

**DEMOCRATIZING THE BUDGET: FUNDAR'S BUDGET ANALYSIS AND
ADVOCACY INITIATIVES IN MEXICO**

**Mark Robinson
Vinod Vyasulu**

Case study prepared for the research project

**Lessons from Civil Society Budget Analysis
and Advocacy Initiatives**

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The Fundar Story in Mexico

Mark Robinson and Vinod Vyasulu¹

1. Introduction

The government budget has always been an important fiscal tool. It is the medium through which elected governments convert their pre-election promises into policies and programs. Government policy priorities find expression in the tax proposals and the expenditure allocations made in the annual budget. Analysis of budget data provides important insights into economic performance. Audits provide information on the integrity of the budget process. However, budget analysis is usually confined to government departments and academic institutions.

In the 1990s, civil society organizations (CSOs) across the globe began to use budget information and analysis as an advocacy tool for different causes. The results from independent budget analysis were increasingly used by civil society to demand accountability and changes in the priorities and programs of governments.² As a consequence, the budget is no longer the exclusive preserve of finance ministries and academic institutions. This is an important step forward in the democratic process of electing governments because it provides citizens with facts on which they can make their voting decisions. Budget groups in civil society have pursued different approaches in different countries. This paper examines a leading example of civil society budget analysis and advocacy in Latin America—that of Fundar, Centre for Research and Analysis—in Mexico City.

A word on the limitations of this paper may be in order. It is *not* an organizational evaluation. The focus is on the significance and impact of civil society budget work. Fundar also has many other facets of work—for example, it has a large human rights portfolio and is active in the fields of HIV/AIDS and public security. It is beginning work on the institutional strengthening of civil society organizations in various Mexican localities. Fundar supplies data, analysis and position papers

¹ This paper is based on field research in Mexico during May 13-27, 2005. Mark Robinson is a Research Fellow at the Institute of Development Studies at the University of Sussex, and Vinod Vyasulu is the Director of the Centre for Budget and Policy Studies in Bangalore, India. The authors received considerable help and advice, for which they are grateful, from all of Fundar's staff, and the many respondents interviewed for this study. Errors of opinion and fact are those of the authors.

² See the website of the International Budget Project in Washington D.C. — www.internationalbudgets.org—for a range of information on this work across the world.

to other organizations on different aspects of the budget.³ This paper thus looks at one major focus of Fundar's activities, and does not claim to present a complete picture of the organization in its totality.

The paper is based on interviews conducted over a two week period with Fundar staff and civil society organizations in Mexico City, Oaxaca and Chiapas, complemented by in-depth interviews with senior officials in the Ministry of Finance and Ministry of Health. Unfortunately, the researchers could not meet with any of the federal legislators or congressional committee members with whom Fundar works as they were all out of the country for Latin American parliamentary meetings. Extensive use was made of documentation and budget data collected by Fundar.

Fundar's contribution to the budget process in Mexico is evident in three main areas: simplifying and disseminating budget information, fostering budget transparency, and building capacity and awareness of budget issues. Despite the structural limitations of the six-year budget cycle which limit the scope for legislative intervention and significant changes in expenditure priorities, Fundar has successfully increased budget resources in several areas through its analysis and advocacy work, with significant financial implications for several government programs. In conjunction with other civil society organizations Fundar successfully increased federal budget allocations for programs designed to tackle the problem of maternal mortality by tenfold (in the order of US\$50 million) and helped to realize potential savings from the misuse of public funds destined for HIV/AIDS prevention. These areas of success in budget policy priorities are detailed in the report, drawing on data and interviews from the field research.

The paper is organized as follows. Section 2 presents briefly the Mexican context within which civil society budget work has to be understood. This is done in two parts—the first discusses the Mexican political context; the second looks specifically at civil society budget work. Section 3 sets out Fundar's activities and organizational structure. Section 4 examines Fundar's budget work in three parts—its core budget work, its work on maternal mortality, its work in transparency. This is followed in Section 5 by an analysis of the impact and significance of Fundar's budget work. Section 6 summarizes the challenges and opportunities facing Fundar and considers the wider implications of its work.

³ Equipo Pueblo, an organisation that is interested in issues of human rights and social development, finds the analytical contributions of Fundar invaluable in their work. They refer to the difference in the quality of their positions before and after Fundar, and Fundar's help and support in preparing position papers on many issues—for example, this group received help from Fundar in preparing the MDG+5 report for Mexico, to be placed before the UN in September 2005.

2. The Mexican political context

By the mid-1980s Mexicans had lived under a corrupt political machine dominated by the Institutional Revolutionary Party (PRI) for more than seventy years. Political parties and politicians had lost all credibility in the eyes of many Mexicans. From cynicism that nothing would change, the people gradually began to demand clean elections through different forums—the Church, business associations and, over time, civil society organizations, which had mushroomed in the country after the 1985 Mexico City earthquake. The movement for democratic change first gained strength in the northern state of Chihuahua, and then spread rapidly to Mexico City and the federal level.⁴ The presidential elections of 1988 saw a split in the hitherto monolithic PRI, when an important faction led by Cauhtémoc Cardenas left it to form the left-wing Partido Revolucionario Democrático (PRD). Although the PRI won the election, it was seriously wounded by the split, and yet it was unable to promote reform.⁵

Civil society came into its own from the late 1980s, and became increasingly vocal and active on matters of governance. These organizations were often small. In order to be effective, they learned to work in networks and alliances in pursuit of common objectives. Examples are the ‘Periodistas Frente a la Corrupción’ (Journalists against Corruption) and ‘Foro Nacional de Mujeres y Políticas de Población’ (National Women’s Forum on Population Policy). In 1997 the PRI lost its majority in the Congress for the first time in more than fifty years. In the Presidential elections of 2000, an opposition political party (Partido de Acción Nacional—PAN) candidate, Vicente Fox, was elected President, ending the PRI monopoly on high political office. Many Mexicans view the year 2000 as a major watershed in the country’s politics. It was a remarkably deep and peaceful political change that occurred in Mexico, and it placed civil society in the center stage of social change in a unique way.

Following clean elections, civil society organizations began to demand greater transparency in governance. If the new governments were not to fall into the same corrupt pattern of politics, it was considered essential by many activists that civil society continue to play a watchdog role. Alliances and organizations that worked on different themes felt a lack of rigor in their arguments in the new political situation, and recognized the need for evidence-based advocacy founded on research and analysis in line with their social justice mandate.⁶ For

⁴ Vikram K. Chand, *Mexico’s Political Awakening*, Notre Dame, Ind: University of Notre Dame Press. Many of Chand’s observations, which we draw on here, were verified in interviews and conversations with a range of knowledgeable people in Mexico. The process of reform has been uneven. In the state of Oaxaca, for example, the PRI continues to be politically dominant, founded on the same patronage politics that prevailed in the past, and resistant to greater openness and competition.

⁵ However, the last PRI President, Ernesto Zedillo, played a positive role in the process of election of his successor, who belonged to the right-wing opposition party, PAN, and thus contributed to the deepening of democracy in Mexico.

⁶ A view voiced very clearly by Equipo Pueblo among others.

example, when the Zapatista rebellion broke out in Chiapas in the early 1990s, civil society organizations and networks were concerned about the level of military expenditure versus the social sector expenditure in the state, which would have helped them articulate a well-considered position from which to lobby the government. This capacity did not exist in existing organizations and the perceived need for rigorous budget analysis became a part of an emerging civil society agenda in the late 1990s. Prominent leaders of civil society organizations working on human rights, HIV/AIDS, and gender came together to create an organization that would build a bridge between academics and civil society through policy research and analysis.

