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FISCAL TRANSPARENCY

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MEXICO



COMPLIANCE RATINGS

<i>Fiscal transparency</i>	2006	2005	2004	2003
Clarity of roles	●●●●	●●●●	●●●●	●●●●
Availability of information	●●●●	●●●●	●●●●	●●●●
Budget preparation	●●●●	●●	●●	●●
Accountability	●●●●	●●●●	●●●●	●●●●
Score	4.00	3.75	3.75	3.75

OUTLOOK & COMMENTARY

The approval of a new *Federal Law on Budget and Fiscal Responsibility* in March 2006 has contributed to enhancing fiscal transparency by clarifying the roles of government agencies during the budget process and reducing the discretionary spending powers of the administration during budget execution.

The new Federal Law promotes the efficient and transparent use of public resources by fostering public oversight of government expenditures and enforcing disclosure of information on financial management, public services and public procurement processes. It describes in detail the information that the executive needs to provide to Congress and the data that need to be publicly released prior to sending the budget to Congress. In addition, it requires that annual budgets be presented in the context of a rolling five-year quantitative framework.

EXECUTIVE SUMMARY

4.00 Compliance in progress

Mexico's efforts to enhance fiscal transparency and improve the public availability of high-quality budgetary statistics have culminated in the approval of the *Federal Law on Budget and Fiscal Responsibility*, which was passed in March 2006 after five years of intensive congressional work.

In order to facilitate the achievement of a strict balanced budget fiscal policy, the new Federal Law is intended to ensure that public resources are used in an efficient and transparent manner through the enhanced public oversight of government expenditures. Not only does the new legislation provide for stronger parliamentary involvement in the budgetary process, but it also aims to increase public participation by enforcing disclosure of information on financial management, public services and public procurement processes. Its specific provisions on what information should be made public and how it should be disclosed have increased the role of the Federal Institute for Public Information Access (IFAI), which was established by the *Federal Law on Transparency and Access to Public Information* (LFTAI) of 2002. As opposed to the previous practice under which the Ministry of Finance and Public Credit (SHCP) would release information at the end of the year, the new Federal Law sets specific submission dates for presenting reports to Congress during the fiscal year.

Discrepancies between projected and actual revenues and expenditures are expected to be reduced following the introduction of a strong framework for handling any unspent monies and revenues in excess of projections. This framework, which aims to reduce the broad discretionary spending powers previously enjoyed by the executive, introduces specific guidelines on the use of excess oil revenues. According to the new Federal Law, a large part of these excess revenues are attributed to the states, while the remainder goes to the state oil company PEMEX and the federal government.

In compliance with the new Federal Law, annual budgets will now be presented in the context of a rolling five-year quantitative framework; previously, each administration was required to publish only one medium-term fiscal plan at the beginning of its mandate.

Mexico's overall score has improved from 3.75 in 2005 to 4.

1. CLARITY OF ROLES, RESPONSIBILITIES AND OBJECTIVES

●●●● Compliance in progress

The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

Structure, functions and responsibilities of government

Mexico's government structure is clearly defined in the 1917 Mexican Constitution (as amended) and complementary laws.¹ The constitution allocates authority to implement policy to different government levels, defines federal responsibilities, and entitles Congress to legislate on federal issues.² Responsibilities that are not defined in the constitution should be assigned to the state governments. Municipal tax and spending powers are detailed in the constitution.³

For fiscal accounting and reporting purposes, the non-financial central public sector includes the central government, entities under direct budgetary control (including social security), and non-financial bodies and entities under indirect budgetary control. In turn, the general government comprises the central government and all sub-national levels of government, including their administration and autonomous entities. The financial public sector includes the Bank of Mexico (Banxico), development banks, insurance companies, financial trust funds and the Bank Savings Protection Institute (IPAB, an autonomous deposit insurance agency).⁴

The distribution of concurrent obligations and unclear areas of responsibilities concerning all three government levels -- such as the regulation and provision of education, health and social assistance, and the management of roads and water supply -- are being revamped under a comprehensive fiscal federalism programme for 2002-06.⁵ The government has allocated budgetary funds targeted at strengthening the management procedures and social responsibilities of state and municipal governments. Under the budget, the seven public funds are grouped under the name *Ramo 33* -- these include the Fund for Basic and Normal Education (FAEB), the Health Service Fund (FASSA) and the Fund for Social Infrastructure (FAIS).⁶ In 2004, a National Fiscal Convention (*Convención Nacional Hacendaria* – CNH) adopted a series of recommendations on possible ways to change federal fiscal arrangements.⁷ The CNH worked mainly on assessing the viability of establishing a clear framework for the redistribution of expenditure obligations and the sharing of responsibilities at the federal, state and municipal levels. Its final recommendations present several mechanisms to promote greater transparency, performance-based assessments and enforced accountability. Other observations point to the reformulation of the fiscal coordination law and its constitutional basis, which should become the blueprint for revenue collection decentralisation.⁸

Despite a broad consensus among state executives in support of CNH recommendations, some commentators have pointed out that little progress has been made to date in implementing them, and they emphasise the need for additional decentralisation efforts in the area of public spending and tax revenue collection. While the CNH resulted in a generally fruitful interaction between state and federal public officials, no concrete efforts have been made to date to address the vertical imbalance between centralised tax revenue collection and local spending. The federal government is therefore still charged with determining the fraction of revenues to be allocated to sub-national authorities, while states and municipalities are responsible for deciding about some of their own expenditures.⁹ Since Congress is not allowed to introduce substantive changes to the budget proposal (the Chamber of Deputies can only modify the proposals presented by the executive), most of the CNH recommendations have been discussed outside

the budget debates. As such, it has been difficult to assess what the impact on medium-term financial requirements would be, while their enactment will need to wait until a parliamentary committee proposes them as draft laws (*iniciativa de ley*). Most commentators deemed the chances of this happening as minimal in the short term.¹⁰

Coordination and management of budgetary activities

The *Federal Law on Budget and Fiscal Responsibility (Ley Federal de Presupuesto y Responsabilidad Hacendaria)* -- which was adopted in March 2006 -- has helped clarify the functions and responsibility of different government agencies in their undertaking of budgetary activities. It has formalised and thus strengthened many existing practices, providing explicit mechanisms to ensure fiscal responsibility and transparency.¹¹

Resulting from five years of work in Congress, the new Federal Law promotes the efficient and transparent use of public resources and fosters public oversight of government expenditures, enforcing disclosure of information on financial management, public services and public procurement processes. It enforces a zero-deficit fiscal policy and foresees a longer time lapse to discuss and negotiate the budget than the previous legal framework, thus allowing for stronger parliamentary involvement in the budget process.¹² Under exceptional circumstances, the government can exceed the zero balance target, but explicit justifications are needed, as well as plans to return to a balanced budget within five years.

The Ministry of Finance and Public Credit (SHCP) coordinates the federal budget.¹³ The new Federal Law gives broad powers to the SHCP to issue standards, set expenditure ceilings, programme cash disbursements and authorise amendments to the budget within the limits established by law.¹⁴ The budget bill contains the Federal Expenditure Budget (PEF) and the Federal Revenue Law (LIF). The former contains resource allocations for constitutionally autonomous entities, centralised public institutions, entities under direct budgetary control, and transfers to other entities (such as non-financial parastatal entities under indirect budgetary control).

