. the number of years at school, literacy rates, floor material at home, and basically the same in the percentage of children born alive).

#### Auxiliary presidencies

As noted, auxiliary presidencies represent communities within a municipality in the decision-making organ of their respective municipal government, and constitute a special attribute in the Mexican context and a straightforward motivation for choosing two municipalities within the state of Tlaxcala.

Apizaco, has seven auxiliary presidencies while Chiautempan fifteen. Apart from the extension of the territories, Olmedo (1999, 2005) suggests that the differences in the number of auxiliary presidencies within each municipality also obey to socio-political aspects. The same reason can explain why some communities adopted the political party procedure for the election of their presidents replacing the traditional communitarian system at some point during the period of analysis. In Apizaco all of them were already elected in 2000 by the political party mechanism while in Chiautempan seven were still elected by traditional communitarian mechanisms (INAFED, 2010).

The various issues around the institutional functioning of Apizaco and Chiautempan in relation to LED are analysed in the following section.

## **5. Analysis of the role of institutions in local economic development in Apizaco and Chiautempan, 1990-2010**

Qualitative research experts such as Fontana and Frey (1994) and Winchester and Rofe (2010) point out that a researcher needs to embark on interviewing to acquire information directly from knowledgeable people when it is not obtainable from other sources. As a variety of meanings and understandings about a particular phenomenon exist in any given human context (Dunn, 2010; McGuirk and O'Neill, 2010; Winchester and Rofe, 2010), the inclusion of both experts (i.e. academics) and stakeholders involved in development processes (i.e. members of public, social and private sectors) is necessary to be able to construct the most accurate picture of local institutions, organisations, actions and interactions which have facilitated or not positive development outcomes.

The targeted individuals to participate as interviewees in this study were considered taking into account the actors involved in the specific matters and concerns of the development of places from a local perspective. This is known formally as 'purposive sampling' and includes not only criterion sampling, but also the possibility of benefiting of new contacts and taking advantage of the opportunities that arise during fieldwork (Bradshaw and Stratford, 2010; Mason, 2004; McGuirk and O'Neill, 2010). Therefore, the interviewees were selected bearing in mind the analytical setting explained in the first sections related to the proximity of local actors to the development process within the bottom-up approach. The private sector includes legally constituted for-profit entities and their representations commonly known as business associations. These representations are organised by sectors of economic activity or more specifically in relation to particular economic activities. The social sector consists of non-governmental or civil society organisations involved in different social, welfare or social development activities (Edwards, 2004; Lewis and Kanji, 2009; Putman, 2000). Examples of them are labour unions; neighbourhood, community, peasants, indigenous people or migrants' organisations; cooperatives; and sports clubs, among others.

As a result of the intensification of police and military operations against drug gangs in Mexico since 2006 and the distrust of even myself of any stranger asking questions, I expected low participation levels of potential interviewees within the social and private sectors. Bradshaw and Stratford (2010), Fontana and Frey (1994), Kvuale (2008), Mason (2004), and Stake (2005) maintain that although access issues

can play an important role when embarking on in-depth interviewing, the primary concern of the researcher is not the quantity, but the pertinence and relevance of each of the individuals who are interviewed.

As far as the interviewees from the public sector are concerned, two state governmental offices have been working directly with municipalities since the 1990s (i.e. the Development Planning Committee and Tlaxcala's Institute for Municipal Development). Civil servants from these offices were invited to take part as interviewees and accepted (Interviews 3 and 15; see table 1 in the Annex for details). The state authority who introduced the community presidencies' reforms in 1995 also participated (Interview 17). In addition, municipal authorities which were in office during the period of analysis were targeted as possible interviewees. Although it was difficult to track them and once some contact details were obtained, most of them refused to take part, in the end, three in each municipality were interviewed (Interviews 4, 5, 6, 9, 10, 11). Regarding federal government representations in the state of Tlaxcala, the officials in charge of the representations of the Social Development, and Economy ministries were invited to have a say obtaining a positive answer only from the representative of the latter (Interview 2). The second in charge of the Social Development ministry representation was also targeted but no answer was received.

In the LED approach, the involvement of the academic sector (i.e. higher education organisations or members of them) is also identified in local development processes (Mazza and Parga, 1999; Pike, et al. 2006). However, the participation of academics as interviewees in this research is justified by their knowledge of and not by their participation in the local development processes of Apizaco or Chiautempan. A total of 9 academics were invited to participate but, in the end, only 4 were interviewed (Interviews 8, 12, 13, 14). All of them are well-known Tlaxcala's researchers with a marked interest in economic and social development from a local perspective. They were identified considering the information about their research interests and work in the websites of their respective higher education institutions, as well as the literature on economic and social development in the state of Tlaxcala.

Relying on official registers of private and social sectors' organisations, individuals from these sectors were invited to participate.<sup>25</sup> A total of 54 private sector organisations and 15 social sector ones were targeted. However, apart from some incorrect contact details, most of them were reluctant to

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<sup>25</sup> <http://www.sedecotlaxcala.gob.mx> (Accessed on July 25th 2010 and September 17th 2010), [http://sociedadcivil.inmujeres.gob.mx/dir\\_osc/main.php?id=27](http://sociedadcivil.inmujeres.gob.mx/dir_osc/main.php?id=27) (Accessed on July 25th 2010 and September 17th 2010), and <http://148.245.48.10/buscadorosc1/index.aspx> (Accessed from August 17th to August 21st 2010).

contribute to this research. All interviewees by sector and municipality are presented in the Annex of this paper.

In the end, a total of 17 in-depth semi-structured interviews were completed with an average duration of 45 minutes. Nine participants had knowledge of the development processes of both municipalities (Interviews 1, 2, 3, 8, 12, 13, 14, 15 and 16). Some of the interviewees had also been part of another sector during the period of analysis (Interviews 4, 7, 10, 11). The members of non-governmental organisations had participated in projects involving different development issues such as giving access to local producers to state of the art equipment, organising a cluster, or delivering capacity building or resources from different governmental programmes (Interviews 1, 7, 10). As most participants asked for discretion in the use of their answers, all interviewees were assured that all the information provided would be treated confidentially. All in-depth interviews were recorded, except for two.

Given the reluctance, by members of the private and social sectors, to participate, the 17 in-depth semi-structured interviews were complemented with a number of short closed-questions interviews, targeting, fundamentally, economic actors in both municipalities. A total of 40 short interviews were completed in each municipality during the first two weeks of November 2010.<sup>26</sup> Working places were visited without prior contact or notice, asking for the participation of the person in charge. The average number of years that the interviewees had been working and/or living in Apizaco was 34 years, whereas this figure was 36 years for the case of Chiautempan.<sup>27</sup> Bradshaw and Stratford (2010), Stake (2005) and Winchester and Rofe (2010) suggest that although these are not in-depth exercises, the information collected helps the researcher to better comprehend the context of the phenomenon that is being studied allowing her/him to grasp different perspectives, confirm some pieces of information and, sometimes, to discover new aspects to incorporate into the analysis.

Therefore, the qualitative analysis presented here is based fundamentally on the semi-structured in-depth interviews carried out between October 21, 2010 and January 14, 2011. To maximise the reliability and validity of analysis interpretations, tentative findings were scrutinised and authenticated by doing what Bradshaw and Stratford (2010, p. 78) call 'sources' and 'credibility checks' or 'documentary material' and 'participant checking' in terms of Dunn (2010). When possible, secondary sources such as academic publications, journalistic articles as well as official documents, laws and regulations were also examined as recommended by Stake (2005).

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<sup>26</sup> Self-employed individuals also participated.

<sup>27</sup> Although the memory span of participants reached even years before 1990, interviewees could remember more details of the most recent years including the identification of policy actions with particular municipal or community administrations.

A first exploration of the content of interviews needed to be done after each interview according to the analytical categories defined during the research design and the substantive issues identified in previous ones; followed by in-progress remarks of preliminary findings during subsequent interviews (Dey, 1993; Dunn, 2010; Kvale, 2008). This also allows knowing when 'saturation' might have been achieved as to be aware of the point where nothing new could be added to the analysis. Researchers require to start studying the information collected as it is obtained (Ezzy, 2002: p 74). In words of Kvale (2008, p.101): 'Interview as many subjects as necessary to find out what you need to know'. The interview arrangement of the in-depth interviews was flexible allowing finding out the information in a manner suitable to each circumstance and incorporating the mentioned preliminary results remarks when relevant (Bradshaw and Stratford, 2010; Dunn, 2010; Stake, 2005).