2.1 Civil society budget analysis in Mexico

The budget process in Mexico has its own institutional logic. The English word 'budget' is translated as 'presupuesto'. But in Mexico, presupuesto refers to the allocations for expenditure for which there is a special law—Decreto de Presupuesto—the appropriation law necessary for any government expenditure to take place. There is another law for revenues—Ley de Ingresos—and the Secretaría de Hacienda y Crédito Público (Treasury) mediates between the two, ensuring macroeconomic balance. Thus, when referring to budget work in Mexico, it invariably means analyzing expenditure allocations.

Political priorities are formalized in a six-year Presidential Plan of National Development on assuming office, in accordance with Article 26 of the Constitution and Article 5 of the Law on Planning. The annual budget is a law passed by the Chamber of Deputies (Congress) that makes specific provisions on the basis of the National Plan which runs for the six-year duration (sexenio) of the presidency. The revenue law is approved by the Senate. The government tables a full budget proposal in the Chamber of Deputies, which has to approve the budget. While the Chamber can make minor changes to the allocations for specific programs (up to 5 percent of the total budget), it cannot propose changes to the content or orientation of the programs. In addition, the President has veto power over any modifications.⁷ Civil society organizations can make inputs through the Deputies once the budget proposals reach the Chamber, but the scope for significant change in budget priorities is limited by these provisions. To be effective, lobbying is required as soon as the new president has been elected so that the desired policy priorities find a place in the Presidential program. These institutional realities govern what is possible in civil society budget work in Mexico.

Mexico is a federal state. States have their own revenue sources, and the states rely for most of their revenue on transfers from the federal government. Line departments spend most of their budgetary allocations at the state level. For example, following legislation in 1997 to promote greater decentralization to the

⁷ The President's power to veto changes proposed by the Chamber of Deputies was confirmed in early 2005, when challenged in a judgment of the Supreme Court.

states and municipalities, funds are transferred under Ramo (budget line) 33 directly from the federal budget to the states. These include earmarked funds for health (FASSA), education (FAEB), local infrastructure (FAIS), and poverty reduction, among others. While the budget line for FASSA is broadly intended for the public health sector, states have discretion on how this money is spent: there is accordingly considerable variation across states in health expenditure priorities. Further, the health department also spends money in the states on health directly from the federal budget line for health, Ramo 12. The budget for most Mexican states does not reveal how these funds are utilized and organisations like Fundar are faced with an uphill struggle to gain access to this type of information.

As part of the process of political liberalization in the mid-1990s, civil society leaders demanded information on what was called the President's 'Secret Fund'. How much money was there in this Fund? How was it used? Did it include the President's salary, and if so, how much was it? While there was no clear response to this request, it served to highlight important issues for which answers could be sought through budget analysis. All this activity placed civil society squarely in the budget debates and provided the context for the formation of Fundar as a specialist research organization committed to using budget analysis to further the human rights and governance agenda.

From the late 1990s independent work on budget analysis was first undertaken in CIDE—the Centro de Investigación y Docencia Económicas—a prominent university in Mexico City. A number of publications explaining the Mexican budget process were published.⁸ From this work, the realization that a great deal of essential budget information was not publicly available, even to members of the Congress, dawned on many, making access to such information an important demand.⁹ CIDE researchers who attended the second conference of the International Budget Project in Cape Town in 2000 were struck by the work on budget transparency in South Africa, and decided to work with the recently-formed Fundar on a Latin American Transparency Index along similar lines (see section 4.1 below).

⁸ See, for example, Carlos Elizondo Mayer-Serra, *Impuestos, Democracia y Transparencia*, Serie 2: Cultura de Rendición de Cuentas, Comisión de Vigilancia de la Cámara de Diputados, (c.2000); Juan Pablo Guerrero Amparán y Eduardo Meulla Martínez, *Paquete Fiscal y Posibilidades de Recaudación para el Año 2002*, CIDE, Programa de Presupuesto y Gasto Público; Juan Pablo Guerrero Amparán, (Ed.) *Impuestos y Gasto Público en México desde una Perspectiva Multidisciplinaria*, CIDE and others, Mexico 2004. See also: www.cide.edu, www.presupestocide.org.

⁹ It led the new government of President Fox to pass a law on the citizen's right to information, and to set up an institutional mechanism of five independent commissioners to oversee the implementation of the law which has been operational from 2002.

3. Fundar: The organization and its activities

3.1 Main activities

Fundar was legally established in 1999, two years before the new government of President Vicente Fox came to power. Budget analysis was identified as the initial entry point through a program entitled ‘Theory and Practice of Democracy’ which built on earlier work on the secret presidential fund. This was an area in which no other civil society group was currently undertaking work and where considerable scope was identified for progress on government transparency and accountability.

From 1999 Fundar’s budget work centered on poverty and the social sectors in line with a social justice mandate. The following year Fundar developed three distinct lines of budget work: monitoring of public funds (defined as core budget work for the purposes of this study); gender budget work; and transition budgets (a project that sought to monitor social priorities in the Presidential budget). This was later followed by the Latin American Transparency Index, maternal mortality, HIV/AIDS, and oil revenues. Some aspects of this work are examined in more detail in section 4 below.

Fundar reorganized its programs in 2004 around two broad areas of activity, respectively on budgets and public policy, and human rights and governability, with cross-cutting programs on the legislature, transparency and strengthening citizen capacity. Budget analysis is a tool employed across Fundar’s programs, though most of the core budget work is organized in the budget and public policy portfolio.¹⁰ In addition, three cross-cutting programs also employ budget analysis: Legislative Watch, Transparency, and Local Power (Poder Local).¹¹ From 2006, a head of research position was created to bring together the various projects and programs under a single institutional umbrella.

3.2 Alliances

Fundar conducts much its work in collaboration with other groups in civil society to maximize the visibility and use of its analysis. Prominent alliances include civil society organizations and feminist groups on maternal mortality and the Provida case and activist legislators in the Chamber of Deputies through Legislative Watch. Fundar has had a productive partnership with Equipo Pueblo, an activist NGO based in Mexico City, for global networking and analysis. When working as a part of a collective, Fundar shares its analysis, and decisions are taken jointly with other organizations. Fundar also works closely with a feminist media network (CIMAC–Comunicación e Información de la Mujer) to spread awareness

¹⁰ Related work in the human rights program also uses budget analysis, centering on the use of funds by state and federal human rights commissions, and by federal public security organs.

¹¹ Fundar Annual Report 2005, available at www.fundar.org.mx

of budget information through journalists and on the maternal mortality campaign in particular.

In the case of maternal mortality, Fundar works with groups based in the states which have a credible record in the field. In Oaxaca and Chiapas their partners are respected NGOs that have built up links with officials in local municipalities and states. In contrast Fundar's links with academia are more limited. It initially collaborated with CIDE on the Latin American Transparency Index, but the two organizations do not work closely together on budget analysis. CIDE produces scholarly analyses, while Fundar targets civil society and legislators with simpler analysis tailored to their needs. Fundar also works periodically with tertiary institutions such as ITAM (Instituto Tecnológico Autónomo de México), FLACSO (Facultad Latinoamericana de Ciencias Sociales) and the Colegio de Mexico, but these relationships are not so consistent as those established with NGOs.

3.3 Staffing and funding

Fundar's strategy is to hire relatively young staff with undergraduate qualifications who develop capacity for research and budget analysis through on-the-job experience rather than prior training. While staff are hired for particular projects they collaborate closely in writing papers, media reports, and in their legislative contacts. Specialist research and communication skills are hired when required. Staff turnover is low, and younger staff members are encouraged to apply for postgraduate training opportunities in Mexico and abroad. As of May 2000 the total staff complement was 20, with another 10 associates working part time or on a temporary basis on specific projects. One reason that Fundar does not tend to hire experienced postgraduates is that they command much higher salaries in the government and in academia and are not willing to remain with the organization for long periods. In an effort to make the organization more attractive to young professionals Fundar introduced pension and health benefits with the approval of its Board and principal funders. In late 2005, a further restructuring took place with salary enhancements in order to attract more qualified staff.