In the last few years, approval and discussion of the annual budget have been contentious issues between former president Vicente Fox and Congress. In 2004, the Chamber of Deputies failed to approve the budget bill before the 15 November deadline established by Article 74 of the constitution, and president Fox announced that he would file a legal challenge to the redistribution of resources in the approved budget, on the grounds that it was not compatible with government programmes. Again in 2005, Fox vetoed a small part of the budget and the opposition challenged his right to do so in the Supreme Court. Under the constitution, the president may veto laws, but, unlike the LIF, the PEF is enacted by legislative decree and is passed only by the Chamber of Deputies without being approved by the Senate. The constitution does not include a specific provision on the president's right to veto the PEF, and commentators pointed out that the president could send 'observations' (which in practice would veto a law) on the LIF, but not the PEF. However, the Supreme Court ruled in favour of the presidential veto power on the PEF.¹⁵

While the new Federal Law does not clarify further whether the president might exercise veto powers on the PEF, it specifies the dates for budget discussion and approval, including during election years. However, it does not set out a clear process to be followed during administration transitions. For example, it does not specifically address the possibility that the budget might not be approved by the 31 December deadline established for transition years. This year, coordination between the outgoing and incoming governments during budget preparation has been greatly facilitated by the naming of Agustín Carstens as head of the Calderón economic transition team, and both the PEF and the LIF are expected to be passed by Congress by 31 December.

Since any expenditure changes approved by Congress have to be matched by tax revenue amendments or new tax proposals in the LIF, tax legislation is frequently modified during the budget process. However, given time restrictions, these changes are often approved without detailed quantitative estimates or technical analysis of their impact on economic activity.¹⁶ Commentators have highlighted that Congress is currently working with the SHCP to minimise these changes and that no proposals to modify the tax structure are expected to be approved during the first

year of the newly elected Calderón administration, given the cumbersome negotiations that would have to be undertaken with governors and social groups.¹⁷

The broad powers that the executive has during budget execution have led to several instances of significant differences between the approved budget and actual expenditures by programmes and funds. The government has recently taken steps to reduce these differences, and the new Federal Law provides a stronger framework for handling any unspent monies or revenues in excess of projections. As recipients of funds must provide targets and show how resources will be used, with less than 10% of total expenditures being freely assigned, discrepancies between budgeted and actual expenditures are expected to decrease significantly.¹⁸ Quarterly and biannual reports analyse spending discrepancies and are produced by the SHCP and subject to congressional scrutiny.¹⁹ The annual *Public Account*, which reviews actual expenditures for each fiscal year, provides little accompanying explanation about the impact of these disparities in outlays. However, it now incorporates comments from the auditor department.²⁰

Penalties to be applied in case of under-spending are established by the new Federal Law. It provides for an institutionalised stabilisation mechanism, which had previously been debated each year during budget discussions, although there is still some criticism of the existence of a ceiling on stabilisation funds. Greater clarity is also provided by the formula for setting the oil price according to historical spot prices and forward contracts, with specific guidelines on the use of excess oil revenues. According to the new Federal Law, a large part of these excess revenues is attributed to the states, while the remainder goes to the state oil company PEMEX and the federal government. While Congress had previously resorted to the use of higher oil price levels to create some fiscal space, the incorporation of oil prices based on a formula in the 2007 federal budget is expected to simplify the process of approval and to reduce negotiation times.²¹

The corresponding coordinating bodies and the SHCP approve the draft budgets for all entities under indirect budgetary control. The Chamber of Deputies receives a forecast of their cash flows for information purposes only. State and municipal governments follow an independent budget process, subject to their own legislation (in general, directives are contained in each state constitution).²² However, the distribution of regional spending is now governed by the new Federal Law. Based on analyses carried out by Congress on potential impact on regional development, the SHCP determines the distribution of resources to be assigned to each state.²³

Relations between government and public sector agencies

Mexico has a series of independent and autonomous institutions, such as the Human Rights Commission (CNDH), the Federal Electoral Institute (IFE) and the Central Bank of Mexico (Banxico). The central bank has full autonomy to conduct monetary policy.²⁴ The central bank may lend to the government in extraordinary circumstances. Loans are limited to a percentage of the PEF's authorised expenditures and must be paid in full within three months. Last year, parliament approved constitutional changes so that the national statistics institute (INEGI) could be granted operational and administrative autonomy.

The Federal Audit Office (ASF) is an auxiliary entity to the Chamber of Deputies, and it has full technical and administrative autonomy over the external supervision of the federal executive branch.²⁵ In order to guarantee the full implementation of the Federal Law on Transparency and Access to Public Information (LFTAI), the Government has created the Federal Institute for Access to Information (*Instituto Federal de Acceso a la Información* – IFAI), which is a decentralized agency with operational, budgetary and decision-making autonomy.²⁶ The Banks and Securities Commission (CNBV) is technically autonomous and supervises the stock market, banking sectors, financial institutions and the central deposit of securities. In the past, there have been some concerns about the CNBV's operational autonomy (in relation to its financial dependence on the SHCP and the appointment procedures of top CNBV officials), and proposals were put forward to enhance its autonomy. These proposals have not yet been approved, but President Calderón is likely to support them.²⁷ The CNBV has embarked on a

comprehensive overhaul of its regulatory and surveillance schemes for the financial sector, enforcing international standards based on increased transparency and information availability in order to foster market efficiency.

Government involvement in the private sector

Article 28 of the constitution identifies those strategic sectors where operations should remain exclusively in the public sector. These include postal services, petroleum and oil derivatives, basic petrochemicals, radioactive minerals and nuclear power, and electricity (although private sector self-supply and small-scale electricity generation are allowed). There are about 200 state-owned enterprises (SOEs) in Mexico; their budgets constitute part of the PEF and are thus approved by the Chamber of Deputies. The government has made important efforts to distinguish the non-commercial activities of SOEs from strictly commercial activities.