Considering the key elements of the bottom-up approach related to the institutional setting of places, interviewees were asked about their knowledge or experience during the period of analysis in relation to the following topics:

- ❖ Participation attitudes and mechanisms
- ❖ Planning processes and LED actions
- ❖ Collaborative links and networks
- ❖ Entrepreneurial attitudes

#### *Participation attitudes and mechanisms*

The existence of auxiliary or community presidencies in the formal institutional framework of Tlaxcala constituted the focal reason for selecting two municipalities within this state. As a result, the interviews put also an emphasis on their organisation and functioning. In Apizaco and Chiautempan, communities are divided by residential area or by sections comprising several neighbourhoods. In each of them a citizens' council is constituted with the election of a president, secretary and a treasurer. The presidents of the citizens' councils are the representatives and negotiators of their neighbourhoods or sections before the community presidencies. Finally, a public works council is formed which main function is to monitor the development of the approved public works to which resources are assigned for their realisation.

Population attendance to public meetings organised either to elect the citizens' council members, or to discuss demands or proposals in relation to public services or neighbourhood's general well-being has experienced a decreasing tendency in Chiautempan since the last years of the 20th century (Interviews

9, 10). Therefore, lower participation has undermined the degree of proximity to citizens that auxiliary presidencies are meant to provide.

Low participation or a falling tendency is attributed by academics, civil servants and politicians to the politicization of the mechanisms around the community presidencies, which, in their origins, were essentially grass-root communitarian forms of organisation (Interviews 1, 5, 8, 9, 10 and 13). Since the end of the last century, political parties in Tlaxcala have sought to permeate their influence deep into society.<sup>28</sup> As a result, politicians are at the root of serious antagonisms even within small neighbourhoods. Interviewed community presidents (former or in office at the moment of the interview) complained about this problem (Interviews 5, 6, 9). One of them said that it did not matter how well intentioned you were and how much hard work you engaged with, there would always be rumours saying that you did not do enough, that you had interest to benefit only some groups or individuals, or even that you were using public resources for your own benefit (Interview 6).

Another situation highlighted by some interviewees that is affecting negatively the general perception of community presidencies is that in the municipalities with more community aldermen (auxiliary presidents) in their *cabildos* than municipal ones (representing electoral sections as explained before), and the former have a different political party affiliation or preference than the latter and the municipal president; the community presidents tend to collude to hamper municipal president initiatives (Interviews 1, 3, 8, 9, 11). Unlike Chiautempan, this has not been the case in Apizaco, as it has had a balanced presence of both types of aldermen.

In Chiautempan, as a consequence of a non-balanced representation of community aldermen relative to municipal ones in its *cabildo*, the representation of citizens has been dominated by strong political interests and, therefore, the negative effects of the politicization phenomenon on participation are deemed worse than in Apizaco (Interviews 8, 13, 14). This is because the problems in Chiautempan's *cabildo* have affected the whole municipality instead of only few individual communities as it is the case of Apizaco.<sup>29</sup> For example, proposals concerning waste collection and disposal or public transport issues which have sought to make the best of economies of scale in the provision of these services have been hampered by opposition aldermen in Chiautempan (Interview 13). An interesting example is an initiative to regulate informal commerce activities along Chiautempan's central streets and main square which most community aldermen refused to approve (Interview 10). Although, this might seem

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<sup>28</sup> There are not only the national political parties well recognised by the average Mexican citizen, but also state ones.

<sup>29</sup> Community presidents from political parties different than the municipal president have complained of a lack of support from municipal offices and not receiving the resources for implementing the policy actions agreed in the *cabildo*.

as a political collusion they could still be protecting their community residents as many of them tend to sell their products in Chiautempan's centre.

Another relevant aspect is that there have not been channels or mechanisms of participation such as the auxiliary presidencies for the people living in the centre or administrative jurisdiction of the municipalities.<sup>30</sup> Both, in Apizaco and Chiautempan at least a quarter of their population has been living in those areas. However, residential and business associations could have had an important role in this matter, but again, the willingness of the general public and business people to act together was perceived low in addition to a sense of distrust in the local chambers of commerce due to their politicization or because, as an interviewee literally stated, 'these organisations have been used to the advantage of only few individuals' (Interview 14).

Two informal institutions in the state of Tlaxcala are the so called *mayordomías* (i.e. guardianships or stewardships) and the *faenas* (i.e. community work). Both of them are customs or traditional practices. In the former, the guardian's main duty is the organisation of religious festivities related to the respective local patron Virgin or Saint within the Catholic Church. This involves the coordination of the different communities' residents' participation to secure financing and the bringing off of the whole celebration. The *faenas* refer to community participation in the execution of works in benefit of their neighbourhood such as paving streets, building sidewalks, keeping clean or taking care of public spaces (i.e. gardens, squares), as well as helping in the installation of water or drainage infrastructure, among other activities (Interviews 1 and 8).

Apizaco's informal forms of organisation lacked the strength found in Chiautempan up to the end of the last decade of the XX century (Interviews 2, 3, 4, 13 and 14). This has been since its origins as its foundation was directly related to the advent of railways which generated a significant inflow of migrants from other Mexican states or regions.<sup>31</sup> Besides, after the 1985 Mexico City's earthquake, one of Tlaxcala's municipalities with a major influx of former nation's capital city residents was Apizaco (Interviews 2 and 4). However, the formal forms of participation were deemed as useful to improve living conditions in Apizaco's communities during the period of analysis as explained later in this section.

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<sup>30</sup> These areas are known as '*cabeceras municipales*'. Although the law foresees exceptions, only the localities with more than 1,000 inhabitants other than the so called '*cabeceras municipales*' (i.e. the central area where the municipal government offices are located as well as the main worship building and commercial streets) are automatically entitled to establish auxiliary presidencies. Communities with less than that number of inhabitants are entitled to have municipal delegates who are elected directly by the community in public assembly but they do not have the right of voice and voting in the *cabildo*.

<sup>31</sup> Holman (2008) stresses the fact that a lack of a sense of belonging and solidarity is common in growing urban areas as a result of high immigration and the consolidation of an impersonal living environment.

During the 1990s, the *faenas* (intertwined with the auxiliary presidencies) played an important role in enhancing the quality of life in Chiautempan's neighbourhoods (Interviews 1, 2, 9, 10, 11 and 13). In other words, population participation was strong and constant to improve their communities. The impact of citizens' participation on improving the living conditions in their communities during the first decade of this analysis in Chiautempan was stressed by interviewees (Interviews 9, 10, 11 and 13).

Since the end of the 1990s, population involvement in public works had a steep decreasing tendency in Chiautempan (Interviews 9, 10 and 11). Several reasons explain this phenomenon. First, the fact that some neighbourhoods had reached good standards of public services from previous community work. Second, the persistent loss of competitiveness in the textile industry was accompanied by population disenchantment with governmental authorities. Third, federal government schemes such as Liconsa (i.e. subsidised milk programme), Diconsa (i.e. cheap basic alimentary basket shops) and the Oportunidades programme (originally Progresá) were intensified since the beginning of this century reaching many lagging behind communities.<sup>32</sup> The latter, according to academics and municipal politicians, has generated a phenomenon of dependency and a passive attitude in the population (Interviews 8, 9, 10 and 11). The last two reasons demand further explanation.

The openness to trade of Mexico in 1986, intensified by the North American Free Trade Agreement (NAFTA) in 1994, and the WTO (World Trade Organisation) China's membership since 2001 have posed serious competitive challenges to the textile and clothes industry of Chiautempan (Interviews 9, 10, 11 and 16). Despite a high capacity of adaptation during the 1990s many firms did not survive and, therefore, sub-employment and employment in less remunerative activities have grown (Interviews 11 and 14).<sup>33</sup> Production activities have been substituted by an increased importance of retail commercialisation of textile and clothing goods produced within and outside the municipality. In addition, the working age population has sought alternative and combined sources of income reducing the time available for community participation (Interviews 8, 9, 10).

Added to the minimal municipal government intervention to support the textile industry, growing rivalry among local politicians and an extensively alleged lack of transparency and accountability within municipal and community administrations have repelled citizens' interest in helping to provide services which, in principle, are responsibility of governmental authorities (Interviews 13 and 14). In this respect, most participants in the short interviews noted that people simply are not attracted to collaborate in public works that corrupt public administrations will show off later as their own achievements.

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<sup>32</sup> Chiautempan has had a higher contribution to the population living in poverty in the state of Tlaxcala than Apizaco.

<sup>33</sup> For more details about the response of the textile producers in Tlaxcala to higher international competition see Rosales, R. (2003).

As far as federal government actions affecting negatively public participation are concerned, most interviewees from the academic and municipal public sectors coincided in that the resources and benefits of federal poverty alleviation programmes might be effective in tackling poor alimentary conditions and access to basic health information and services, but also create perverse incentives leading to moral hazard (Interviews 8, 9, 10, 11, 13 and 14).<sup>34</sup> For example, the *Oportunidades* programme offered growing monetary incentives considering the number of children in a household who attended school. The incentives given to keep children in school are higher, the higher the level of education children are attending up to upper secondary education. Moreover, households could get extra money for each child between 0 and 9 years old as an alimentary compensation. If the children graduated from upper secondary education, their families received an extra sum of money.