Fundar's board was initially composed of five leading civil society activists with distinct specialisms in the areas of human rights, HIV/AIDS, indigenous rights, environment and gender. The Board was initially active in advising Fundar and with later changes in its composition has become more actively involved. At the same time, Board members have sometimes suggested new lines of work for Fundar to take up using their contacts in government and among donor agencies.

The Canadian NGO Inter Pares provided the initial source of funding at Fundar's inception, later followed by the Ford Foundation which helped Fundar establish its budget work on a more systematic footing over the next five years. Funding presently derives principally from four private foundations—Ford, MacArthur,

Hewlett, and the Open Society Institute—which account for the bulk of Fundar’s annual budget of US\$1.4 million (in 2005). In addition Fundar receives some modest government support for specific projects. Consideration has been given to obtaining private funding from Mexican sources, but as yet there is no plan in place for mobilizing indigenous philanthropy in support of Fundar’s work. In recognition of the demands on staff time of project funding and reporting requirements, a special fundraising post was created in 2006 to coordinate Fundar’s fundraising efforts and to give greater impetus to institutional grant support.

4. Fundar’s budget work and its impact

4.1 Evolution of Fundar’s budget work

The context for budget analysis in Mexico has been the problem of inaccessibility to public information on government revenues and expenditures, and a high level of official discretion over the use of public resources. The work of CIDE had shown how detailed budget information was not available even to elected members of the national congress in the late 1990s beyond the major policy priorities and lines of expenditure. But for it to attract the attention of legislators and reach them meaningfully, the information also had to be explained in simple terms—the technical publications of CIDE were primarily aimed at professional economists. They contributed to improved knowledge of budget issues among academics and policymakers, but something different was needed if civil society was to engage effectively in the budget process in the legislative domain. This was the niche adopted by Fundar, which developed a strong public profile for its budget work from 2001.

Fundar’s budget work had its precursors in a study conducted in 1995 by Sergio Aguayo and Helena Hofbauer on a special secret fund at the disposal of the President and an effort to make public the President’s salary.¹² Official refusal to provide these details led to a successful legal action that resulted in this information being placed in the public domain. This involved accessing information under the external controller (auditor). The findings were published through a series of media reports in 1997 when the PRI lost its majority in Congress for the first time in more than 70 years. This ensured a high level of public and political attention to the study. The sums involved were so large that it galvanized the public demand for free access to such information.

¹² Aguayo is a Professor at El Colegio de Mexico, who has been active in the civil society movements, and one of the founders of Fundar, and currently the President of its Board. Hofbauer was appointed as the Executive Director of Fundar and remains in this position.

“In 1997 ... the results of a study by Sergio Aguayo showed that, between 1983 and 1988, *President Miguel de la Madrid* spent US\$ 352,179,170; between 1989 and 1994, *President Carlos Salinas de Gortari* spent US\$ 857,751,170; and between 1995 and 1997 *President Ernesto Zedillo* spent US\$ 106,76,150 from this secret fund”. *Reforma*, 29 March 1997 (authors’ translation).

With this background, budget analysis became a central priority in Fundar’s work from its inception in 1999. It was seen as a strategic entry point in a context of weak transparency and the fact that no other civil society group was working on budget analysis at the time. Fundar’s initial work on monitoring the use of public expenditures during election campaigns centered on the monitoring of the Contribution Fund for Social Infrastructure (FAIS) in three states, which demonstrated that the funds were not being spent as intended, but rather were being held back for electoral purposes in the run-up to the presidential elections. Fundar’s findings, which were published in a long investigative report prepared in collaboration with Alianza Civica, a nationwide network dedicated to monitoring electoral processes, fed into congressional debate in the utilization of public funds during elections.

In December 1999, Helena Hofbauer published a study of Budget 2000 in the newspaper *Enfoque*,¹³ arguing that the poor, who constituted 25 percent of the population, were receiving only 4.45 percent of government expenditure, or 5.28 pesos per head in that budget. In another study in 2002, she showed that the Ministry of Social Development had reduced the number of beneficiary households entitled to subsidy to buy tortillas by 43 percent.

From 2000 Fundar began publication of *Pesos y Contrapesos* on a quarterly basis, bringing key budget issues into the civil society domain. It stimulated public debate on budget priorities and led to pressure on the government to respond to specific findings and recommendations on various aspects of the budget. Fundar’s analysis received considerable attention from civil society and the general public and established beyond doubt the value of independent budget work.

The initial focus of Fundar’s budget work was on monitoring federal health programs, specifically the Basic Health Package, and anti-poverty programs, through analysis of the government’s budget proposals, the approved budget, expenditure statements, and public accounts.¹⁴ Fundar would bring this

¹³ “Presupuesto 2000: Pobreza—Los Recursos Que No Llegan” 12 December 1999. Also “Cortan Apoyo a Pobres” *Reforma*, 19 September 2002, and “Omisiones e Ineficiencias” *Reforma*, 15 June 2003.

¹⁴ The focus was on the impact of different policies in the budget on the poor. The reference point was a document of the Ministry of Social Development, “Medición del Desarrollo, 2000-2002”, dated 23 June 2003 which discussed the poverty situation in Mexico. See www.sedesol.gob.mx.

information to the attention of Deputies in the Congress, media and NGOs working on social policy issues through newspaper articles and reports in *Pesos and Contrapesos*.

In examining expenditures on Infrastructure and public works, Fundar pointed out that, in constant pesos of 1993, in both ramo 12 and 33 (the health budget lines) there was a *real decrease* of 75% in the allocations to basic infrastructure construction in FASSA.¹⁵ For ramo 12 (the federal Health Department), an allocation of 347.5 million pesos was projected in 2001, but fell to 238.2 million pesos in 2004. For ramo 33, 1467.1 million was projected for local governments in 2001 but dropped to 295.3 million in 2004 (*Pesos y Contrapesos*, July 2003, Vol. 3, No. 2).

Fundar initiated its gender budget work in collaboration with the feminist NGO Equidad de Género—Gender Equality—sharing its expertise in budget analysis, and refining over time the methodology developed for this purpose.¹⁶ Their initial efforts centred on drawing attention in the Congress and the media to the absence of earmarked funds for gender programmes and encouraging the government to accept gender sensitive budgeting. This idea was endorsed by the federal health department with the election of the new government in 2000. Fundar and Equidad worked closely with the Health Department in the preparation of a Guide for Formulating Public Budgets with a gender focus in health. This included a detailed, step-by-step discussion of how to prepare a gender sensitive health budget in the different Mexican states. The product of a three-year process, the guide is an important document that enables meaningful interaction and discussions of these issues between the health department and civil society organizations.

Fundar's work on the federal health budget subsequently extended to the use of devolved health expenditures by three state governments under Ramo 33 (the budget head under which devolved allocations to the state for health are reported) and on public spending on efforts to tackle maternal mortality. Fundar's initial investigations in 2001 found that the budgetary allocations for the state of Oaxaca were the lowest in the country despite having the highest levels of maternal mortality. This discrepancy attracted considerable media and congressional attention and raised Fundar's profile in Mexico and the region.

See "Gasto Para la Superación de la Pobreza—Cuenta Pública 2003, presupuesto para otras prioridades", June 2004, which raises many issues relating to different types of poverty for public discussion.

¹⁵ Fondo de Aportaciones para los Servicios de Salud—Fund for Supporting Health Services.