Public financial institutions carry out considerable quasi-fiscal operations, although the number of these activities has decreased in recent years with a move towards more market-oriented systems for state development banks. Public financial institutions incur persistent losses from activities such as lending at below market rates or granting credit without guarantees to developing sectors; in the past, several of these institutions have required major recapitalisations. Although the programmes of more important subsidies are detailed in the budget, quasi-fiscal activities related to subsidies for agricultural production are not detailed enough to allow for an informed discussion. Information on subsidies and trusts has not been formally incorporated in the 2006 economic package, although it is available in SHCP quarterly reports.²⁸

Public financial institutions follow an independent budget process, with a series of reforms adopted in 2002 requiring that they adhere to the spending guidelines and ceilings established by the SHCP. Adherence to these rules is also subject to supervision by the CNBV and the Ministry of Public Function (SFP, formerly the Ministry of Administrative Control and Development).²⁹ The reforms have thus widened information disclosure by public financial institutions. In addition, the banking restructuring programmes and portfolio purchases are administered by the Bank Savings Protection Institute (IPAB), and they are well documented in its reports and financial statements. However, political reasons have prevented the integration into the budget of off-sheet items, such as the recognition of IPAB debt as public debt.³⁰ According to some commentators, the work of *Nacional Financiera* (NAFIN) -- a financial institution aimed at promoting overall development and modernisation of the industrial sector -- is having positive effects in terms of increased financial system efficiency. One of the major activities of NAFIN is providing credit to suppliers of organizations such as PEMEX, the *Instituto Mexicano del Seguro Social* (IMSS), and the *Comisión Federal de Electricidad* (CFE), as well as to suppliers of major firms, such as General Motors.³¹

There should be a clear legal and administrative framework for fiscal management

The constitution, the *Federal Law on Budget and Fiscal Responsibility* and complementary by-laws provide the legal framework for the budgetary process and fiscal management in Mexico.³² The executive submits a draft revenue law to Congress for approval, which then becomes the fiscal year's LIF. The president also introduces the budget proposal, which requires approval by the lower chamber only, to be the PEF. Any increase in spending must be adequately funded with revenues authorised in the LIF. Since the constitution does not specify whether this can be done with additional borrowing, legislators have included quantitative ceilings on net external-debt annual balances. However, the recently adopted *Federal Law on Budget and Fiscal Responsibility* imposes additional requirements for fiscal responsibility, medium-term planning, rules on the redistribution of expenditure and surplus revenues, budgetary autonomy, and the strengthening of accounting standards. As a result, the law seeks to establish a clear, streamlined and permanent process for budgetary programming, execution and reporting, thereby removing the need to approve these procedures every year as part of the annual LIF and PEF.³³

Legal framework for budgetary activities

The Organic Law of the Federal Public Administration (LOAPF) centralises the fiscal process under the SHCP, which issues regulations and oversees budget and off-budget activities.³⁴ The SHCP is also required to estimate revenues and manage public credit. The Manual of Budgetary Rules sets standards and reinforces the authority of the SHCP to establish spending ceilings.³⁵ The SHCP approves disbursement timetables for budget execution and authorises amendments to the budget within the PEF's established limits. The SHCP is required by law to disclose fiscal information to Congress, while government agencies must report to the SHCP.

The legal framework in force until the recent adoption of the *Federal Law on Budget and Fiscal Responsibility* had a series of important shortcomings, in particular regarding the distribution of surplus and non-budgeted revenues, typically windfall income from oil exports. Until March 2006, the executive could allocate these resources to programmes as it deemed appropriate. This provided ample leeway to exercise discretionary spending, for which Congress had no statutory oversight mechanisms. As a result, the PEF had incorporated annual criteria on how to increase expenditures or make debt payments when revenue surpluses were above LIF estimates, as well as norms for revenue-sharing transfers and expenditure cuts to meet budgetary targets and policy objectives.

Legal framework for taxation

Under the constitution, the federal government has the authority to tax international trade, goods and services, and natural resources while the state governments possess the majority of tax powers. However, the Fiscal Coordination Law of 1979 (as amended in 2003) transfers the authority to tax from states to the federal government. The subsequent revenues are distributed through a General Revenue Sharing Fund, which allocates up to 20% of revenues according to a state's population size and ability to generate revenues.

Although the transfer of resources from the federal to state governments has usually been transparent and non-discretionary, the federal government has begun to return some fiscal powers to the states under the fiscal federalism programme. Tax legislation at the federal and state level is publicly available through the Tax Administration Service (SAT) and the SHCP websites. States control income tax for individuals and 5% of income tax for corporate activities; they can also establish sales tax on real estate.

Ethical standards for public servants

Articles 108-114 of the constitution and the Federal Law on the Administrative Responsibilities of Public Servants establish responsibilities and ethical standards for all public officials.³⁶ The SFP is in charge of enforcing and supervising adherence to the standards and the law. In addition, most agencies and ministries (including the SAT, CNBV, Banxico and the Federal Audit Office) publish their own codes of conduct and standards for public employees.

2. PUBLIC AVAILABILITY OF INFORMATION

●●●● Compliance in progress

The public should be provided with full information on the past, current and projected fiscal activity of government.

Mexico complies with the IMF Special Data Dissemination Standard (SDDS), and publishes a broad range of fiscal information. In June 2002, Congress approved the Federal Law on Transparency and Access to Public Information (LFTAI), which mandates timely and complete access to fiscal information on all government expenditures, subsidies, transfers, privatisation processes, fiscal concessions and public procurement. Chapter two of the LFTAI created the Federal Institute for Public Information Access (IFAI), through which the available fiscal information for any government level or entity can be made available to the public upon request.³⁷ Only a limited number of topics are embargoed for reasons of national security. In addition, most government websites provide access to a 'transparency portal' where all information required by the LFTAI can be accessed. Commentators highlighted that important progress has been made during 2004-05 in the provision of information on the public sector's financial trusts (*fideicomisos*), which previously were unrecorded and seldom monitored owing to the confidentiality provisions established in the Banking Law.³⁸

The new Federal Law establishes what information should be public and regulates how it should be disclosed, with a series of different dates that the SHCP must meet in terms of providing reports. While previously SHCP used to release all of the information at the end of each year, a first report must now be submitted in April, and a progress report in June. The new Federal Law details all the information on which the executive needs to report to Congress, for example through quarterly reports, as well as all the information that can be solicited through the IFAI. One of the requirements of the new Federal Law is that the government begin releasing information on budget data prior to sending the budget to Congress. However, some analysts have pointed out the difference between making budget documents available to the public and making sure that the information contained in these documents is easily understandable to the population; the latter does not seem to be the case in Mexico. The information contained in the draft budget document is, according to some commentators, of poor quality and, for example, does not include exhaustive information on the total debt composition, extra-budgetary funds, subsidies to agriculture and *fideicomisos*, as well as financial and non-financial assets of public enterprises such as CFE, PEMEX and IMSS. Although it is not in the draft budget document, it is possible to retrieve this information through other government sources.³⁹

Central government operations

Data on central government operations cover the central government, which includes all federal government units under budget control (the legislative and judicial branches, autonomous agencies, the central public administration and its decentralised units) and social security institutions. Data are disseminated in monthly tables, registered on a modified cash basis, and broken down into revenues and expenditures (including social security contributions), outstanding net domestic and external debt, and debt payments.

Fiscal data and information (also in English) are available on the SHCP's website.⁴⁰ There are also monthly and quarterly reports to Congress covering the country's macroeconomic evolution and fiscal performance. Quarterly reports include expenditures by economic, administrative and functional classification, as well as information on debt composition. In addition, each quarter the SHCP releases the *Report on the Economic Situation, Public*

*Finances and Public Debt.*⁴¹ These reports contain monthly and quarterly data on central government operations as part of the budgetary public sector. Financial requirements, revenues and expenditures, cash flows, and public sector debt statistics are compiled by using uniform criteria for classifying and grouping central government financial operations with other sectors of the economy. Biannual reports, known as *Avances de Gestión*, include less generous information than the quarterly reports. For example, they do not include complete estimates of revenues and expenditures for the current year.⁴²

Public sector operations

General government statistics show detailed information on revenue from taxes, contributions to social security, non-tax revenue and capital revenue. Expenditure is classified by economic type, as current and capital expenditure, and by function. Data also include the public sector balance sheet and financing broken down into domestic and foreign debt by type of holder. The SHCP discloses information on the central government budget, public health institutions, and the decentralised agencies under direct budgetary control. Information on state-owned enterprises includes transfers from the federal government (included in the PEF) and their projected cash flows. The LIF contains profit margins of SOEs to be included in the budget.