In addition, the maximum number of years a household could keep receiving most of the benefits of the programme depended on the year it was incorporated to the scheme ranging from a total of 12 to 15 years (SEDESOL, 2010). As a consequence, a substantial improvement in households' monetary resources due to the programme could be achieved without solving the causes of their low self-earned income.<sup>35</sup> For some interviewees, this could explain why the population in Chiautempan was less active in activities meant to ameliorate their conditions after the year 2000 (Interviews 8 and 11).

As far as the private and social sectors are concerned, in both cases, business associations are regarded as mainly having pursued the benefit of a few individuals or firms rather than that of the business community as a whole, while social organisations have commonly been linked to a politician or political group (Interviews 2, 8, 13). The pursuit of individual or small group interests was also pointed out as a municipal weakness or disadvantage in both cases by participants in the short interviews. All this was mentioned in conjunction with corruption practices as deterrents to participate or become involved in those organisations.

In Chiautempan, private sector organisations seem to have focused on superficial issues as, for example, the representation of retail commerce businesses as well as the hotels and restaurants association once requested to the municipality to allow parking in the city centre streets only to cars with plates of other states of Mexico in order to attract more tourists (Interviews 8 and 9). In addition, there have been many different organisations of artisans within the apparel and textile industries with

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<sup>34</sup> For a complete explanation of this concept see Holmström (1979).

<sup>35</sup> The monetary resources of a family living in alimentary poverty could improve at least in 145% and maximum in 652% considering an original income of 90 dollars per month of a household with three members including one child (calculations made based on the data published in *Oportunidades'* Operational Rules for 2010, and considering an exchange rate of 12.03 pesos per dollar).

antagonisms among them, and the medium and large size enterprises have mainly followed an individualistic approach (Interviews 8, 10, 13, and 14).

Considering the short interviews, the perception of the contribution of the communal forms of organisation to ameliorate the situation of municipal neighbourhoods reflected the views of the in-depth interviewees and the information presented above. In Apizaco 30% of participants considered that they had not been beneficial; while 44% had a positive position. In Chiautempan, the figures were 30% and 67%; respectively, but the favourable stance was related to the last decade of the 20th century as participants referred to this period as the most constructive in terms of improvements in public services and overall quality of life. In Apizaco, there was a balanced perception of progress among different periods of time. The 1990s were identified as beneficial in relation to public services improvements in some areas and new infrastructure, while the first decade of the XXI century in terms of better public services in some communities and promoting the municipality in order to attract more direct investment and tourism.

#### *Main features of their planning processes and LED actions*

The main common denominators of both municipalities' planning processes and final plans, as well as their key differences are examined in this section. Furthermore, I explore if LED strategies were integrated in their development plans or at least taken into account in their policy actions during the period of analysis.

Academics and social sector members concurred in that the municipal development plans in Tlaxcala could be considered as a collection of municipal authorities' ideals at the beginning of their administrations based mainly on shortages of public services, but not a document that could be seen as a medium and long term guide towards economic and social development (Interviews 1, 7, 8, 12, 13 and 14). Furthermore, some of them stressed that although the legal mechanism to elaborate this document demands the participation of social and private sectors alongside with governmental authorities, and despite municipal and state governmental claims (3, 4, 11, 15); the representation that has normally been achieved has been incomplete or null, as well as a lack of coordination with other levels of government or neighbouring municipal administrations (1, 8, 13 and 14). Apizaco and Chiautempan did not escape these trends, but exhibited central differences that, in the view of interviewees, might have had a great influence on government performance and, hence, in development outcomes during the period of analysis (Interviews 1, 12).

In both municipalities, development plans commonly presented the results of a diagnosis of local circumstances, but had a short term focus as the planning scope hardly went beyond the duration of particular municipal administrations. Interviewed academics agreed that municipal governments have had only a short run vision (Interviews 7, 12, 13 and 14). They have been mainly interested in leaving evidence of the pass of their administrations, as remarked by interviewee 14. Other interviewees noted that municipal administrations have focused on literally visible works such as installing commemorative or new fair structures or facilities, changing the colours of main public buildings and squares, painting road signs, adding some public lighting poles, or paving streets (Interviews 1, 2, 3).

The rationale that can be given for the short run focus of local authorities might be a lack of incentives to look further as most of the benefits of comprehensive development strategies are achieved in the medium and long runs, and; therefore, could be attributed to other administrations (Cabrero, 2003). As noted, during the period of analysis, municipal and community presidencies lasted three years without the possibility of immediate re-election. Municipal presidents might be looking to run for state governor or for a place in the state or national congresses. Another factor might be the literal interpretation of the Municipal Law for the State of Tlaxcala (*Ley Municipal del Estado Libre y Soberano de Tlaxcala*) which states in its article 92 that the validity of the municipal development plan of a particular administration must not exceed the duration of its mandate.<sup>36</sup>

Municipal administrations in both cases did solve public services needs as a result of growing population and urbanisation (Interviews 1, 3, 7 and 15). Addressing public services shortages when they have become a problem might also increase political visibility in favour of the municipal authorities in charge. The inconvenience of doing things in this way is that it might result in inefficiencies because this is done under the immediacy of social pressure and political opportunism without an urban or territorial plan guiding public actions (Montalvo 2010).

Despite the short-run scope of local authorities in both municipalities, there are relevant differences in their planning exercises and sustainability approach that had an impact on public services delivery and quality of life (Interviews 1, 12). Development plans of municipal administrations during the 1990s in Apizaco and Chautempan reflected a public services delivery bias neglecting the promotion of economic development. However, during the first decade of this century this changed for Apizaco as its development plans incorporated public services delivery, social policy and economic promotion in a

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<sup>36</sup> A solution for this might be the inclusion in the law that all new administrations must engage in a deep diagnosis of the local economy and the municipal financial situation before designing its corresponding plan in order to set short, medium and long run feasible goals; adding that although the validity of the development plans is related to the duration of the administration in turn, the new administration must build upon those goals as well as the achievements of the previous administrations and its own diagnosis of the municipal circumstances.

more integrated framework (Municipal Development Plans, various years; Interviews 1 and 13). Contrary to most planning exercises in the municipality of Apizaco, in Chiautempan the projects proposed in development plans were usually not clearly linked to the diagnosis in terms of the considered governmental interventions. In other words, there was a poor connection between the results of the diagnosis and the proposed policy actions. Furthermore, all Chiautempan's development plans lacked an assessment or indication of the financial resources as well as the period of time or stages required for the realisation of the suggested policies (Municipal Development Plans, various years).

As far as the contribution of the institutional framework around auxiliary presidencies in the planning process is concerned, they played a minimal role in Chiautempan as the political animosity among municipal and some communities' administrations has been growing since the last years of the 1990s (Interviews 9, 10, 11). However, parallel to them, to avoid political interferences and reach all the population, consultation fora were organised to capture citizens' demands (Interviews 3 and 15). In Apizaco, consultation fora were also organised to capture the needs and wishes of the population not represented by auxiliary presidencies (Interviews 3, 12 and 15).

As seen, the development plans did not set long term goals to be achieved during the development process. In this sense, the environmental aspect of sustainability considered in the bottom-up approach, was not embraced in those documents. However, there is a clear difference between Apizaco and Chiautempan as in the former some concrete examples of actions motivated by population's environmental awareness were identified (Espinoza, 2010; Interviews 4, 6). In-depth interviewees highlighted higher awareness of the environmental implications of economic development in Apizaco than in Chiautempan (Interviews 1, 4, 6, 7 and 13). Likewise, when the participants in the short interviews were asked about their perception of the authorities' and population concern in relation to the conservation of natural resources and the quality of the environment, a marked discrepancy between Chiautempan and Apizaco was evident. For instance 17% deemed that medium or high importance had been given to these aspects in Chiautempan, whereas 40% considered the same for the case of Apizaco.

To give some examples, in Apizaco in 1997 Procter and Gamble bought a paper plant in the proximities of the Zahuapan River, and by and large due to general public pressure, residual water treatment equipment was installed up to international standards (Interview 4; Smith, 2000). Furthermore, members of the academic, public and social sectors have been concerned about the pollution and reduction in volume of Apizaco's water bodies (Interviews 4, 5 and 6; Tilly and Kennedy, 2007). Finally, research has shown sustainable tourism potential if the 'Ojito' lagoon, in Apizaquito, one of Apizaco's communities, is

rescued from its environmental deterioration (Interviews 4 and 6). However, the private and state public sectors have been reluctant to invest. According to a former Apizaquito's community president, the main reason is the high costs that the recovery involves (Interview 6). An academic agreed and added that as the lagoon project has not been envisaged as part of a long run development strategy for the municipality or even the state, the heavy financial resources needed in the short run tend to deter possible stakeholders who see the expected benefits only in the long run (Interview 13).