¹⁶ See, for example, Verónica Zebadúa, "De la retórica a la realidad", *Milenio*, 22 September 2002; "Comienza la batalla para el presupuesto para mujeres", *Cimacnoticias*, 24 December 2003, and "Sistematización de la metodología desarrollada por Equidad de Género: Ciudadanía, Trabajo y Familia, A.C. en el Tema de presupuestos públicos con perspectiva de género", October 2003; "Proyecto de investigación de experiencias de iniciativas de presupuestos sensibles al género"; versión preliminar, Noviembre 2004; "Índice de compromiso cumplido México 1995-2003: una estrategia para el control ciudadano de la equidad de género", 2005.

Fundar's findings and advocacy work with other civil society organizations resulted in a large increase in the budget allocations for public health interventions to address maternal mortality to 600 million pesos in 2003. (This is explored in further detail in section 4.3).

New strands of budget work were added in later years, beginning with a new programme on HIV/AIDS in 2003¹⁷ and on oil revenues in 2004. Key underlying themes that provide a continued focus for Fundar's budget work are poverty and the social sectors (health, education and social infrastructure), as well as ongoing work on maternal mortality. Members of Fundar's Legislative Watch team are in constant touch with the Budget Committee of the Chamber of Deputies, and this process of information-sharing and exchange is being extended to the Gender Committee and the Finance Committee. Members of these committees are given briefs on different topics that Fundar is interested in on a regular basis (for example, budgetary provisions for HIV/AIDS and maternal mortality), and staff members handle questions from the deputies. Given the Mexican system in which a person can serve only one three-year term as an elected deputy, there is a constant need for legislative capacity building and the forging of new networks and relationships.

Fundar's budget work extends beyond Mexico to the region as a whole through the Latin American Transparency Index. This Index was first developed by Fundar in collaboration with CIDE in 2000 through grant funding provided by the Ford Foundation. The Transparency Index had two parts—a theoretical one that CIDE handled, and a perceptions index that Fundar developed. The two parts, they acknowledge, were not well integrated, and the experience led to introspection that led to a better second LAT index across 10 countries, coordinated by Fundar, that received wide publicity across Latin America. The third edition was released in November 2005. Fundar since extended this work to Mexico, preparing an annual evaluation of transparency of each year's budget proposal that is sent to the Congress.

Fundar has extended its work on the Latin American Transparency Index through an annual evaluation of the transparency of the budget process in Mexico. In 2004 Fundar published a study which examined the process of budget negotiations between the Chamber of Deputies and the Executive in 2004, giving examples a lack of transparency in the process.¹⁸

¹⁷ See "HIV/AIDS and Human Rights: Public Budgets for the Epidemic in Argentina, Chile, Ecuador, Mexico and Nicaragua", Fundar et al., October 2004. The original is in Spanish, and is very detailed. This reference is to the English summary which has a great deal of useful information.

¹⁸ Diagnóstico de Negociación Presupuestaria: Propuestas para Fortalecer la Transparencia y la Rendición de Cuentas" 2004. (Diagnosis of Budget Negotiations—Towards Strengthening Transparency and Budget Accountability). This is one of a regular series of publications—Cuadernos.

4.2 The impact of budget analysis and capacity building

The impact of Fundar's core budget work lies in improving the quality of budget debate and access of legislators and civil society organizations to budget information to enhance their ability to monitor the government's performance in selected areas. The core budget work focuses on the two-month period in which the Congress (Chamber of Deputies) debates the budget in November and December each year, and in monitoring expenditures through quarterly reports produced by the Ministry of Finance and annual audit reports on the use of public funds. Since the budget formulation period leading up to the congressional debate is a closed process in which expenditures are matched with plan priorities by technical staff in the line departments in line with the six-year Plan of the President, Fundar (and civil society more generally) has limited scope for intervention in this stage of the process. The legislature cannot propose new projects and budget lines and is only able to recommend changes up to five percent of the total budget, subject to executive veto. In its analysis Fundar presents budget information to legislators on its core areas of concern, with a view to influencing the budget debate, rather than to influence priorities or to track expenditures over time on account of the limited scope for influencing budget priorities.

Fundar has gained legitimacy among legislators as an authoritative source of data and information through Legislative Watch and its various publications and media presence. This provides Fundar a ready audience for its studies, especially among members of the health, gender, and budget committees of the Chamber of Deputies with which it has the most sustained contact. Less significant is the direct impact on official budget priorities on account of the structural rigidities built into the budget process which inhibits the scope for major changes in expenditure allocations. Nevertheless, Fundar has enabled legislators to change specific allocations, even if these account for a relatively small share of the overall budget. Notable achievements have been registered, year after year, for the maternal mortality programs, for earmarked federal programs that target women, and for spending on HIV/AIDS prevention.

Fundar can also claim significant influence on the transparency of the budget process, playing a role in persuading the government to publicize and make available official budget data. It also monitors the government's commitment to budget transparency and has taken action to ensure that this is maintained. For example, in 2004 the government did not publish the third volume of the annual budget. This volume normally provides detailed disaggregated budget information across federal government departments. Fundar took up this issue, and appealed to the IFAI—El Instituto Federal de Acceso a la Información Pública—which is responsible for ensuring the implementation of the law on freedom of information. However, since the government claimed that such information was no longer available, and the IFAI could not ask the government to give information it does not have, this request was denied. As a result of

continued interaction with the government, Fundar accepted the suggestion that such information would be published through the internet from 2004. Fundar uses this information to provide brief summaries and theme notes that are available on its Web site.

Another area where Fundar has made a contribution is through capacity building in the tools and techniques of budget analysis, in the form of workshops and seminars for the media, NGOs, journalists, and legislators. For example, Fundar worked with Equidad de Género at the federal level in helping develop a more systematic approach to gender budgeting. Activist groups in Oaxaca working on maternal mortality highlight Fundar's contribution in this regard, arguing that budget orientation workshops have improved understanding of budget issues and their ability to use budget analysis in advocacy work. Fundar has also been very active in the region, having conducted a series of workshops, seminars, and training programs across Central America on budget related issues. In this sense, Fundar today is more than just a Mexican research center: It has grown into a regional resource center on budget work.

4.3 Budget analysis and maternal mortality

Following its successful work on devolved health budgets and development of tools for gender budget analysis, Fundar was approached by the John D. and Catherine T. MacArthur Foundation to work with other like-minded organizations in a network of grantees working on the problem of maternal mortality in Mexico.¹⁹ Fundar's involvement centered on the potential for using budget analysis to examine the composition of health expenditures at the state level. It focused on the adequacy of state health budgets for addressing the problem of maternal mortality since this was one of the key Millennium Development Goals (MDGs) to which Mexico has subscribed.²⁰

Fundar's research centred on the three southern states of Guerrero, Oaxaca and Chiapas, where indigenous women were three times more at risk of death in pregnancy compared to other states.²¹ The study found that the level of obstetric care in these states was much inferior to the quality of provision in wealthier states; for example, in Chiapas there is one doctor for every 14,000 women which is one seventh of the figure in the richest states. Per capita health

¹⁹ The project was carried out with three state-based researchers who are experts on maternal mortality: Graciela Freyermuth in Chiapas, Martha Castañeda in Oaxaca and David Melendez in Guerrero.

²⁰ Maternal mortality reduction of 75 percent by 2015 is an MDG goal. In Mexico a more immediate objective is to reduce the rate of maternal mortality by 30 percent from the 2000 level to reach 47 per 100,000 live births in 2006.