Monthly data on the central non-financial public sector cover the central government, entities under direct budgetary control (including social security), and non-financial bodies and entities under indirect budgetary control, recorded on a cash basis. Revenue and expenditure components are presented at the budgetary level (the central federal government and entities under direct budgetary control). Annual data on general government operations, recorded on a consolidated and cash basis, cover the central government, the 31 state governments, and the 2,418 municipal governments. Data are broken down into revenue, expenditure, the overall balance and debt. Debt is divided into external financing and domestic financing (split into bank and non-bank financing).

Most non-financial SOEs disseminate their financial statements and balance sheets on their own websites. In addition, the CNBV releases statements and balance sheets for public financial institutions. Information on the numerous public trusts (established with development banks) is increasingly being made publicly available as part of the Report on the Economic Situation, Public Finances and Public Debt.⁴³ The SHCP does not disclose periodic assessments of contingent liabilities and quasi-fiscal activities of non-financial parastatal entities.

The *Gazettes of States and Municipalities* disclose fiscal information on sub-national government levels, although data are not frequently updated and do not follow a standardised presentation. The SHCP's Fiscal Coordination Unit has issued a series of regulations to improve overall fiscal transparency practices in states and municipalities, and the agreements on fiscal cooperation between the SHCP and the states began to be signed in March 2003.⁴⁴ Commentators underscored that the availability of information on states' and municipalities' fiscal accounts has markedly improved in the past few years.⁴⁵ INEGI, the national statistics institute, collates fiscal information for the states and municipalities through the Integral Information System (SII) and the Municipal Database System (SIMBAD). However, it takes a considerable amount of time to collect and compile the information. Consolidated data are published in the annual Revenue and Public Spending in Mexico reports, which contain information on general government, state and municipal revenues, spending and registered debt.⁴⁶

A commitment should be made to the timely publication of fiscal information.

The LFTAI requires the publication of monthly reports on budget execution by institution, public finances and debt within the guidelines established in the PEF. This information is available on the SHCP website.

Debt reporting

As part of its commitment to the IMF SDDS, Mexico publishes comprehensive information on outstanding domestic and foreign debt. Information is disclosed on maturities, scheduled payments, and recent borrowing operations. The quarterly Report on the Economic Situation, Public Finances and Public Debt contains data on outstanding (net and gross) domestic and foreign debt; the report also provides information on the financial guarantees by the federal government to state development banks, public trusts, the IPAB and the Highway Support Trust Fund (FARAC). In addition, the monthly Public Finance and Public Debt Reports provide consolidated debt data.

Information on the stock of contingent liabilities stemming from the reforms to federal pension and health insurance systems, and other possible sources of contingent liabilities such as the pension systems for state/municipal government employees and the military were calculated as part of the CNH discussions to reform the pensions regime of the public sector employees' healthcare system (ISSSTE). However, commentators have said that the SHCP only reports the financing flows required for each fiscal year, since calculations for the present value (or stock) of contingent liabilities arising from pension systems are extremely sensitive to the underlying assumptions (for example the discount rate, GDP and population growth rates), and thus these figures could prove misleading.⁴⁷

Advance release calendars

As part of its commitment to the SDDS, Mexico disseminates advance release calendars for fiscal information available on the IMF SDDS, SHCP, and INEGI websites.⁴⁸ The publication of budget calendars is also provided for by the new Federal Law.

3. OPEN BUDGET PREPARATION, EXECUTION AND REPORTING

●●●● Compliance in progress

Fiscal policy objectives, macroeconomic framework, and risks

Fiscal policy objectives

The National Programme for Development Finance (PRONAFIDE) contains the government's overall medium-term economic strategy, as well as the optimal policies to meet its targets.⁴⁹ The PRONAFIDE is prepared at the start of each administration and a new one is expected to be drafted by June 2007. The SHCP submits the annual macroeconomic analysis report Economic Policy Guidelines (CGPE) together with the LIF and PEF bill proposals to Congress, by 8 September of each fiscal year at the latest in order to comply with Article 74-IV of the constitution. The CGPE includes information on fiscal policy objectives and sectoral priorities, but this is limited to aggregates. Procedures and econometric forecasting models used to estimate macroeconomic projections are not disclosed.

Based on the new Federal Law, annual budgets will now be presented in the context of a five-year quantitative framework. Previously, each administration was required to publish only one medium-term fiscal plan at the beginning of its mandate. However, medium-term budget frameworks still lack credibility.⁵⁰

Macroeconomic framework

The CGPE sets out the macroeconomic framework and procedures for budget preparation for the relevant fiscal year. However, according to the law, the PEF's sectoral objectives must meet the ones set out in the *National Development Plan* (PND) and the PRONAFIDE. The PRONAFIDE sets targets for the federal (non-financial) government's debt and budget during the presidential term.

Since the relationship between the PRONAFIDE's medium-term financial plan and each year's budget process was not entirely clear (given that its objectives were seldom met), the authorities have decided to update the PRONAFIDE forecasts and include them in the CGPE. This decision will allow changing foreign and domestic economic conditions affecting fiscal performance to be reflected in the CGPE, while harmonising objectives over the short, medium and long term. Multi-annual forecasts (2006-2009) for GDP growth, public sector balances and borrowing requirements, and inflation are included in the CGPE for 2006.⁵¹

Fiscal risks

The CGPE discusses the established macroeconomic assumptions, previous years' outturns, and the next year's forecast, but there is no explicit analysis of fiscal risks. Based on the new Federal Law, macroeconomic scenarios and analyses of fiscal risks for these timeframes will also be included within the five-year framework of the budget.⁵² The 2006 budget draft did not include macroeconomic scenarios that would explain the impact of a number of potential fiscal reforms (particularly to the tax system) if they were approved. As in previous years, some commentators stated that publishing various scenarios -- and certainly some including the fiscal benefits available from implementing the diverse CNH recommendations -- would have been welcomed both in terms of increasing transparency and to make clear the need for reform.⁵³

The government uses the broader fiscal measure of Public Sector Borrowing Requirements (RFSP, *Requerimientos Financieros del Sector Público*), which measures the financing needs of public entities and of private and social entities that act on the government's behalf. The RFSP is a particularly useful measure to assess the trend that the ratio of public debt to GDP could follow in the medium term. In fact, some commentators stated that this measure, and not the traditional public sector balance, should be the basis for budget discussions regarding any fiscal surplus rules. On the other hand, they cautioned that a number of critical assumptions included in the CGPE report, such as that there will not be future 'Public Investment Projects Financed by the Private Sector' (PIDIREGAS), should be addressed in order to have reliable indicators of fiscal risks. The SHCP publishes and delivers to Congress a summary of the fiscal cost that the tax code -- owing to approved exemptions, subsidies, special fiscal treatments and differentiated tax bands -- generates in terms of loss of revenues in each fiscal year.⁵⁴

The comprehensive *Report on the Economic Situation, Public Finances and Public Debt* (issued quarterly) includes, as part of a detailed assessment of the evolution of public finances and the economy as a whole, a list and brief explanation of the federal government's commitments and guarantees.