During the first decade of this century municipal authorities and even some community presidents in Apizaco were also active in promoting federal government programmes in the area of social development as benefits for citizens or neighbourhoods, different from the poverty alleviation programmes, could be obtained from the Social Development, as well as the Environment and Natural Resources ministries, among others (Interviews 5, 6). In addition, municipal authorities tried to implement the sustainable development *Agenda 21* (Interview 4). In contrast to Apizaco, Chiautempan's municipal or community presidents' knowledge of federal programmes that can benefit their citizens was limited to poverty alleviation programmes, and their knowledge or interest in the *Agenda 21* or the '*From the Local Agenda*' non-existent (Interviews 9, 10 and 13).

Other fundamental elements of the LED approach are empowerment and capacity building. In contrast to Chiautempan, courses or workshops for civil servants and policy actions for individuals and firms were organised in Apizaco at some point during the period of analysis (Interviews 1, 3, 5 and 15). Apizaco implemented entrepreneurship promotion policies and its authorities participated in the '*From the Local Agenda*' by INAFED<sup>37</sup> (*Agenda desde lo local*) implying that its administrative practices were evaluated and actions to improve their capacity undertaken (Interviews 1 and 4).

The in-depth interviews were designed not only to obtain information about policy actions related to empower individuals and build their capacity, but also about the public sector's ability to perform its functions.

The capacity of municipal administrations to perform their functions was considered not a problem in the case of Apizaco in comparison to Chiautempan. In the case of the latter, it was mentioned that municipal administrations have shown a lack of organisation and coordination within and between municipal offices (Interviews 13, 14). To give an example, there was not an internal set of rules to guide

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<sup>37</sup> Details on this initiative can be found in [www.inafed.gob.mx](http://www.inafed.gob.mx).

the municipal administration operation until 2010<sup>38</sup>. By the same token, when the participants in the short interviews were asked about the aptitude of municipal authorities to execute their tasks, 75% deemed that Chiautempan's authorities lacked capacity, while only 33% thought the same in Apizaco. A reflection of bad administrations during the period of analysis in the former is the significant fall in public services and social policy expenditure as a percentage of the total municipal government expenditure which declined from 44.54% in 1994 to 18.09% in 2008. In sharp contrast, Apizaco's figure increased from 33.36% in 1994 to 37.74% in 2008.<sup>39</sup>

A recurrent reference as a limitation for the performance of municipal administrations was their lack of financial resources. Nevertheless, throughout the period of analysis some administrations in Apizaco and Chiautempan did not implement many actions to improve the revenue of their own sources of income because of the political cost that this might have implied to themselves and their respective political parties (Interviews 3, 8, 14 and 15). However, in the first decade of the XXI century this changed mainly in the case of Apizaco. Apizaco's revenue from own sources of income increased from 19.28% of its total revenue in 2000 to 23.16% in 2008; while Chiautempan's from 7.50% to only 8.69%, respectively.<sup>40</sup>

As a consequence of insufficient resources and municipal presidents' reticence to considerably improve municipal revenues from their own sources of income, they have been also seen as negotiators of additional resources from the state government and from local businesses. Therefore, capable municipal presidents have been the ones who have been able to channel external resources in benefit of their municipalities (Interview 10). Municipal administrations' ability to negotiate resources from large firms and state government offices was deemed an asset in Apizaco; but not in Chiautempan (Interviews 1, 9, 12, 15, 17). Political affinity between state governors and municipal presidents during some municipal administrations facilitated this task both in Apizaco and Chiautempan, while the fact that some state governors have been from Apizaco eased public administration affairs in this municipality (Interviews 14, 15).

A major oversight of municipal and even state authorities' in relation to Chiautempan's textile and clothing manufactures' downturn during the first decade of this century was the absence of a strategy to cope with higher competition as it was possible to anticipate adverse circumstances since the outset

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<sup>38</sup> The so called Internal Regulation for the Municipal Council of Chiautempan (Reglamento Interno del Ayuntamiento de Chiautempan) was approved by its *cabildo* together with the Municipal Cemeteries' Regulation at the end of the last administration on November 2010 (Online news accessed on January 14, 2011: [http://www.abctlaxcala.com/index.php?option=com\\_content&view=article&id=2610:aprueba-cabildo-de-chiautempan-reglamento-interno-del-ayuntamiento&catid=55:sobresalientes&Itemid=62](http://www.abctlaxcala.com/index.php?option=com_content&view=article&id=2610:aprueba-cabildo-de-chiautempan-reglamento-interno-del-ayuntamiento&catid=55:sobresalientes&Itemid=62)).

<sup>39</sup> Source: INEGI, Finanzas Públicas Estatales y Municipales, various years (<http://www.inegi.org.mx/inegi/default.aspx?s=est&c=10961>; accessed on January 7th 2012).

<sup>40</sup> Source: INEGI, Finanzas Públicas Estatales y Municipales, various years (<http://www.inegi.org.mx/inegi/default.aspx?s=est&c=10961>; accessed on January 7th 2012).

of the 1990s (Interviews 8, 15, 16). The lack of other public policies to make the best of its traditions related to both this industry and its religious festivity also contributed to a disapproval of Chiautempan's municipal administrations (Interviews 11, 13, 14). This was also indicated by the majority of participants in the short interviews carried out in this municipality when asked about the main problems and drawbacks that affected the economic development and people's quality of life in the municipality during the period of analysis. Contrary to the case of Chiautempan, Apizaco's authorities managed to promote different economic activities in their municipality by highlighting its productive, social and basic infrastructure as well as exploiting its railway history (Interviews 2, 4, 7).

In both municipalities, some auxiliary municipal presidents had exhibited a lack of knowledge about different aspects, ranging from administrative procedures to the social benefits that could have been applied in their jurisdictions. This has often affected their performance both in *cabildo* sessions (e.g. causing delays in decision-making processes) (Interviews 3, 4, 14), and within their administration (e.g. generating inefficiencies in the use of the assigned resources) (Interviews 2, 4, 14).

If the capacity of new authorities would have been assessed, as well as the financing of municipal government activities and policies would have been carefully considered in the planning stage, more efficiency and positive results could have been achieved during their development process.

#### *Collaborative links and networks within and outside the locality*

The interactions among members of local sectors were perceived minimal in Chiautempan. As its secondary sector has been dominated basically by one industry, it was expected to find dynamic business organisations proposing projects to the public sector and productive links among firms. However, even in times of serious challenges due to the openness to trade of the Mexican economy, their individualistic approach persisted. The self-centred attitudes of many individuals who usually pursue their own interests by means different to cooperation and coordination have predominated (Interviews 2, 9, 14). This was aggravated by the fierce competition that its textile and clothing industries faced from producers located elsewhere within Tlaxcala, Mexico or even abroad (Interviews 9, 11, 13). The strong direct competition among them and with firms in neighbouring municipalities generated the isolation of most producers either if they were artisans or large firms (Interviews 2, 13 and 14).

Leadership rivalry is one of the reasons for the individualistic approach of businesses. An academic expressed the following in the case of Chiautempan: 'The self-centred and conflictive characteristic of its leadership relationships has even caused the gradual disappearance of sports leagues for children

and teenagers since 1990' (Interview 13). Nonetheless, this individualism might also stem from clientelistic and nepotistic practices recurrent in Latin American countries. This is because a common route to try to solve a problem or get a benefit is directly contacting a friend or relative of a businesses' representative, a municipal alderman, the municipal president, a state or national congressman, a high rank civil servant, a judge, or even the state governor, if not directly with one of them. This was emphasised by academics (Interviews 12 and 14) and brought about by more than half the participants in the short interviews.

In Apizaco, business associations have also been weak as distrust and rivalry among businesswomen or businessmen for the associations' leadership have been common (Interviews 2, 6, 14). Apart from its industrial and communications infrastructure, among the other motivations of firms establishing in its industrial areas are the accessibility to a skilled workforce as a result of its education infrastructure (Interviews 4 and 5). Despite Apizaco's industrial areas and the presence of a robust education infrastructure, there are few links with the well represented academic sector. In other words, applied research or technology development projects between firms and higher education establishments have been non-existent (Interviews 1, 4 and 7).<sup>41</sup>

Contrary to Chiautempan, interactions between the private sector and local authorities were found in Apizaco as, for example, Femsa (Coca-Cola) has contributed with resources for improving public services in the community of Apizaquito where a Coca-Cola's plant is located (Interviews 4, 6). In both municipalities some firms also assist with annual local festivities expenses (Interviews 5, 6, 9, 10). Some other issues have been treated by community or municipal presidents with businesses in Apizaco as for example the need to employ more local people instead of residents of neighbouring municipalities or even people from other regions of Mexico (Interviews 4, 5 and 6). Federal government programmes such as PROSOFT were identified and captured by local agents in Apizaco. However, one of its first beneficiaries complained that it had been difficult to integrate potential stakeholders. In order to achieve that, a strong degree of interaction among the academic sector, government and the business sector was necessary (Interview 7).