²¹ The problem has been increasing since the early 1990s and may be due to better reporting rather than worsening services.

expenditure levels were proportionately much lower in poorer states compared to richer states on a one to five ratio.²²

The research found that the three southern states have very high maternal mortality, but also low health budgets, and poor health facilities. Primary health facilities neither have the equipment nor the skills to deal with obstetric emergencies; the facilities are not open at all hours and it can be difficult to find a doctor in residence during working hours, especially in the more remote areas.²³ Most deaths take place in the home and at the primary level since indigenous women face considerable difficulty in accessing emergency obstetric care on account of the physical distance to be travelled and the prohibitive cost of travel to a medical facility.²⁴ Martha Castañeda lists a number of social and cultural reasons for the low take-up of medical facilities in Oaxaca: The Spanish language is unfamiliar; there is fear and uncertainty about the risks involved; there is an element of fatalism about the prospect of pregnancy-related deaths; and there is male resistance to women accessing care from the formal health care system.²⁵

Maternal mortality was addressed by a special component of the Health Coverage Extension Program (Programa de Ampliación de Cobertura—PAC) in the form of interventions addressing the health problems encountered by women in pregnancy, during childbirth, and in post-birth situations. This program ran from 1995 to 2002 but was only one of 13 primary level interventions under the PAC. Fundar's research demonstrated that the PAC accounted for a very small proportion of total expenditure, per capita expenditure was declining, and that

²² Mariana Pérez, Daniela Díaz, and Helena Hofbauer, n.d., "The life of every woman counts: using budget analysis to monitor the reduction of maternal mortality—A case study of the Mexican experience", Mexico D. F.: Fundar.

²³ The research team visited a clinic in a remote village in Chiapas run by the IMSS, which is one of three public health providers. The resident doctor worked from 8 am to 1 pm for three days a week, even though he was officially required to be present five days a week. This doctor claimed to work until 4pm on the days he was in the clinic. Responding to a query about his availability for dealing with emergencies outside these hours he stated 'it is not my responsibility'. In the past month, he had conducted 5 deliveries—one by himself, and the rest with the assistance of the local 'parteras' or traditional midwives. The clinic, however, was well-equipped, with medicines, beds, a refrigerator, computer, etc. hence, the problem was not so much with the physical infrastructure but with the work culture of the medical fraternity.

²⁴ As Graciela Freyermuth, who heads the state level initiative in Chiapas clearly put it, the problem of maternal mortality is also a cultural problem; men have to decide that women need not die in childbirth and choose to access health facilities. In some indigenous communities in Chiapas men refuse to let women to be moved for medical attention. As it was put to us by a community midwife, the prevailing view among men is 'It does not matter if they die! They can marry another woman.' See G. Freyermuth Enciso, 2003, *Las Mujeres de Humo – Morir en Chenalhó: Género, etnia u generación, factores suntuivos del riesgo durante la maternidad*, Mexico, D.F.: Centro de Investigaciones y Estudios Superiores en Anthopología Social.

²⁵ Castañeda, M., 'La Atención a la Salud Materna en Oaxaca: Policías, programas, y Presupuesto', in Castañeda, M. et al., 2004, *La Mortalidad Materna en México: Cuatro Visiones Críticas*, Mexico D.F.: Fundar et al.

allocations to the poorest states such as Chiapas where the problem was greatest were among the lowest in the country.²⁶

A special reproductive health program was established by the federal government in 2002 to tackle the problem of maternal and infant mortality (Arranque Paraje en la Vida—APV) with an assigned budget and scope to bring in private contributions. The program was a response to campaigning by women's organizations on the inadequacies of the PAC and research showing significant under-reporting of maternal deaths in pregnancy. The new government of Vicente Fox wanted to demonstrate its commitment to progressive health measures embodied in the principles endorsed in the 2000 Cairo reproductive health conference. The program began as a pilot in seven states, focusing on poor women and their emergency healthcare needs during pregnancy and after childbirth, and was later scaled up to the country as a whole.

The APV budget is rolled into the general health budget when devolved to states through various programs under Ramo 33. These are reported by expenditure head and not individual programs, which makes it difficult to identify the amount actually spent in relation to the budget allocation. Several government agencies are responsible for health provisions with different priorities, eligibility criteria, and spending levels. The federal health ministry cannot disaggregate health spending on account of multiple providers and programs and the fact that health provision is largely a state government responsibility.

Primary health clinics run by state governments lack basic facilities and equipment, and health staff are poorly trained. Secondary level clinics have more facilities but not to the level where emergency obstetric care can be provided. The APV program is designed to provide resources for transportation to a hospital that can provide such care in the form of ambulances at the disposal of the program. But even with the transport available to women facing pregnancy complications the hospital can refuse to admit high-risk pregnant women as they may die from obstetric complications. Private foundations are responsible for the largest proportion of capital spending on medical equipment (over 99 percent in 2002) in the APV, usually at secondary and tertiary levels, though it often remains inaccessible to poor women in remote areas and lies unused.

The analysis conducted by Fundar in association with local women's groups and academics demonstrated there was very little capital spending on programs to reduce maternal mortality rates in the poorest states despite the additional resources available under the APV for specialist care. They found evidence of under-execution on the APV budget, showing how spending fell well short of allocations. They also developed a detailed cost breakdown faced by women seeking emergency obstetric care, which includes transportation, medicine, food and equipment (syringes, dressings); this information was shared with the federal and state governments to demonstrate the high cost of accessing the official

²⁶ Casteñada, et al., *La Mortalidad Materna en México*.

health care system. Armed with these findings, Fundar and its partners demanded that the federal government increase public financing to the state governments for the APV program and that in turn the state governments demonstrate they are using the funds for the intended purpose. Fundar and its partners successfully lobbied the federal government for an increase in the budgetary allocation for APV on the grounds that it was inadequate to address the scale of the problem. This resulted in a tenfold increase from 62 to 602 million pesos in the 2003 budget, but it is not clear that this increase was sustained in subsequent years.²⁷

Their demands were simple: for the government to provide open and accessible clinics open 24 hours a day and 365 days per year in accordance with WHO guidelines. These should be provided with basic equipment and trained medical staff (including nurses) to cope with primary care needs, to stabilize female patients who require higher level emergency care, and assistance with transportation in the form of an ambulance service. As a direct result of this work the APV approach has been discussed with the federal health authorities and changed in order to include financial provision for emergency obstetric care and improved transportation.

In contrast, it has been difficult to secure a concerted policy response from the three state governments to date on account of low awareness and little interest on the part of deputies in the nature and extent of the problem despite a sustained advocacy effort. Fundar and its allies emphasised the importance of budget transparency as a means of highlighting the importance of data on government expenditure commitments. Fundar's demands for greater transparency in the utilization of devolved health budgets have generally not met with a sympathetic response from state government officials. However, the lack of progress does not invalidate the usefulness of budget work for this purpose. Fundar's research and advocacy work has highlighted the problem of budget transparency in these states which have yet to pass right to information legislation. The data produced by Fundar is considered legitimate and has lent credibility to its demands. Fundar and its allies have drawn attention to the problem of maternal mortality and inadequacies in the government's response in three states where the problem is greatest. Fundar's advocacy efforts have recently paid off, with two state governments committing increased resources to addressing the problem of maternal mortality through emergency obstetric care for women not covered by health insurance programs, though it is difficult to assess how far the resources allocated by the federal government are being used for this purpose.²⁸ Equipped with estimates of the finance required to address the scale of the problem, progress on budget transparency would demonstrate the inadequacy of current expenditure allocations and provide a strong case for further budgetary increases.

²⁷ Pérez et al., "The life of every woman counts".

²⁸ Helena Hofbauer, personal communication.