Fiscal sustainability

There are no comprehensive SHCP studies or reports on fiscal sustainability that include pension liabilities for the military, public universities and state/municipal government employees. In general, the CGPE reports incorporate a medium-term analysis on deficit sustainability for the public sector. The Public Debt Committee of the CNH presented a cross-section analysis of the contingent liabilities arising from the different pensions systems according to public sector classification and level of government.⁵⁵

Mexico used to rely on annual automatic mechanisms to adjust expenditure when actual revenues differed from budget forecasts. Some ambiguities had typically characterised each year's LIF provisions for the distribution of windfall oil revenues. In order to avoid discretionary spending and governmental abuse in reallocating resources, the new Federal Law establishes clear allocation parameters and institutionalises formal criteria to distribute exceeding oil revenues. According to the new Federal Law, federal oil revenues for each annual budget will be projected using a reference oil price set by a formula. Any excess income resulting from actual oil prices above the reference price may be used to compensate for certain budgetary overruns (such as higher interest costs), while the remainder will be split between several stabilisation funds (40% to the federal stabilisation fund and 25% to the state and municipality stabilisation fund), state-level investment projects (10%) and PEMEX (25%). If the actual oil price is lower than its reference level, money can be drawn from the stabilisation funds, but once exhausted, fiscal tightening is required.⁵⁶

Mexico has different pension systems, and each state government relies on at least one of them, but often resorts to several for different groups of public sector employees. Sometimes municipalities also have their own systems. They are all framed along the line of the federal ISSSTE system, which gives workers the right to retire after 30 years for men and 28 for women. A minimum retirement age has been introduced at the federal level, but not all states have adopted it. A reform of the public employee pension system is currently under discussion in Congress.⁵⁷

Legislation prevents states and municipalities from borrowing in foreign markets and sets ceilings on states' domestic borrowing.

Budget presentation

Data reporting

Data are available with a comprehensive budget classification by institution, function, programme and economic category. Information on programme classification in the PEF 2004 and the *Public Account* 2004 was more aggregated than in previous years, a fact that considerably diminished fiscal transparency. The 2005 PEF and the 2006 PEF draft recovered some of the previous structural information by programme, but there were several differences between the budget programming codes of 2005 and 2006.⁵⁸ This led to several shortcomings. First, the lack of detail at the programme classification level for some fiscal years rendered budget allocations/execution not comparable with previous outturns. Second, the introduction of annual modifications to the programming code for budget expenditures made conducting an adequate evaluation of programme results difficult, for both the Congress and the public. Such an evaluation could be used as information to decide on the allocation of resources for next year's budget.⁵⁹ Currently, almost all expenditure is presented by programme with the exceptions of national security expenditures, which are not disaggregated, and expenditures exerted by public companies and entities, since the planning and programming of these companies is coordinated, but not determined, by the sectoral secretariats or governmental agencies.⁶⁰

The institutional classification divides expenditure into budgetary branches, which comprise autonomous branches, administrative branches, general branches, and entities under direct budgetary control. Each agency's data include expenditures by programme that, in turn, include information on functions, expenditure classified by activity, responsible unit, project and economic category. The functional and economic classification used is generally compatible with international classifications, and several improvements have been made regarding data layout and compilation techniques.

Budget execution and monitoring

Budget execution schedules and performance evaluations have been enhanced with the introduction of the System for Budgetary Execution Control (SICGP) and the Integrated System for Federal Financial Management (SIAFF), which allow institutions to report disbursements electronically. The SICGP has been gradually introduced across the federal government -- thus improving the ability of the SHCP to monitor fiscal management in both government agencies and parastatal institutions -- and has helped to reduce budgetary lags.

The Treasury Department's SIAFF allows the recording of expenditures at all levels and stages of the budget implementation, and discloses fiscal data in real time. It started operations in January 2003, and full implementation for operations of the federal government is now complete.⁶¹ More importantly, the SHCP publishes the monthly progress on budget expenditures for the central government and parastatal institutions, which also includes payment obligations and guarantees by the federal government.⁶²

In terms of budget planning and programming, significant progress has been achieved through the design and implementation of the Integral Process of Programming and Budgeting (PIPP, *Proceso Integral de Programación y Presupuesto*). The PIPP has introduced several innovations to streamline procedures, both via the integration of new IT capabilities and by establishing clear rules and calendars for the system's operation.

Since 2003, the government has worked to design a PEF that incorporates performance indicators, which should help to identify and target socio-economic needs while allowing a reliable assessment of the impact of budget spending. Although several improvements have been made, for example by including a statement of objectives to be achieved by major budget programmes, some commentators expressed concern about the gradual reformulation of

performance indicators, which are moving from programme goals to institutional activities. In addition, most budgetary programmes have no periodic performance analysis and, given the latest criteria used for setting performance indicators, it is unclear how budget allocations for the next annual budget can relate to socio-economic assessments.⁶³ The new Federal Law requires the establishment of indicators to measure programme outcomes, thus moving towards performance-based budgeting. A national framework to evaluate programme results against specific targets is under development and is expected to be approved by March 2007.⁶⁴

In agreement with Articles 2-IX and 8 of the Law on the Federation's Supreme Audit (*Ley de Fiscalización Superior de la Federación*), the executive compiles and presents to Congress a mid-year review of budget execution and audit control. This report includes financial and programming information that is subsequently incorporated into the annual *Public Account*.⁶⁵

Accounting basis

Mexico uses a modified cash-based accounting system under the Integral System of Government Accounting (SICG).⁶⁶ For purposes of budget monitoring, operations include transactions in cash, transactions compensated between receipt-outlay and between outlay-financing, and operations in kind (at market value). Some government commitments and guarantees are recorded as required by law; accrued obligations are recorded at the same time as the payment orders. The Treasury does not make all third-party payments directly, but transfers a portion of the funds to executing units, thereby converting them into 'independent' treasuries.

The government has continued to implement a comprehensive review of accounting practices in local governments through the Modernisation Programme for States' Accountancy Systems and Registers, as part of the decentralisation process. The government has reported substantial progress in providing technical assistance in several states. The SHCP releases the monthly *Technical Bulletin on Government Accounting* to make available the guidelines and any technical progress that fosters transparency in the government's accounting practices.⁶⁷

Procurement and employment

The Law on Procurement, Leasing and Services in the Public Sector and the Law on Public Works and Related Services, with their respective regulations, have substantially enhanced procurement systems. Regulations apply to the federal government with the exception of the judicial and legislative branches and other autonomous entities. The Ministry of Public Function (SFP) operates an electronic procurement system (COMPRANET)⁶⁸ that discloses all calls for tender, bidding documents and award decisions.⁶⁹ In addition, the LFTAI provides detailed guidelines for disseminating procurement information by every government unit in Mexico -- this information is generally found on each unit's 'transparency portal'.