Externally, economic links have played an important role in Apizaco's and Chiautempan's economic performance as the markets of many of their products extend beyond the state of Tlaxcala. External linkages have been fundamental for economic development because their respective productive activities are closely related to the economic activities in the vicinity and to the satisfaction of demand of the huge market that represents Central Mexico (Interviews 2, 4, 11, 13 and 14). In both municipalities

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<sup>41</sup> These findings go in line with the research results presented by Carrillo (2007) and González-Gutierrez (2007).

local agents have sought to build and keep some strong and beneficial external links, either in the governmental or business sphere with a marked difference favouring the development of Apizaco (2, 4, 7, 15 and 16).

Distribution and productive networks (i.e. input-output links) have been built by the most competitive firms in Apizaco, including *maquila* relationships with intermediaries and clients located mainly in Central Mexico (Interviews 2, 4 and 16). Although production chains among firms are not extensive within and around Apizaco's industrial areas<sup>42</sup>; at a larger scale, there are important linkages such as in the chemicals and non-metallic mineral products industries, as well as car parts and equipment production, satisfying the demand of other firms located mainly in Puebla, Hidalgo and the state of Mexico (Interviews 2 and 4)<sup>43</sup>. Chiautempan's private sector external interactions have been mainly subordinated *maquila* relationships within the textile and clothing industries with clients located again in Central Mexico including other municipalities in Tlaxcala (Interviews 2, 10 and 16).

Large firms such as Procter and Gamble and Coca-Cola in Apizaco and La Providencia in Chiautempan serve the vast Central Mexico market. The latter even exports its products (e.g. blankets, duvets, quilts, overcoats, cushions, floor mats etc.) to the United States and Central and South America (Interviews 2, 4 and 11). This is a firm owned by Spanish immigrants which is famous by its innovativeness from the design of their products to its distribution logistics (i.e. intrapreneurship) (Interviews 2 and 16). Interestingly, Spanish nationals that own firms in Chiautempan, in particular, and Tlaxcala and Puebla, in general, have developed commercial and productive links, but mainly among themselves (Interviews 2, 16). Despite the historically presence of Spanish immigrants in Chiautempan (mentioned in chapter 6), none of its municipal authorities sought to strengthen the economic ties with Spain by means of productive proposals to the Spanish Chamber of Commerce in Tlaxcala and Puebla or at least by requesting a meeting with its officials to ask what could have been done to improve the municipality attractiveness (Interview 16).

Within the public sector, the main interaction with the state authorities has been in relation with federal and state transfers that, as seen before, represent an important source of income for municipalities as the property tax and other local sources of revenue are low in all Mexico. Political party affinity during the period 1990-1999 benefited both Chiautempan's and Apizaco's flow of resources. Furthermore, as noted, it is common in Mexico that the municipality of birth of a state governor is particularly supported

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<sup>42</sup> Some productive links were found between Apizaco's firms. For example, there are firms producing chemical fibres for textiles manufacturing, as well as for wet tissues and diapers production. There are some firms manufacturing textiles and clothes in Apizaco, and a multinational that manufactures products for personal hygiene including diapers for babies.

<sup>43</sup> Firms supply the demand for resins and synthetic rubber from plants producing varnishes and paints, food containers, gloves, inflatable articles, as well as tyres and other vehicles' components, among others.

by channelling more resources through different policy actions. In contrast to Chiautempan, this was the case of Apizaco for the period 1993-2005, and mainly took the form of coordination in the provision of basic, social and productive infrastructure investment as well as fiscal incentives for attracting firms to industrial areas (Interviews 2, 3, 13 and 14).

Concerning inter-municipal relationships, there were agreements with neighbouring municipalities to coordinate public transport and security in Apizaco, and public security in the case of Chiautempan. Whereas inter-municipal coordination was possible and successful for the former, for the latter was a problem as disputes for the leadership and resources impeded their police forces to work together (Interviews 4, 11 and 13). All the academics concurred in that coordination in other matters such as economic development could prove to be beneficial but municipal administrations, in both cases, did not show interest in starting negotiations with neighbouring counterparts (Interviews 8, 12, 13 and 14).

Local development connections between the social and public sectors are mainly related to civil organisations that are constituted for facilitating the delivery of resources of diverse federal or state programmes. Either related to those programmes or not, in view of the interviewees, most non-governmental organisations (NGOs) were also politicised and their work was usually identified with a political figure or affiliation (Interviews 2, 9, 13, 14). Political affinity of NGOs could damage their legitimacy for present and future interventions causing distrust among the population and the rest of stakeholders involved in the development process (Ostrom, 2000; Woolcock, 1998).

Considering the short interviews, the perception of the contribution of linkages among members of local sectors to ameliorate the development situation of these municipalities reflected the views of the in-depth interviewees and the information presented above. Specifically, 45% of the participants deemed a satisfactory collaboration among sectors in Apizaco; while this figure was only 17.5% in Chiautempan. In the case of cooperation between municipal and state authorities, 42.5% of participants had a positive perception in Chiautempan; while this figure was 60% in Apizaco.

### *Entrepreneurial attitudes*

The in-depth interviews were also designed to obtain information on policy actions related to the promotion of entrepreneurship and people's attitudes to open and run innovative businesses.

In both municipalities people willingness to run their own business has been high (Interviews 3, 4, 5 and 16). Interviewees mentioned that citizens, in general, were not risk averse. One of them said that 'if they

have a business idea, they carry on, and if it does not work, they try something different' (Interview 1). The most preferred businesses were found in retail (e.g. a diverse variety of shops, stores or stalls) and food related activities (e.g. production of dairy products, bakeries, maize flour products, restaurants, and street food stalls), with a similar degree of dynamism and flexibility in informal as well as formal markets. The main distinction between Apizaco and Chiautempan was the range of business activities chosen by their population, being more diversified and balanced in the former than the latter. Chiautempan's entrepreneurial population have profited from its nationally well-known textiles and clothing tradition trying new ventures either in manufacturing or both wholesale and retail commerce (Interviews 2, 8, 10).<sup>44</sup>

Although the risk taking element of entrepreneurship was present in both places, the innovative character was practically null in Chiautempan except for a couple of firms manufacturing textiles (Interviews 2, 15, 16). During the crucial period of the starting years of NAFTA the textile and clothes manufacturing industries of this municipality were highly adaptive to markets' needs, but not innovative at all (Interviews 1 and 9). Resources from a federal government programme were attracted to help small producers to innovate in design, among other aspects; however, deficiency in organisational skills and rivalry among producers caused conflicts about the use of shared resources contributing to the lack of success of this project (Interviews 1 and 2).

Apart from a lack of governmental intervention in Chiautempan, when interviewees were questioned about other possible causes of the lack of innovativeness, many of them pointed that for small and some medium size firms the capacity of businesswomen or businessmen to run formal or informal businesses was, overall, excellent, but this fact did not mean that they were able to come up with new ideas of products or ways of doing things (Interviews 3, 10, 14). Furthermore, their knowledge about market trends or even breakthroughs is most of the time limited or lagged. In the case of some medium and large firms, their strength is in volume, satisfying very specific demands of intermediaries (Interviews 2, 4, 13 and 14). An academic interviewee said that they were not meant to innovate and, if an innovation was implemented, it was because it had been designed and already tested somewhere else (Interview 13).

Apizaco's policies in coordination with state strategies to attract businesses facilitated the opening of new firms (Interviews 2, 4, 7, 14). The presence of qualified individuals - as a result of tertiary education establishments within and around Apizaco - who seek local opportunities in their field, made it possible

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<sup>44</sup> Sources: Observation in site and INEGI online databases [Economic Census 1994, 1999, 2004, 2009; <http://www.inegi.org.mx/est/contenidos/Proyectos/ce/Default.aspx> (Accessed between August 16 and September 17 2010)].

to have a more diversified economy and attract some federal resources from the Ministry of the Economy (Interviews 2 and 7). This favourable business climate prompted, for example, the start of software development activities in this municipality.<sup>45</sup> In addition, one of the municipal governments secured a long term agreement with one of the main banking organisations in Mexico (i.e. BANAMEX) and the Technologic Institute of Monterrey (ITESM) to run a social business incubator (Interviews 2 and 4), and the Technologic Institute of Apizaco has been operating a business incubator since the beginning of this century.

## **6. The formal institutional context for LED in Mexico, and the impact of institutions on the development of Apizaco and Chiautempan: A need for a change?**

This paper has highlighted the relevance of institutions for the consideration of the LED approach in Mexico. The country's main formal mandate (i.e. the Mexican Constitution) was analysed and a favourable framework for LED was identified. The state of Tlaxcala formal institutional context goes even further in that direction. However, in practice, the functioning of such a framework has experienced difficulties which has prevented a more comprehensive and effective application of local economic development strategies.

The main conclusion is that, during the period of analysis, the formal institutional context in Mexico has evolved to have a limited but relevant propitious role in LED. However, some changes can be proposed to pursue and consolidate a more active and leading role of municipal actors in local economic development.

The main contribution of this analysis is the identification of the national and sub-national institutional factors that need to change to allow a wider consideration of the approach across Mexican municipalities, and a more effective application of local economic development strategies. Moreover, the concrete effects of both formal and informal institutions in the development of two Mexican municipalities were also identified.