Despite ongoing obstacles, especially at the state level, Fundar's maternal mortality work has registered a number of important successes. The scale of the problem is now more apparent to the federal health ministry which is alert to the need for greater budget transparency to monitor the utilization of health budgets at the state level, and to track spending on the APV program as a means of tackling the problem of maternal mortality more systematically. Public authorities with responsibility for indigenous women are now more aware of the critical importance of the extent of the problem of maternal mortality. The groundwork for a more concerted government response has been laid by the work of Fundar and its allies; the main constraint is one of political will at the state level and the mobilization of support for the introduction of right to information legislation to facilitate improved oversight and tracking of health expenditures. In the absence of significant political representation of indigenous peoples in the state legislatures, Fundar's ongoing strategy focuses on advocacy with state and federal authorities, building awareness among elected representatives at both levels, and efforts to secure media coverage with the objective of leveraging adequate financial resources in order to reduce the incidence of maternal mortality.

4.4 Budget transparency: the Provida case

In view of the very high levels of corruption in Mexican public life, improving government transparency has been a key priority for Mexican civil society. The demand for information on the President's secret fund set the stage even before Fundar was established in 1999. The system of political patronage, as represented by the PRI before the 2000 presidential election, in which public money is used in reward for political support, did not disappear with the change in government, with the result that civil society remained vigilant on this issue. Sustained pressure from civil society contributed to the introduction in June 2003 of a federal law on transparency and the right to information. The new law empowers citizens to demand official information and a high level body—El Instituto Federal de Acceso a la Información Pública (IFAI)—was created to enforce the guidelines, with the power to override and sanction government officials who refuse to abide by its provisions.

The Provida case offers an example of how Fundar played a leading role in a civil society alliance which pursued a successful campaign over the corrupt and illegal appropriation of budget resources intended for NGOs working on health issues using the new transparency law to gather evidence to support its case.²⁹

In December 2002, the Chamber of Deputies approved an increase of 600 million pesos for programs for women's health and other issues. Subsequently, the President of the Budget Committee of the Chamber of Deputies, Luis Pazos de la Torre, requested the health minister to allocate 30 million pesos to eight Centros

²⁹ This is documented in detail in a 2006 report produced for Fundar by Gaia Gozzo, "El Caso Provida: Cuentas pendientes en la transparencia y la justicia", Mexico D. F.: Fundar.

de Ayuda de Mujer—Centers to Assist Women. The minister honored this request, and the money was allocated and the first year's allocation was disbursed. Fundar and other civil society organizations received calls from angry deputies denouncing his actions. The President of the Budget Committee was bound to act in accordance with the decisions of that Committee and endorse the principles on which the additional funds had been endorsed by the Congress. Mr Pazos ignored the congressional decision, upsetting a number of opposition deputies in the process, who complained of arbitrary and unconstitutional action. Since this was a clear violation of democratic norms, a coalition of civil society organizations including Fundar came together to see what they could do to investigate the allegations. The first request for information regarding the case was refused. Resorting to the new transparency law, this information was subsequently obtained by the coalition that had come together for this purpose. Official documents procured from the ministry of health showed that out of an additional budget of 600 million pesos approved for health spending, 208 million pesos was allocated to the fight against HIV/AIDS, of which 30 million pesos had been diverted at the personal request of Mr Pazos. Further information was then sought through IFAI on how this money was used. After some initial difficulty in obtaining the information, it transpired that the funds had already been spent by the Centers to Assist Women. Fundar then requested copies of all the documents and receipts and conducted a full audit of the expenditure.

A network of six civil society organizations was formed to address this clear case of violation of transparent budgetary norms and to investigate the corruption that had been unearthed.³⁰ Not all joined the coalition for the same reasons. Some were outraged that such a right-wing organization received government money. Others were angered that such a right-wing organization was so corrupt. Some were concerned with the undermining of democratic norms. Fundar played a central role in this initiative which extended through 2003 into the early part of 2004, with its contribution centered on the auditing process and using the law on transparency to access documentation on financial transactions.

It emerged from the investigations that the Centers to Assist Women were a front for *Provida*, a right-wing pro-life organization that campaigns against abortion and the use of condoms that ran counter to the Mexican government's policies in the field of HIV/AIDS and population and had not been sanctioned by the Congress. The investigations demonstrated that the 30 million pesos received by *Pro-Vida* represented 51 percent of the funds channelled through non-governmental organizations in 2003, and was 120 times the amount that any single organization was sanctioned to receive. It was found that 90 percent of the funds allocated to *Provida* had been blatantly misused. In case after case, Fundar established that payments were made, without proper invoices, to bodies

³⁰ The network coined the term 'Marca-pazos', playing on the name of Luis Pazos who was the President of the Budget Committee of the Chamber of Deputies, to refer to the whole scandal. As well as Fundar it included two feminist organizations and three groups working on health issues and reproductive rights. For details see Gozzo, *El Caso Provida*, pp. 13-15.

that shared the same address as Provida.³¹ The findings were presented in full to legislators from the three main political parties in November 2003.

A targeted media campaign was launched with the advice of a specialist media organization—CIMAC (Comunicación e Información de la Mujer, A.C.)—after a request for a meeting with the health minister to discuss the issue was refused. Using information provided by the coalition, the mainstream newspaper *Reforma* carried the details in an exclusive front page story in July 2004, which gave rise to a stream of articles, features, and cartoons for more than a two-month period in the mainstream press.

The government's internal controller—Función Pública y la Auditoría Superior—conducted an audit, which not only confirmed all of Fundar's conclusions, but found additional administrative lapses and demanded not only a return of the money, but also imposed a fine of 13 million pesos. This led to renewed uproar in the press. The decision of Función Pública to impose a fine of such magnitude was seen as an important precedent in the fight against corruption. The external controller (auditor) reconfirmed the findings, and Pro-Vida was asked to return the original funds and pay the fine as well as being debarred from receiving public funds for a period of 15 years. Provida did not pay the fine, and the case has now moved to the courts. Luis Pazos has not been indicted for his actions which testified to the inadequacy of the judicial process. The civil society alliance continues to pursue the case for full resolution of the audit recommendations.

The Provida case provides an excellent example of the power of budget transparency. While all agree that 30 million pesos is probably insignificant in terms of what is believed to happen with the diversion of public funds in Mexico, this case has important implications for democratic politics and congressional oversight as dimensions around which civil society is organized. It also called into question how an organization like Provida with objectives that detracted so significantly from the policy of the government could access such funds. The corruption that was unearthed served to warn the public that audit and vigilance were essential features of democracy, in the process demonstrating how laws on transparency and the right to information could be used to great effect.

The Provida case encouraged civil society organizations to work together in a collaborative manner through a carefully orchestrated strategy of systematic research, legislative advocacy, and media influence. The six civil society organizations came together to work on the objectives of the collective, and then to work out a media strategy. The idea of working with a mainstream newspaper to expose this corruption emerged from the collective with inputs from a specialist media organization. The case remained prominent on the public agenda partly on account of the role played by opposition politicians who were outraged at the diversion of funds and who sought to capitalize on the scandal. The case has

³¹ Among the more outlandish items purchased by Provida with the funds were Mont Blanc pens and women's underwear, which attracted considerable coverage in the media.

been going on for three years, and there have been strains in the coalition over the different roles played by the different partners in the alliance. But the fact that NGOs worked so long together in a collaborative manner shows that there is much maturity in the sector in Mexico. Fundar has been an integral part of this effort, drawing on its core skills of budget analysis and financial audit to unearth documents and expenditure statements to provide critical evidence to support the campaign.