Public employment is regulated by the Federal Law on Public Sector Workers (1963, as amended in January 1998) on the basis of Article 123(B) of the constitution, and complementary by-laws.⁷⁰ Except for certain careers subject to specific regulations, all public employees are legally classified according to whether they occupy staff or managerial positions; these two types of positions are subject to different recruitment, promotion and layoff procedures.

There have been substantial efforts to advertise job vacancies, and to appoint employees through a competitive recruitment and selection process as part of the ongoing plans to establish a civil service career programme. However, some commentators judged that there is still ample discretion in appointment practices, especially for mid-level and senior management positions.⁷¹ The Salary Description and Evaluation System has gradually reduced wage discrepancies among similar jobs in different government units. A wage schedule for the different employment levels can be found on each unit's transparency portal.⁷²

Fiscal reporting

The SHCP and the Executive Office are required by law to report fiscal information to Congress. For example, the PEF requires the SHCP to submit quarterly reports on economic balance, government finances, public debt and the performance of programmes that have ‘operation rules’ assigned. These reports must be made available within 35 calendar days after the end of each quarter. All audited public sector accounts must be submitted to Congress before 5 June of the following year.

The Fiscal Audit Office (ASF) produces the *Review and Audit of the Federal Government Public Account* for each fiscal year, which is published by the end of March of the following year and based on the information provided by the executive in the mid-year review of budget execution and the *Public Account* reports.⁷³ The report contains detailed execution information on the revenue and expenditure budgets, and provides an explicit comparison of budget execution against initial and amended allocations. The Federal Audit Law (2000) also requires the ASF to supply a mid-year status report on the federal government accounts, which is submitted to Congress in August.

In general, the budget includes guidelines for the publication of annual results achieved relative to the objectives of major budget programmes. These guidelines are presented to the Congress Commission of Budget and Public Account. Some commentators judged that Congress should increase its technical capabilities in order to make full use of the available information. In turn, the executive should provide more time to Congress to review the results, while summaries of the main findings presented to Congress should be open to public scrutiny.⁷⁴ The new Federal Law satisfies these needs by giving Congress more time to discuss the budget and by publicly releasing information on the budget prior to its submission to Congress.⁷⁵

4. ACCOUNTABILITY AND ASSURANCES OF INTEGRITY

●●●● Compliance in progress

Data quality standards

Mexico observes the IMF SDDS requirements in all categories, using flexibility options for the timeliness of data on the operations of the general government and the central government. Timeliness requirements are exceeded with respect to data on national accounts and central government debt.⁷⁶

The methodology used to compile government finance statistics follows national concepts and definitions that are generally similar to the IMF guidelines of the Manual on Government Finance Statistics (GFSM 1986), and the government is currently assessing the suitability of introducing the IMF Government Finance Statistics Manual (GFSM 2001). Government finance statistics are compiled and disseminated for the federal government (budgetary central government), consolidated central government, general government, budgetary public sector, non-financial public sector and public sector borrowing requirement. The production and publication of data on government operations is governed by the Law on Statistical and Geographical Information, Article 47(IV) of the Federal Law on the Responsibilities of Public Servants, and Article 19(XVIII) of the Rules of Procedure of the SHCP. Data provided for statistical purposes may not be divulged individually, and when being disseminated to the public they should be presented in such a way as to preserve the anonymity of the reporting entities.

Budget execution is considered to be broadly in line with the approved budgetary figures, although several cuts and supplements do take place. These changes are presented in the SHCP quarterly reports to Congress only if they are above the annual thresholds established in the PEF. Some commentators highlighted last year that establishing the thresholds as a percentage of the budgeted spending had granted the executive ample powers to authorise discretionary changes.⁷⁷ The 2006 *Federal Law on Budget and Fiscal Responsibility* remedies this deficiency by enforcing a strict balanced budget fiscal policy, whereby any expenditure increase must be adequately funded with revenues.

Public sector fiscal reports and the federal government's *Public Account* are reconciled with broad fiscal and monetary data. The government has made substantial progress in reducing the time lag for the presentation of the *Public Account* report and increasing the scope of data for all government levels (federal, state and municipal). The INEGI publishes the *Monthly Statistics of the States' Public Finances*, which allows the SHCP to compile revenue, expenditure and financing information for state governments more accurately.

Independent scrutiny of fiscal information

Independent Audit

The Ministry of Public Function (SFP) carries out internal audits, but some commentators have stated that its appraisals -- and the overall internal supervision process -- are unreliable. For example, they perceived many government departments to be overwhelmed by the information requirement of the SFP, and many civil servants appeared to be reluctant to carry out administrative duties, because they did not understand the scope and remit of the SFP audits. On the other hand, commentators were somewhat sceptical about the actions that public sector agencies were performing in order to comply with the SFP's audit recommendations. In this context, public accountability over government expenditure is perceived as weak and in need of efficient enforcement. Some commentators have

suggested that the entire statutory framework and practices should be reviewed in order to streamline operations and avoid the current duplication of functions.⁷⁸

The Federal Audit Office (ASF), acting as an auxiliary body to the Chamber of Deputies, possesses full institutional and operative autonomy and exercises external supervision over the whole federal executive branch. As such, the ASF has the authority to conduct audits for all federal public entities, states, municipalities and individuals. Audits at the sub-national level are implemented through coordination agreements with state legislatures and auditors, following guidelines established in the Law on the Federation's Supreme Audit. The ASF reports to the Chamber of Deputies by 31 March of the following year; once the deputies have reviewed the reports, the documents are published and made available upon request. Some commentators have suggested that the technical capacity of the Chamber of Deputies, especially the commissions in charge of reviewing the socio-economic impact of budget programmes, should be strengthened in order to truly exercise a supervisory role.⁷⁹

National Statistics Agency

The Ministry of Finance and Public Credit (SHCP) is responsible for the production and dissemination of financial statistics on the federal government. The national statistics institute, INEGI, has the authority and responsibility for planning, promoting and implementing the organisation and development of an integrated national and economic accounting system. The INEGI does not possess auditing functions to verify the federal government's financial statistics.