The recommendations that follow are only examples of actions that could contribute to tackle the factors that divert, prevent or obstruct the progress of local development processes.

### *The main formal mandate and the LED approach in Mexico, 1990-2015*

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<sup>45</sup> Information provided by interviewee number 7 and data from the Federal Programme 'Prosoft' indicate that there has been a concentration of Tlaxcala's beneficiaries in this municipality [<http://www.prosoft.economia.gob.mx/apoyosprosoft/> (Accessed on Dec 01 2010)].

As far as municipal public sector finances are concerned, one of the main municipal sources of revenue depends on discretionary adjudications of federal transfers by state authorities. As noted, transparency and more certainty in the assignation of resources would let municipalities to better plan and implement their development strategies. Another relevant aspect to consider is the conditional character of a part of the federal transfers. Therefore, municipalities experience some restrictions to prioritise part of their expenditure.

It was explained that, for decades, municipalities have complained about a scarcity of sources of revenue. However, even if they were allowed to levy other taxes, there is no guarantee that they would introduce new taxation schemes. Insufficient administrative capacity, a separated management of land registries and the property tax system, and/or the political cost of levying taxes are reasons identified by experts of the poor municipal efficiency in collecting their other main source of revenue, the property tax.

The institutional framework and resulting organisations could be adjusted to secure building the necessary and sufficient administrative capacity of municipal administrations. This could be done at the state level or with coordination with the federal authorities. The federal government's *Agenda for Municipal Development*, previously known as *Agenda from the Local*, could be enhanced and strengthened to facilitate this task.

A clear formal mandate on the municipal administration in one body of both, land registries and property tax systems, or on a complete coordination among different administrators could avoid the inefficiencies generated by separate managements identified by experts in some Mexican states.

Specifying, and weighting carefully, a criterion linked with the municipal effort of collecting own sources of revenue among the criteria for the assignation of federal transfers to municipalities, could help to tackle the historically poor municipal governments' endeavours on this matter. By the same token, incentives towards relating the politicians' careers to their proved performance in full completion of previously public sector positions, could contribute to lessen the political incentive of not levying new taxes or not enforcing the payment of the property tax. An extreme solution could be to consider, in the formal institutional setting, concrete penalties to municipal administrations which do not reach specific minimum proportions of their own sources of revenues in relation to the rest.

Let us remember that municipal governments in Mexico have not had restrictions in contracting debt; which, contrary to a legal mandate, mainly has been used to pay current or operational expenses, instead of expenditures related with economic long term goals. In February 2015, a Constitutional reform was approved by the Mexican Congress to regulate and control sub-national debt in order to decrease the risk of defaults, as well as to monitor and sanction sub-national authorities when they do not abide to law, including the ruling of devoting the borrowed resources to productive investment. However, the mechanisms for enforcing the mandates of this reform will be established in secondary laws, without a clear idea of when they will be ready and in effect.<sup>46</sup>

It was also seen that in Mexico, by law, a new municipal administration must present a development plan to its citizens and respective state congress. The purpose of this document is to delineate the objectives and strategies for municipal development and set the main areas of public policy that the new municipal president will consider during his/her term. The mechanism to elaborate the municipal development plans is basically the same in the whole country. Nonetheless, academics and participants in such exercises mention that either a real representation of private and social sectors is not achieved, and/or their voice is heard but rarely incorporated to the final document.<sup>47</sup> The proposition here is to elaborate and put in practice guidelines and criteria for the whole process to make it transparent to citizens, and ensure the observance of the constitutional mandate in relation to the participation of the local population, in general, and local stakeholders, in particular; as well as, the methodological analysis of their inputs for consideration. The resulting rules could be part of the national institutional setting as all levels of government (i.e. municipal presidencies, state governorships and the national presidency) must present a development plan at the beginning of their terms, incorporating the participatory element for its elaboration.

The 2014 reform allows municipal authorities to be re-elected for a second consecutive term only for municipalities elected originally for a period of three years. This means that if the period of their mandate is longer, for example 4 years, they cannot be re-elected in consecutive periods. As municipal stakeholders, in particular, and the municipality's population, in general, could be satisfied with the performance of a particular municipal administration, this should not be restricted to the municipal authorities elected for three years' terms.

The mentioned reform lessens the municipal administrations' incentive for setting mainly short term 'development' goals. However, if municipal presidents have short term political ambitions such as

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<sup>46</sup> Interview with Gerardo Carrillo, Public Finance Director at Fitch Ratings, Mexico (February 14<sup>th</sup>, 2015).

<sup>47</sup> Interviews 8 and 13, Lumbreras and Morales (2007), Montalvo (2010), and the author's participation in 2014 in the public sessions for the elaboration of the Municipal Development Plan of the municipality of Veracruz.

becoming candidates for the state governorship or a seat at the states' or national congresses in following elections, the positive impact of the reform towards setting longer term goals is limited. The proposal is to introduce incentives into the electoral institutional framework in which the development of political careers could depend and be directly linked to the proved performance of politicians in full completion of their previously public sector positions for which they were elected.

As also noted in the review of the Mexican Constitution in section 3, bordering municipalities can agree to form partnerships among them if by doing so they achieve a more efficient public goods' delivery. However, they are required to ask for authorisation to state authorities. The suggestion is that municipalities should not need to seek approval of their state legislature to coordinate with bordering municipalities in public policies and services design and delivery. This is because requesting their approval might delay the development process, and in the case of bordering municipalities located in different states, this could be worst, as they require the approval of two different legislatures. It is relevant to remember that the majority of municipal administrations in Mexico last only three years. Therefore, making the best of the available time is fundamental. Another reason is the political aspect that could prevail in the decisions by the state legislatures on requests of municipalities with different political affiliation than the majority of the legislatures' members.

Finally, article 2 of the Mexican Constitution states that all levels of government must fight poverty and development gaps of the indigenous population through the stimulation of local economies, regional sustainable development actions, as well as the empowerment and capacity building of indigenous communities. Nevertheless, mechanisms of enforcement do not exist to make sure that this mandate becomes a reality. Other constitutional mandates without clear instruments for securing their compliance are municipal participation in the design of federal and states' development plans, and guaranteeing citizen's participation in public affairs, among others.

#### *Institutional context and LED in Apizaco and Chiautempan, 1990-2010*

The analysis by Rodríguez-Pose and Palavicini-Corona (2013) revealed that the bottom-up approach has not been a widespread strategy in Mexico at the municipal level; and, in most of the municipalities where some or all its elements were identified, they were not implemented comprehensively and strategically. All bottom-up elements identified in Apizaco and Chiautempan were not part of a municipal development long term strategy. However, the case studies offer evidence in line with the LED literature about their favourable effect, as well as provide light on the specific role of the institutional context in LED.

The qualitative analysis rationale was to dig deeper into the development processes of two municipalities in order to comprehend the contribution of institutional factors related to the bottom-up approach to the well-being of their population. The case studies provided explanations on how those factors had a positive impact on their development fortunes, and why, sometimes, had a limited or not clear influence. The development processes of these municipalities experienced different complexities during the period of analysis. Despite diverse challenges, Apizaco's authorities have been more active stimulating economic activities and satisfying growing demands for public goods than Chiautempan's authorities. Chiautempan's challenges have been greater for diverse reasons.

Two key institutional elements related with the bottom-up approach played a relevant role in the development fortune of Chiautempan (i.e. participation mechanisms between 1990 and 2000, and external links during the whole period of analysis). The auxiliary presidencies intertwined with the so called *faenas* were perceived positively in the case of Chiautempan because of a strong citizens' participation culture, and the auxiliary presidents' representation and allegiance to community neighbourhoods was beyond doubt while their operation was not subject to neither monetary nor political retribution. Population involvement in improving their communities by means of the *faenas* and its participation in citizens' councils contributed to better amenities and public services in Chiautempan's neighbourhoods. External interactions of local businesses were the keystone of its industrial production and commerce activities.<sup>48</sup> In addition, the risk taking and dynamic character of Chiautempan's people facilitated adaptability and flexibility although there was poor cooperation among local agents as well as a lack of innovativeness and economic diversity.

Apizaco's population also presented the risk taking and dynamic character needed for entrepreneurship to flourish and was more innovative in terms of economic activities. Apart from the importance attributed to its external links within the private sector, some interactions between local authorities and the private sector as well as inter-municipal relations were perceived beneficial. Actions to enhance the local capacity and promote the creation of firms, and higher awareness of external resources that could benefit local agents were also identified as factors that contributed to achieve positive development outcomes and improvements in the quality of life of Apizaco's population during the whole period of analysis. Less politicization of the development process and better municipal government organisation and capacity, are also central differences that permitted pursuing a more

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<sup>48</sup> In other words, bridging ties (external buyers) and not precisely bonding ones (as a result of a lack of trust among local stakeholders) have been the kind of ties that have been relevant.

consistent and continued economic policy in Apizaco, regardless of changes at the helm of this municipality.