4.5 Media impact and communications

Fundar's primary stakeholders for its budget work are legislators, civil society groups, and the media. To reach these constituencies analyses are presented in simple form, with diagrams and charts to highlight facts and major findings, notably the *Pesos y Contrapesos* series on budget analysis which ran on a regular basis until 2004 and now more intermittently. Its handbooks on the public budget are simply and attractively prepared, primarily designed for the informed citizen.³² Fundar publishes its reports in series corresponding to major research themes such as health, transparency and oil revenues in an attractive format and style.³³ It also publishes occasional monographs, such as recent ones on maternal mortality, to share the results of its research in an accessible manner.³⁴ A CD-ROM was prepared with five other organizations on the Provida case to make effective use of modern technology to disseminate the analysis, evidence, and findings. CDs have also been produced for the Latin American Transparency Index and the HIV/AIDS studies, and are considered to be an important dissemination device. Staff members write regularly in local newspapers on a range of topical issues. Fundar has developed an active Web site managed by a full-time staff member through which its work and publications are made available to a wider public.³⁵ Parts of the website are updated daily as a reference for specific issues, such as Legislative Watch's budget committee website, and Revenue Watch. A scrutiny of the press clippings shows that there has been considerable media attention to Fundar's budget work.

In the case of the Latin American Transparency Index, a carefully worked out media strategy was developed to maximize the visibility of the findings. The report was simultaneously released in the capitals of all the participating countries, in which those organizations which had worked on the Index issued a press note and answered questions. A simultaneous video conference was organized in the region for the first Index in 2001 by CIDE. In 2003 the International Budget Project in Washington D.C. assisted with organizing a conference call the day that the results were released. The press in Washington D.C had been given the brief in advance on all the rankings for all the countries surveyed for the Index, and they asked questions which were answered in the conference call. This made a big impact. The journalists who attended the state capital release of the Index went back to their office to find questions from the Washington reporters waiting for them. Each county wanted to know why it was behind its neighbors, and this gave civil society an opportunity to work together with governments to help them improve their ranking.

³² See, for example, "El ABC del Presupuesto de Egresos de la Federación: retos y espacios de acción" Segunda impresión, revisada, 2002. The glossary of budget terms is especially useful.

³³ For example, The Legislative Watch program brings out a monograph series under the general label of Cuadernos de Seguimiento Ciudadano al Poder Legislativo en México.

³⁴ Martha Castañeda et al. 2004, *La Mortalidad Materna en México*.

³⁵ www.fundar.org.mx

5. Analysis and discussion

Fundar was a relatively late entrant in the context of the flowering of civil society and an initial flurry of activity over corruption and clean elections in the 1990s.³⁶ Fundar came into existence when a change of government was imminent, and the focus of civil society was undergoing a change from pressure and confrontation to a strategy premised on dialogue, monitoring, and policy research. The focus of transparency work was changing from simply obtaining information and publicizing it to using research-based evidence to promote good governance. This made technical expertise essential to civil society if it was to remain effective in the new political context, and formed the justification for the creation of Fundar in 1999.

Budget analysis was the entry point for Fundar's work as a specialized technical tool in which Fundar acquired expertise. This institutional competence gave Fundar a unique position in Mexican civil society at that point of time—it could work with a number of NGOs to whose specific interests it could contribute by means of budget analysis.³⁷

Fundar's seminal contribution in budget work in Mexico is widely acknowledged by actors in government and civil society, in three particular areas: simplifying and disseminating budget information; fostering budget transparency; and building capacity and awareness of budget issues. Fundar does not claim significant influence over budget priorities at the federal or state levels on account of the structural constraints of the six-year planning process and the limited scope for legislative intervention. However, Fundar has successfully mobilized budget resources in several areas, with significant implications for government programs: mobilizing additional federal resources for programs to reduce maternal mortality (in the order of US\$50 million) and potential savings resulting from diversion of public funds in the Provida case (some US\$3 million). Fundar also mobilized additional funds for HIV/AIDS in 2004 and 2005, successfully ensuring that the government adheres to its budgetary commitments for HIV/AIDS prevention rather than diverting these resources into curative care.

Despite its acknowledged value in simplifying and disseminating budget information, Fundar's analysis is often rather basic, and is often in the form of two-by-two matrices that show interesting correlations only presenting the data in real terms using a price deflator for its more detailed analysis. As other organizations develop the capacity for budget work—as evidenced from

³⁶ According to informants civil society went into something of a decline after the 2000 Presidential election since its major objective had been achieved. Fundar came into being with a fresh mandate at this time and grew and flourished because it was focused and developed a specific niche.

³⁷ Work with Equipo Pueblo to prepare a background paper for a UN conference in September 2005 is a good example of such collaboration. The cross-country study on budgets for HIV/AIDS prevention is another example.

interactions in Oaxaca and Chiapas—Fundar will need to refine its analysis, and develop more complex models of work but without substituting for academic research.³⁸

Fundar is different from the average NGO in that it is professionally organized and has systematically built institutional competence.³⁹ Its relatively young and dynamic staff contributes to the development of ideas and priority setting. Fundar has also been very successful in marshalling funds at a time of declining support for the Mexican non-governmental sector from overseas donors. Many of the civil society organizations in the country take up emotive issues—important of course—but the work they do is based on conviction and voluntarism typical of the NGO sector. Fundar, on the other hand, has a mandate to intervene in debates through a social justice lens through its applied budget work. This institutional culture sets it apart from other Mexican NGOs.

Fundar's institutional character and its implications for alliances with other organizations is an important strategic issue. Fundar does not ally itself with political parties on policy issues, since a non-partisan approach is essential for the legitimacy of its work with the Congress, but works as part of broader alliances and coalitions within civil society. It presents budget information on a range of issues under legislative and policy debate from the perspective of gender and poverty and tries to enrich debates through budget analysis. This is a distinctive organizational attribute on which many observers have favorably commented. To some it would appear that Fundar is an impersonal and detached organization, focusing on numbers and analysis rather than the challenge of activist approaches—implying a lack of interest in the larger issues. To others, it is an 'academic' agency, somewhat removed from day-to-day advocacy concerns. In reality these perceptions reflect Fundar's unusual position in Mexican civil society as a professional, research-based organization.

Fundar has to deal with this image in its partnerships and alliances, which have been critical to the success of campaigns and policy research in Mexico and the wider region. On the one hand Fundar has accepted its role as part of a broader coalition and is modest in terms of its profile, as revealed in gender budget work, where its contribution as a key actor has not received full recognition in the media or in wider civil society. On the other hand Fundar also elevates its contribution to a point where it claims a leading role in campaigns in which it has been one partner in a broader coalition, as in the Provida case. Developing the right balance between maintaining a visible public profile in line with its mandate and contribution while acknowledging the importance of working in a coalition

³⁸ According to the Executive Director, Fundar is in the process of developing more complex methodologies and approaches, both in the case of maternal mortality and the monitoring of social expenditures in the electoral context.

³⁹ Unlike most other NGOs in Mexico, Fundar has put in place long term health insurance and pension benefits in for its staff at a time when its finances are not assured. It convinced its funders of the importance of developing such policies in recruiting and retaining a motivated and professional staff, since gross salary costs consequently increased by at least one third.

with multiple partners will remain a challenge for Fundar in view of its organizational focus and structure.

Political uncertainty in the run-up to a presidential election in July 2006 with a possible change in party leadership is likely to make future work quite complex for Fundar. There is widespread disillusionment with the Fox presidency—stemming in part from exceptionally high expectations, and in part from its right-wing policies in a country in which the political is historically very strong, and from the limitations of the government. The PRD is making a strong challenge from the left while the PRI, with its well-oiled party machine, is attempting a political comeback. All this can pose problems for Fundar, as contradictory and conflicting demands are made on it by groups and political interests from different ideological orientations. Its willingness to criticize both the federal government as well as opposition state-level governments maintains a position of political non-alignment but also renders it vulnerable to political attack from the mainstream parties and conservative groups.