In early October 2005, a Congress Commission tabled a proposal to Congress to vote a draft law that would grant statutory autonomy to the INEGI, a devolved body of the SHCP. The Chamber of Deputies approved the draft, which was then sent to the Senate for discussion and ratification. As a whole, the proposed changes would grant technical and operational autonomy to the INEGI by amending Articles 26 and 73 of the constitution and enacting a new *Organic Law of the INEGI*. Importantly, an internal, five-member board of governors would be in charge of the institute's management; the president (with the Senate's approval) would appoint the board members (it is unclear if the tenure of board members will be staggered, thus similar to the arrangements for the central bank's Board of Governors). The reform also aims to launch the 'National System of Statistics, Informatics and Geography' -- a system that will collate the output of the various data-producing agencies and serve as the main access point for national statistics and survey information.⁸⁰

INTERVIEWS

Representatives of *Oxford Analytica* interviewed the following individuals during a visit to Mexico between 23 and 27 October 2006:

Ministry of Finance and Public Credit (SHCP)

27 October 2006

Marco Alberto Oviedo Cruz	Director of Public Policy Studies
José Antonio González Anaya	Director General of Insurances and Securities

Central Bank of Mexico (Banxico)

25 October 2006

Alberto Torres García	Director of Macroeconomic Analysis
Ana María Aguilar Argáez	Senior Economist and Manager of Monetary Research

ADDITIONAL INTERVIEWS

23 October 2006

Mauricio Basila Lago	Vice President	Stock Market Supervision Comisión Nacional Bancaria y de Valores (CNBV)
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24 October 2006

Joost Draaisma	Senior Economist	World Bank
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25 October 2006

Ricardo Sierra	Deputy Director	Centro de Estudios de las Finanzas Públicas (CEFP) Chamber of Deputies, Congress
Adriana Beltrán	Director of Technical Support	Centro de Estudios de las Finanzas Públicas (CEFP) Chamber of Deputies, Congress

26 October 2006

Laura Sour Vargas	Professor	Centro de Investigación y Docencia Económicas (CIDE)
Mario Rodarte	Director General	Centro de Estudios Económicos del Sector Privado (CEESP-CCE)
Francisco Lelo de Larrea	Deputy Director of Economic Investigation	Centro de Estudios Económicos del Sector Privado (CEESP-CCE)

27 October 2006

Alejandro Ortiz
David Dávila Estefan

Project Manager
Researcher
Seguimiento Ciudadano
Al Poder Legislativo

Fundar Centro de Análisis e Investigación
Fundar Centro de Análisis e Investigación

NOTES

- ¹ Constitution of the United States of Mexico of 1917 (as amended in September 2006, in Spanish only): www.diputados.gob.mx/LeyesBiblio/pdf/1.pdf
- ² Constitution of 1917, Articles 73 and 117-121.
- ³ Constitution of 1917, Article 115.
- ⁴ For a concise description of the Mexican Public Sector see IMF Country Report 02/200, 'Mexico: Report on the Observance of Standards and Codes—Fiscal Transparency Module' page 7, figure 1. www.imf.org/external/pubs/ft/scr/2002/cr02200.pdf
- ⁵ See *Special Programme for an Authentic Federalism 2002-2006* (in Spanish only), Ministry of Interior (SEGOB): www.inafed.gob.mx/work/resources/PAF/0000%20Index.pdf
- ⁶ For a list and descriptions of the funds included in *Ramo 33*, which help strengthen the objectives of the fiscal federalism programme see: www.inafed.gob.mx/wb2/INAFED/INAF_4_Participaciones_Feerales_Ramo_33
- ⁷ See *Convención Nacional Hacendaria* (CNH) at: www.cnh.gob.mx
- ⁸ See the CNH's final report and recommendations, *Declaratoria a la Nación y Acuerdos* (in Spanish only), at: www.cnh.gob.mx/pdfs/declaratoriafinal.pdf
- ⁹ Interviews in Mexico, 23-27 October 2006.
- ¹⁰ Interviews in Mexico, 22-25 November 2004 and 3-6 October 2005. In fact, most state and municipal governors had expressed a desire to minimise the involvement of federal congressmen in the CNH, in order to avoid some of the previous difficulties experienced during the 2004 budget negotiations between the government and opposition parties.
- ¹¹ Federal Law on Budget and Fiscal Responsibility (*Ley Federal de Presupuesto, y Responsabilidad Hacendaria*, in Spanish only): <http://www.diputados.gob.mx/LeyesBiblio/pdf/LFPRA.pdf>
- ¹² *Iniciativa de Presupuestos Abiertos 2006 - Resultados para México del Cuestionario de Presupuesto Abierto, 2006*; Center on Budget and Policy Priorities, pp.17-18.
- ¹³ Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público-SHCP*) www.hacienda.gob.mx
- ¹⁴ Federal Law on Budget and Fiscal Responsibility (*Ley Federal de Presupuesto, y Responsabilidad Hacendaria*, in Spanish only): www.diputados.gob.mx/LeyesBiblio/pdf/LFPRA.pdf
- ¹⁵ Interviews in Mexico, 23-27 October 2006.
- ¹⁶ Interviews in Mexico, 22-25 November 2004 and 3-6 October 2005. For the 2005 budget, for example, the estimated oil price of 23 dollars per barrel set by the government was raised to 27 dollars and approved by Congress without any formal, analytical explanation.
- ¹⁷ Interviews in Mexico, 23-27 October 2006.
- ¹⁸ Interviews in Mexico, 23-27 October 2006.
- ¹⁹ Interviews in Mexico, 23-27 October 2006.
- ²⁰ Interviews in Mexico, 23-27 October 2006.
- ²¹ Interviews in Mexico, 23-27 October 2006.
- ²² State constitutions at: www.cddhcu.gob.mx/bibliot/infolegi/consedos/
- ²³ Interviews in Mexico, 23-27 October 2006.
- ²⁴ Law of the Bank of Mexico (as amended in 1999): www.banxico.org.mx/
- ²⁵ The Federal Audit Law of 2000 replaced the Senior Comptroller of Finance with the Federal Audit Office. See: www.asf.gob.mx/
- ²⁶ Interviews in Mexico, 23-27 October 2006.
- ²⁷ Interviews in Mexico, 23-27 October 2006. The SHCP directly appoints six of the Commission's 13-member board, including its president (although members are chosen based on rigorous criteria). The CNBV's president, who chairs the board, appoints two additional members. Therefore, the SHCP could potentially influence the decisions of eight of the 13-member board. See the Law of the Banks and Securities Commission of 2001 (*Ley de la Comisión Nacional Bancaria y de Valores*) at: www.cnbv.gob.mx
- ²⁸ "International Budget Project Open Budget Questionnaire – Mexico," 2005, Center on Budget and Policy Priorities, pp. 37-39.
- ²⁹ Ministry of Public Function (SFP): www.funcionpublica.gob.mx/index1.html
- ³⁰ Interviews in Mexico, 23-27 October 2006.
- ³¹ Interviews in Mexico, 23-27 October 2006.
- ³² The principal laws related to budget planning, programming and execution are: *Ley de Presupuesto y Responsabilidad Hacendaria* (2006); *Ley General de Deuda Pública* (1976); *Ley de Coordinación Fiscal* (1978); *Código Fiscal de la Federación* (1981); *Ley de Planeación* (1983), *Ley del Servicio de*

Tesorería de la Federación (1985); and *Reglamento de Ley de Presupuesto, Contabilidad y Gasto Público Federal* (1981).