Table 4 summarises different aspects that according to this analysis were identified as relevant in the development fortunes of Apizaco and Chiautempan during the period between 1990 and 2010.

**Table 4. Factors perceived as influencing Apizaco's and Chiautempan's development**

A P I Z A C O
Positive aspects
Enterprise culture of its residents (i.e. willingness to open new businesses).
Inter-municipal cooperation and coordination with state authorities. The latter refers to state and municipal incentives for attracting direct investment and a mix of basic, productive and social infrastructure within and around the municipality.
External linkages at the level of firms and some beneficial interactions among local agents.
Organised public administration and well informed civil servants and politicians.
Development plans better linked to the diagnosis of municipal circumstances; and, most of the time, integrating different aspects and showing awareness of the required resources, although with a public services bias.
Ability to profit from the location and connectedness of its territory (i.e. located in central Tlaxcala with access to main national transport nodes). Closeness to Tlaxcala's capital city.
Promotion of the municipality.
Policy actions to improve the capacity of local agents and promote entrepreneurship.
Negative aspects
Low citizens' participation in the mechanisms around auxiliary presidencies and low participation of firms in business organisations. This mainly due to a low identification of the population with the territory and distrust in business leaderships.
Mix evidence in relation to natural resources conservation and environmental issues.
C H I A U T E M P A N
Positive aspects
Strong citizens' participation through informal and formal mechanisms during the 1990s (i.e. <i>faenas</i> , <i>mayordomías</i> and community presidencies).
Enterprise culture of its residents (i.e. willingness to open new businesses).
External linkages at the level of firms.
Nationally well-known tradition in textiles manufacturing and clothes confection.
Conurbation with Tlaxcala's capital city.
Reception of external resources through remittances and federal government programmes targeted to impoverished population. <sup>49</sup>
Negative aspects

<sup>49</sup> Interviewees coincided in that the municipal body for the social assistance of families in Chiautempan (DIF) has also contributed to improve the nutrition of children living in the most impoverished households (Interviews 9, 10 and 11). During the first decade of the XXI century and despite some critics, federal anti-poverty actions and municipal social assistance interventions seem to have had a limited but favourable impact on Chiautempan as they address education and health issues. Unlike Apizaco, in Chiautempan more communities have fallen under poverty criteria and, hence, it has been awarded more federal resources since 2000 when the main federal government poverty alleviation programme was introduced in Tlaxcala.

Steep decreasing tendency of citizens' participation in the mechanisms around auxiliary presidencies and <i>faenas</i> due to diverse factors.
Distrust in local authorities and business leaders.
Disorganised public administration and not well informed civil servants and politicians.
Development plans poorly linked to the diagnosis of municipal circumstances and without awareness of the required resources. Strong bias towards public services provision.
Large local public sector demanding more resources for administrative apparatuses since 1995.
Lack of municipal government intervention in economic development.
Null awareness of natural resources conservation and environmental issues.

Better planning exercises in conjunction with a more dynamic municipal government stance towards promoting economic development, created a favourable environment for LED, and constituted factors that interviewees considered as contributing to improve population's quality of life in Apizaco in contrast to Chiautempan.

As far as planning is concerned, there are similarities between Apizaco's and Chiautempan's planning processes such as the short term perspective of the proposed policy actions. However, there are relevant differences that point in the direction of a positive effect of development plans in Apizaco in contrast to Chiautempan. In general, Apizaco's development plans exhibited not only a greater integration between diagnoses and the proposed policy actions, but also better awareness of either the required resources or the time needed to complete them. In addition, although it was found a focus on public services provision in both cases, Apizaco's municipal development plans during the second decade of analysis displayed a more integrated framework, considering together social policy, economic promotion, and public services delivery (Development plans, various years). All this contributes to understand why there was a better and more balanced perception of public services delivery and improvements in quality of life in Apizaco than in Chiautempan during the whole period of analysis as noted in the previous section.

A concrete channel or explicit way by which the auxiliary presidencies participate in the elaboration of municipal development plans was inexistent. Concrete participation mechanisms through which communities' residents could expose their demands and wishes in order to be considered in the main planning exercise did not exist. In addition, the role of auxiliary presidencies in planning territorial aspects, public services or development policies has not been considered in the state *Territorial Organisation Law* and the *Law for Public Works for the State and its Municipalities*. As a consequence, the benefits of the proximity of Tlaxcala's population to the public sector as a result of the existence of the auxiliary presidencies has been limited as they can take part of decision making processes after the municipal priorities have been set up.

However, as mentioned, a better and more stable perception of the positive role of auxiliary presidencies was observed in Apizaco along the period of analysis. In Chiautempan, only during the 1990s, and intertwined with the *faenas*, auxiliary presidencies were perceived as contributing to enhance the quality of life of its communities.

The extraordinary participatory attitude of Chiautempan's population changed dramatically during the first decade of this century as a result of a combination of factors. Increasing population dependency on federal government transfers due to the intensification of poverty alleviation programmes, constant accusations of corruption practices, and political rivalry among municipal and community aldermen within the *cabildo* were the recurrent reasons given for the decreasing tendency of citizens' participation in both, the mechanisms around the auxiliary presidencies and the *faenas*. The constant obstruction of municipal presidents' initiatives in the *cabildo* by auxiliary presidents (i.e. community aldermen) was deemed by interviewees as seriously affecting the performance of municipal administrations from delaying the decision making process to not reaching agreement on significant public matters. This did not happen in Apizaco as it had a balanced representation of both types of aldermen.

This suggests that the political context around auxiliary presidencies had a degenerative effect on their functions and interactions with community members. Consequently, two of their main strengths in the context of the bottom-up approach to economic development, their proximity to citizens and the representation of their community interests in the *cabildo* were put at risk, and therefore, the auxiliary presidencies' positive effect in development outcomes started being limited in Chiautempan since the end of the last century.

Although to a lesser extent, Apizaco was also affected by the politicization phenomenon because former community aldermen complained of being neglected by the municipal offices as a result of having a different political party affiliation (Interview 5). Academics confirmed that this is a common practice in Tlaxcala (Interviews 13 and 14). Not surprisingly, in the literature about different Tlaxcala's social and economic development issues covering diverse areas such as migration (González-Romo, A., 2008), urban planning (Montalvo, 2010) and rural microenterprises (Pérez-Sánchez and Altamirano Cárdenas, 2009), auxiliary presidencies are rarely mentioned.<sup>50</sup>

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<sup>50</sup> Other documents are: Carrillo, 2007; González-Gutiérrez, 2007; Lumbreras and Morales, 2007; Lumbreras and Solis, 2002; Pérez-Sánchez, 2010; Rosales, 2003; and Sánchez-Gómez, 2004.

As far as development linkages among local agents are concerned, the willingness of social and private sector members to participate in common or public affairs was perceived low in both cases, but much worst in Chiautempan. As shown, the development links identified in Chiautempan did not referred to interactions within the municipality but only to external relations with private sector agents located mainly in other jurisdictions in Central Mexico. In the case of Apizaco, some constructive interactions were found among local firms and between local authorities and firms.

Productive links between local firms and others located elsewhere were identified as important contributors to Apizaco's economic performance and stability, without forgetting the already mentioned coordination of municipal authorities with state counterparts. In addition, inter-municipal cooperation at the public sector level was found in Apizaco but not in Chiautempan.

Chiautempan's economic life is rooted in a historical productive activity. Chiautempan's nationally well-known textile and apparel sector tradition attracts people from all over the country buying in small or large quantities, to the extent that some producers and artisans from other Tlaxcala's or Puebla's municipalities sell their goods in Chiautempan's formal or informal markets. Great part of Chiautempan's textile and clothing industry has been linked to Puebla's one in a subordinate way (i.e. producing for other firms that subcontract production). Another type of external links that have been impacting positively on the development indicators of Chiautempan is that San Pedro Tlalcoapan, located in this municipality, is one of the communities in the state of Tlaxcala with the highest proportion of migrants living in the United States of America. As a result, the reception of remittances contributed to the material well-being of its residents during the period of analysis (Interviews 11 and 13).

Cooperative stable relations among local agents contribute to agree development paths and work together towards achieving economic and social goals (Rodríguez-Pose and Crescenzi, 2008). The politicization of public administration, in general, and auxiliary presidencies, in particular, in combination with the presence of clientelistic and corruption practices, and the challenges of greater competition in the textile and clothing industries seem to have deteriorated the local development context; and, therefore, the development performance in Chiautempan. Consequently, during the last decade of the period of analysis, its development process stepped back from the characteristics of local representativeness and ownership, which were present during the 1990s, and which are common features of the bottom-up approach (Stöhr and Taylor, 1981; Swinburn, 2006).

In Chiautempan, the lack of transparency within businesses and artisans associations, which leaders tended to benefit themselves and only a few other individuals, contributed to leadership conflicts and a

lack of participation. In addition, insufficient organisational skills and leadership, as well as the strong competition that local small, medium and large firms have faced among them and from elsewhere have made them to be distrustful and repel any possibility of collaboration. An important contrast between Apizaco and Chiautempan is that precisely the constant and widespread divisions among local agents within the latter have limited its development prospects (Interview 13).