A second important strategic consideration for Fundar lies in the linkages between federal initiatives which form the basis for most of its activities, and the nature of its involvement at the state and local levels. Fundar does not have an organizational presence outside the Federal District and provides very modest financial support to individuals working with groups on maternal mortality issues in three southern states. State-level transparency initiatives are at the planning stage, and these have the potential to deepen Fundar's involvement with organizations working to strengthen governance practices. Similarly, the Poder Local initiative centered on building the capacity of local organizations can also strengthen state level work. For example, there is potential synergy between the maternal mortality work and the strengthening of local NGOs through Poder Local, if these different initiatives are conducted in the same states of Oaxaca, Chiapas and Guerrero, where the local partners can benefit from organizational inputs. But as these two projects are currently operating in different states, with different partners working on a range of issues, they may fall short of their potential. In 2006 Fundar plans to expand its work with local partners to at least 10 states out of the 32 that comprise the federation.

If such convergence is to be successfully achieved, then Fundar will also need to address the gap that exists in state level budget work to complement its work at the federal and local levels. Fundar can potentially become an authoritative source for information in selected states and on selected sectors across different levels of government—something that does not exist anywhere today in any other organization.⁴⁰ This would be especially powerful in calculating government spending on prevention of maternal mortality, where budget information on resources accruing to the states from Ramo 33 can be taken together with

⁴⁰ Two senior civil servants interviewed for this study—Patricia Uribe in Health and Humberto Guzman in Finance—regretted they did not have this information, and both would find it very useful in their work.

information from Ramo 12 and state and/or municipal expenditures from their own sources.

How is this to be done? Fundar's resources are not enough for it to undertake systematic state-level budget work. Can it work out an alliance where this gap can be plugged, at least in selected states? In part these are the consequences of rapid growth in work, but in part they are also organizational challenges about an institutional response to the opportunities that exist in the wider environment.

A third strategic issue confronting Fundar is the nature of its engagement with the government bureaucracy, which assumes a lower priority in its work than legislators and civil society. Fundar only has direct engagement with a limited set of government officials in key federal agencies and ministries as they relate to specific projects and sectors of concern and not on a systematic or strategic basis. Nor does it have any direct engagement or linkages with state government officials. One important exception is the federal reproductive health agency, where Fundar has successfully maintained a high profile relationship with the result that its budget work on prevention of maternal mortality is highly valued by agency officials. By comparison, it has limited access to officials in the Secretaría de Hacienda (Finance Ministry) on account of perceived resistance to such engagement, despite their centrality in the budget process in allocating and monitoring expenditures by federal and state authorities.⁴¹ However, a senior official in the federal expenditure department evinced considerable support for Fundar's work on simplifying budget information and making it more accessible to the public. He also indicated that further work on demystifying state budgets and rendering state expenditures more transparent would be regarded as highly desirable, thus attesting to the significance of Fundar's core budget work.

A fourth strategic issue facing Fundar is how its overall agenda and priorities are determined. In this respect Fundar has to be sensitive to the expectations of Board members, donors, and wider civil society while adhering to its organizational priorities identified by the staff. The Board has been supportive of initiatives devised by staff but has on occasion intervened to propose new lines of work.⁴²

Foreign donors have at times encouraged new lines of work in Fundar through grant support, but on the clear understanding that fresh projects build on established priorities and are subject to staff and Board approval. Foreign donor support has also enabled Fundar to build up recognized expertise in new areas of budget work.

⁴¹ According to Fundar this perception emanates both from official concern over its critique of government spending priorities and the difficulty of accessing busy ministry officials.

⁴² For example, the President of the Board played a key role in encouraging Fundar to establish the Poder Local program which is recognized as having great potential but was initiated in three states in which Fundar did not have a prior presence of partnerships.

For example, the Ford Foundation provided an early source of financial support for Fundar's budget work in Mexico and later at the regional level, encouraging collaboration with CIDE on the Latin American Transparency Index, which helped Fundar mainstream this line of work. Fundar's maternal mortality work has largely been funded by the MacArthur Foundation as part of a grant making initiative involving other organizations, some of which are partners of Fundar at the federal and state levels. Other examples are Legislative Watch and work on oil revenues funded by the Open Society Institute (OSI) in response to suggestions from Fundar. More recently, the Hewlett Foundation has provided generous grant support for Fundar's work on transparency issues at the federal and state levels. These investments have yielded positive dividends. The work on maternal mortality is recognized as one of Fundar's biggest successes. The work on the Latin American Transparency Index and HIV/AIDS budgets made Fundar part of an international network in this field. At the same time, Fundar's dependence on foreign funding, especially from United States private foundations, is one area of potential vulnerability. Donors would like to fund Fundar as a successful and well-managed organization, but will this strengthen Fundar's capacity in the longer term? The answer is probably yes, but only if project-oriented support shifts to long-term institutional support, which is beginning to happen with donors like Ford and OSI.

A final strategic issue concerns the focus and spread of Fundar's work. Should it continue to range thinly across many areas or specialize in fewer selected themes? How should it deploy scarce staff resources and what capacities are required to address strategic priorities in greater depth and rigor? How should it position itself to work more effectively at the state level and engage more systematically with government officials to deepen its impact?

These considerations raise the larger question of the strategic long term outlook for Fundar. Each project of Fundar has a clear strategy for its implementation but without an explicit institutional strategy toward which the organization works. Fundar is now at a stage where such an institutional strategy must guide its future development. What are the possible options for Fundar in the next five years?

- The organization can continue on its present course. It has built up a good reputation, and there is clear need for the work it is doing, and for sustaining the alliances it has built. With luck and care, there is still much that remains to be done. If, however, a single party majority come into existence again in federal politics there are likely to be problems of relevance for such work since the space for civil society engagement could well encounter restrictions and limitations.
- Fundar can focus more single-mindedly on budget work, and withdraw from other unrelated activities. It can add state level budget work to its portfolio based on strategic state-level partnerships and become a major

point of reference for this type of information and analysis, gradually extending the number of states over time. Developing a narrow area of specialization would mean that the relevance of the work being done will constantly have to be tested against the perceived needs of civil society.

- Fundar can choose to be an innovator. It can hand over current activities to other organizations once they become routine and focus on new and innovative areas where its research and advocacy competence will potentially yield greater dividends. This will require high-level skills in assessing the potential of different kinds of activities and a nimble organization that can adapt to rapid changes. Fundar has shown these traits in plenty in its short history and has actively reshaped its organizational structure to meet these challenges, most recently in 2006 with the appointment of new positions in fundraising.

All three are plausible scenarios, each representing a possible future trajectory. Fundar will have to choose. This can be done in different ways. Staff skills and interests can be put together, and they define the future agenda of the organization. Or the vision of the Board can define the vision and mission for the work program to which the professional skills can be molded over time. It would ideally be a combination of the two—the optimal manner of moving forward. As the political environment changes in the country, Fundar will be compelled to adapt accordingly.

What lessons for budget groups elsewhere can we draw from this case study of Fundar?

1. As with Fundar, each group has to be clearly located in its national political and institutional context. While budgets are universally a policy instrument of governments, there is much difference in how they are presented and used. Each group will have to master the national budget system as Fundar has successfully done in Mexico.
2. Budget groups are not likely to succeed if they work in isolation. If so, they will achieve little more than produce interesting analyses that a few academics will discuss. It is necessary to cultivate NGOs that have specific agendas and orient budget analysis to them—as with Fundar’s maternal mortality work. Budget analysis will then be a useful tool that complements other efforts—it is not an end in itself.
3. Budget analysis must be combined with dissemination and advocacy. Relationships with others in the media are essential—for example, the link with CIMAC’s Web page (*Cimacnoticias*), as a result of which the work reaches a wide group of journalists. Campaigns like *Provida* cannot succeed without joint efforts in tandem with other organizations and a concerted media strategy.

4. The technical work must be of such quality that it cannot be questioned on accuracy. If mistakes are made, credibility will be lost in a way that makes it hard to restore.