³³ Interviews in Mexico, 3-6 October 2005. For a systematic analysis of the likely impact of the Federal Law on Budget and Fiscal Responsibility, see *Cómo fortalecer la participación de la Cámara de Diputados en el Gasto Público?*, Fundar Centro de Análisis e Investigación 2005 (in Spanish only) at:

www.fundar.org.mx/secciones/publicaciones/PDF/gastopublico.pdf

³⁴ Organic Law of the Federal Public Administration (*Ley Orgánica de la Administración Pública Federal*)

³⁵ *Reglamento de la Ley de Presupuesto, Contabilidad y Gasto Público Federal* (in Spanish only):

www.hacienda.gob.mx/ucef/nuevo_marcojuridico/RegdeleydePCGP.pdf

³⁶ *Ley Federal de Responsabilidades Administrativas de los Servidores Públicos*, 2002:

www.funcionpublica.gob.mx/leyes/leyresp/inicio.html

³⁷ Federal Institute for Public Information Access: www.ifai.org.mx

³⁸ Interviews in Mexico, 3-6 October 2005. Although the federal government has publicly available registrations for about 160 public trusts, there are also numerous ‘private’ trusts (which are also financed with government money) that remain without records.

³⁹ *Iniciativa de Presupuestos Abiertos 2006 - Resultados para México del Cuestionario de Presupuesto Abierto*, 2006; Center on Budget and Policy Priorities, pp.10-12.

⁴⁰ Basic Economic and Financial Data: <http://www.hacienda.gob.mx/>

⁴¹ See *Informes sobre la Situación Económica, y las Finanzas y Deuda Pública* at:

[www.apartados.hacienda.gob.mx/politica_economica/contenido/documentos/subtema5/2006/informe_3trime_2006.p](http://www.apartados.hacienda.gob.mx/politica_economica/contenido/documentos/subtema5/2006/informe_3trime_2006.pdf)
[df](http://www.apartados.hacienda.gob.mx/politica_economica/contenido/documentos/subtema5/2006/informe_3trime_2006.pdf)

⁴² *Iniciativa de Presupuestos Abiertos 2006 - Resultados para México del Cuestionario de Presupuesto Abierto*, 2006; Center on Budget and Policy Priorities, pp.13-14.

⁴³ For information on public trusts, see for example *Anexo XV Fideicomisos Públicos*.

⁴⁴ *Convenios de Colaboración Administrativa en Materia Fiscal Federal*.

⁴⁵ Interviews in Mexico, 22-25 November 2004.

⁴⁶ See *Ingreso y Gasto Público en México Edición 2005* (in Spanish only):

www.inegi.gob.mx/prod_serv/contenidos/espanol/bvinegi/productos/integracion/sociodemografico/igpm/2005/IGPM-2005.pdf

⁴⁷ Interviews in Mexico, 22-25 November 2004. Nevertheless, a figure is provided in the CNH’s final report and recommendations.

⁴⁸ Mexico Advance Release Calendar from the IMF website:

<http://dsbb.imf.org/Applications/web/sddsctycatarlist?strcode=MEX>

⁴⁹ SHCP ‘PRONAFIDE 2002-2006.’

⁵⁰ *Iniciativa de Presupuestos Abiertos 2006 - Resultados para México del Cuestionario de Presupuesto Abierto*, 2006; Center on Budget and Policy Priorities, pp.17-18.

⁵¹ Economic Policy Guidelines 2006. A summary in English is available at:

http://www.shcp.sse.gob.mx/aplicaciones/ori/ingles/contenido/2005/economic_program_2006.pdf

⁵² Interviews in Mexico, 23-27 October 2006.

⁵³ Interviews in Mexico, 22-25 November 2004 and 3-6 October 2005.

⁵⁴ See *Presupuesto de Gastos Fiscales 2005*.

⁵⁵ See *Minuta de la 3ª. Reunión de la Mesa de Deuda Pública* for estimates of contingent liabilities stemming from the different pension systems (in Spanish only) at: <http://cnh.gob.mx/documentos/2/2/art/archivos/f2toddf2.pdf>

⁵⁶ Interviews in Mexico, 23-27 October 2006.

⁵⁷ “Mexico: 2006 Article IV Consultation – Staff Report; Staff Statement; Public Information Notice on the Executive Board Discussion,” 2006, p. 17.

⁵⁸ Interviews in Mexico, 3-6 October 2005. The problem with the availability of data stems from the fact that there are no statutory requirements to produce the analytical volume containing expenditure information by programme. This is provided upon request to Congress during preparation of the budget. See Volume III, *Analíticos del Presupuesto de Egresos de la Federación*, for the 2001-03 and 2005 PEFs. Note that this information is not available for fiscal year 2004, although information can be obtained via the IFAI and the transparency law for each programme.

⁵⁹ Interviews in Mexico, 3-6 October 2005.

⁶⁰ “International Budget Project Open Budget Questionnaire – Mexico,” 2005, Center on Budget and Policy Priorities, pp. 13-16.

⁶¹ *Integrated System for Federal Financial Management* (SIAFF, in Spanish only): www.tesofe.gob.mx/siaff

⁶² Allocation and Disbursement of the PEF (*Asignación y Ejecución del Presupuesto de Egresos del Poder Ejecutivo*).

⁶³ Interviews in Mexico, 3-6 October 2005. Performance indicators that follow institutional activity criteria are, by necessity, related to institutional performance and coverage. Therefore, the indicators measure the overall performance of the relevant line ministries or authorities (for example, spending efficiency and timeliness), but not the impact of each programme in itself. As a result, it is unclear how the indicators' results can be related to the socio-economic impact of a programme to justify resource allocations in each fiscal year.

⁶⁴ Interviews in Mexico, 23-27 October 2006.

⁶⁵ See mid-year review report, *Informe de Avance de Gestión Financiera*. The annual *Public Account* report, *Cuenta de la Hacienda Pública Federal*, (in Spanish only) is available at:

www.shcp.sse.gob.mx/contenidos/contabilidad_gubernamental/temas/informe_cuenta_publica/index.html

⁶⁶ See the *Sistema Integral de Contabilidad Gubernamental* bulletin.

⁶⁷ See the Technical Bulletin on Government Accounting (*Boletín Contabilidad Gubernamental*, in Spanish only):

www.shcp.sse.gob.mx/contenidos/informacion_economica/temas/politica_economica/html/subtema8.htm

⁶⁸ www.compranet.gob.mx

⁶⁹ Procurement Regulations (in Spanish only): www.funcionpublica.gob.mx/unaopspf/norma.htm

⁷⁰ See *Ley Federal de los Trabajadores al Servicio del Estado*.

⁷¹ Interviews in Mexico, 22-25 November 2004.

⁷² See, for example, wage schedules for the SHCP, *Tabulador y Sistema de Compensaciones*.

⁷³ Auditoria Superior de la Federación: www.asf.gob.mx

⁷⁴ Interviews in Mexico, 3-6 October 2005.

⁷⁵ Interviews in Mexico, 23-27 October 2006.

⁷⁶ See Summary of Observance at: <http://dsbb.imf.org/Applications/web/sddsctycatsoolist/?strcode=MEX>

⁷⁷ Interviews in Mexico, 3-6 October 2005.

⁷⁸ Interviews in Mexico, 22-25 November 2004 and 3-6 October 2005.

⁷⁹ Interviews in Mexico, 3-6 October 2005.

⁸⁰ See <http://gaceta.diputados.gob.mx/Gaceta/59/2005/oct/Anexo-II-04oct.html#Dictámenes>