Distrust due to corruption, clientelistic and individualistic practices, in combination with a severe politicization phenomenon, modified the particular environment that had favoured positive municipal development outcomes before the year 2000 in Chiautempan. In terms of Lumbreras and Morales (2007), population involvement in public affairs has evolved from exhibiting the presence of all the forms of participation described in section 4 with strong citizens' and community participation, to poor or partial forms of intervention and representation.

In Apizaco, the problems of leadership rivalry at the level of business associations have also deterred some businesspeople to participate in those organisations, but this did not mean that individual firms would not negotiate beneficial interactions among them (Interviews 2 and 4). The impact of Apizaco's development linkages on its population's quality of life was deemed significant as backward and forward linkages were found not only between Apizaco's firms and others located elsewhere, but also among some firms within Apizaco's industrial areas (Interviews 2 and 4). Therefore, not only the coordination at the public sector sphere had a constructive effect in terms of public services delivery and a favourable business climate, but also the private sector interactions contributed to generate and maintain economic activities.

As far as municipal authorities' actions pursuing economic and social development goals by promoting capacity building and entrepreneurship are concerned, the LED database uncovered a lack of them in Chiautempan whereas their presence was identified in Apizaco. Their effect on the development outcomes of the latter has been significant as this includes actions to improve the capacity of municipal civil servants, as well as empowerment and entrepreneurship promotion activities. In addition, the municipal business climate was improved by means of maintaining a good standard and balanced mix of infrastructure and public services in coordination with state authorities. The interviewees' perception of a much higher capacity of municipal authorities in Apizaco, along with the stability and diversity of its economy, manifested the effectiveness of those efforts (Interviews 1, 13 and 15). All this could also be linked to the more favourable perception of public goods provision and improvements in quality of life in Apizaco in comparison to Chiautempan.

The analysis in greater detail of the aptitudes and attitudes of municipal authorities in both municipalities contributed to better understand their different involvement and effectiveness promoting social and economic development. As seen, the ability to negotiate and coordinate resources and efforts with the state government was considered an asset of municipal authorities in Apizaco; while some of its auxiliary presidencies also discussed employment issues with local firms as well as favourably negotiated resources for public services. Furthermore, neither the lack of organisation and coordination within the municipal government, nor the scarce response during adverse times observed in Chiautempan, were a matter of concern by interviewees in relation to Apizaco's authorities.

By the same token, at the beginning of the administrations of auxiliary presidents, in both cases, some of them commonly had a limited knowledge of their functions and the municipal administrative procedures. This often led to delays in decision-making processes and the use of resources to provide public services or even pay their payrolls (Interviews 6, 13, 14). Considering the perceived lower capacity of municipal and auxiliary presidencies in Chiautempan, and the existence of the double of auxiliary presidencies in this municipality in comparison to Apizaco, the inefficiencies in the use of resources were deemed to be significant in the former. This is because not only the direct use of the resources in public services and policies might have been less efficient, but also more resources have been devoted to pay administrative governmental apparatuses. A similar conclusion can be inferred by recalling the figures of municipal expenditure in social policy and public services as a percentage of the total municipal expenditure. Apizaco exhibited an increasing tendency while Chiautempan a decreasing trend.

Apizaco's and Chiautempan's central location within Tlaxcala is complemented by an excellent transport infrastructure connecting them to national distribution nodes. Apizaco's municipal governments made the best of this advantage in contrast to Chiautempan's authorities (Interviews 2, 13, 14 and 15). Unlike Chiautempan, Apizaco benefited from the industrial impulse given to Tlaxcala since the last decades of the 20<sup>th</sup> century. Recurring points of view given by interviewees about the reasons for the creation of industrial areas and corridors in the state of Tlaxcala, in general, and in Apizaco and surrounding areas, in particular, were its central location, connectedness, state and municipal government incentives, public services, and infrastructure (Interviews 1, 2, 3, 4, and 15). The productive infrastructure built within and around Apizaco, and its social and basic infrastructures have contributed to the economic development of the municipality<sup>51</sup>. Nonetheless, coordinated actions

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<sup>51</sup> A special feature mentioned is Apizaco's education infrastructure which attracts households and high education students from different parts of the state. From basic education schools to tertiary education is on offer including the engineering faculty of the Autonomous University of the State of Tlaxcala. This also constitutes an element that has been considered by firms to locate within

between authorities and industrial parks' firms or management were or are still needed to consolidate them as location alternatives for other businesses in Central Mexico. (Interview 16).

In the case of Chiautempan, the beneficial effect of being part of the conurbation area of Tlaxcala's municipality (i.e. becoming a residential and commercial hub) has to do with the above average development situation, as measured by the MDI, identified in most Mexican states' capital cities jurisdictions, including Tlaxcala. Economic geographers such as Krugman (1998), Morgan (1997), Puga (2002) and Storper (1995) attribute this phenomenon to economies of agglomeration, meaning, in this case, that the presence of the state powers (i.e. judicial, executive and legislative) and most of the representations of federal government ministries, attract people and businesses to the area. As the city of Tlaxcala has a limited territory to expand, the conurbation has been growing naturally towards Chiautempan and other neighbouring municipalities. The central distinction with Apizaco is that the agglomeration forces that explain its conurbation lie on the industrial activities performed within and around its territory (Interviews 1, 2, 3, 4, 11 and 15).

From the previous paragraphs some straightforward recommendations can be made to improve the institutional setting towards a more favourable local economic development environment in Tlaxcala's municipalities. In short, during the last two decades of the XX century, Tlaxcala's authorities put in place a formal structure which encourages citizens' participation in public affairs, but some adjustments need to be considered to avoid privileging political interests in decision making processes, and secure a real and effective participation of local stakeholders and citizens from the very beginning of municipal administrations and throughout the development process. The formal institutional setting and corresponding organisations or mechanisms should also seek to prevent and punish clientelistic and corruption practices in order to contribute in building or restoring social capital.

In general, institutional intervention for development in Mexico need to focus on addressing the lack of law enforcement, as well as issues of conflicts of interest, corruption, clientelism, moral hazard, the short-termism of most stakeholders, and the influential presence of locally strong rent-seeking groups or individuals.

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the Apizaco-Xalostoc and Tetla de la Solidaridad industrial areas (Interviews 2, 4, 7). For more details on the location criteria of firms in Tlaxcala see Carrillo (2007).

**ANNEX / Table 1. In-depth interviews by municipality<sup>52</sup>**

		Municipality	Main activity	Date/ Duration
1.	NGO member	Apizaco/Chiautempan	Delivery of resources and services from state and federal government programmes.	21-10-2010 / 99 minutes ( <i>not recorded</i> )
2.	Federal government official / private sector	Apizaco/Chiautempan	Promotion of economic activities and entrepreneurship	22-10-2010 / 40 minutes
3.	State government official	Apizaco/Chiautempan	Municipal development	22-10-2012 / 30 minutes
4.	Municipal government official / private sector	Apizaco	Economic development	29-10-2010 / 37 minutes
5.	Municipal authority	Apizaco	Auxiliary presidency	29-10-2010 / 35 minutes
6.	Municipal authority	Apizaco	Auxiliary presidency	29-10-2010 / 32 minutes
7.	NGO member / private sector	Apizaco	Formation of a technology cluster	10-11-2010 / 45 minutes
8.	Academic	Apizaco/Chiautempan	Research on economic and municipal development	04-11-2010 / 71 minutes
9.	Municipal government official	Chiautempan	Budget control and monitoring	10-11-2010 / 29 minutes
10.	Municipal authority / social sector	Chiautempan	Auxiliary presidency	10-11-2010 / 30 minutes
11.	Municipal authority / private sector	Chiautempan	Municipal presidency	10-11-2010 / 40 minutes
12.	Academic	Apizaco/Chiautempan	Research on economic development and municipal planning.	29-11-2010 / 39 minutes
13.	Academic	Apizaco/Chiautempan	Research on municipal institutional, social and economic development.	29-11-2010 / 67 minutes
14.	Academic	Apizaco/Chiautempan	Research on rural-urban and municipal development	07-12-2010 / 58 minutes
15.	State government official	Apizaco/Chiautempan	Municipal planning support	09-12-2010 / 38 minutes
16.	Private sector member	Apizaco/Chiautempan	Spanish Chamber of Commerce for Tlaxcala and Puebla	16-12-2010 / 29 minutes
17.	State authority	State of Tlaxcala (Community presidencies' reforms)	Chief executive	25-10-2010 and 14-01-2011 / 29 minutes ( <i>by phone / not recorded</i> )

<sup>52</sup> Nine participants had knowledge of the development processes of both municipalities (Interviews 1, 2, 3, 8, 12, 13, 14, 15 and 16). Some of the interviewees had also been part of another sector during the period of analysis (Interviews 4, 7, 10, 11).

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