

# MEXICO

## Budget Reporting

### Timing and Coverage

*Background:* The budget process begins with the submission of macroeconomic estimates to the legislature, no later than **April 1**. The executive's draft budget and the revenues law are presented to the Congress for approval by **Sept 8** every year. The budget is put to full vote on **Nov 15**. The new fiscal year begins on 1 January.

- ***Mexico provides budgetary details in a timely manner but in line with its national accounting system.***

### Revenue & Expenditure Classification

*Background:* While Mexico's fiscal statistics are comprehensive and timely, the authorities compile fiscal statistics following **national** concepts, definitions, and classifications that make international comparison difficult. However, it is encouraging that the new government accounting law mandates accounting standards to follow international standards and take into account the information needs of international organizations. The authorities have committed to reporting government financial statistics in GFSM 2001 format, as well as data for the GFSY.

- ***Encourage MoF (Secretariat of Finance and Public Credit) to compile fiscal statistics in accordance with the IMF's Global Fiscal Statistics Manual thus making international comparison possible***

### Accounting

*Background:* The 2008 Governmental Accounting Law seeks to establish accrual accounting and harmonization of the accounting and budgeting norms across all levels of government.

- ***Encourage MoF to report all transactions on an accrual basis***

## Fiscal Rule

*Background:* The 2006 Budget and Fiscal Responsibility Law (BFRL) reformed the budget process and created (1) a balanced budget rule; states that Congress must approve the debt ceiling annually; prevents states from borrowing foreign debt (2) established a formula for calculating oil prices, institutionalized stabilization funds mainly for surplus oil revenues, and (3) modified the congressional budget approval process. The rule was modified in 2009 to exclude PEMEX investment from the coverage of the balance budget target.

New amendments to the BFRL include (1) Making the public sector borrowing requirement (PSBR), an official target for fiscal policy. (2) Capping structural expenditure in real terms at 2% and (3) Creating of a new sovereign Oil Stabilization and Savings Fund to manage oil revenues.

- ***Encourage MoF to make rules more transparent and refrain from frequent modifications as it reduces procyclicality in fiscal policy.***

## Budget Process

***Encourage MoF to improve budget transparency and accountability by:***

- ***Preparing a mid-year review***
- ***Providing more disaggregation of information on revenues, expenditures and extra-budgetary funds in the Executive's Budget Proposal***
- ***Encourage pre-budget debate by the legislature and encourage the executive to receive prior approval by the legislature before implementing a supplemental budget.***

## Budgetary Features

*Background:* Mexico’s budget documentation provides details on its macro-economic forecasts including estimates of nominal GDP level, inflation rate, real GDP growth, and interest rates.

### *Encourage MoF to include in the budget:*

- ***The development of a more comprehensive medium-term expenditure framework that would lend greater stability to the government’s fiscal framework and would improve planning***
- ***Details on the maturity profile of the debt (short term and long term debt); actual interest rates of each debt instrument and sustainability analysis***

## Open Budget Survey – OBI Index = 66/100

The International Budget Partnership (IBP) prepares the Open Budget Survey (OBS) which is an independent comparable measure of budget transparency, participation, and oversight.

Mexico’s Open Budget Index (OBI) score has seen a steady increase over the years rising to 66 in 2015 from 61 in the prior survey in 2012. This is higher than the global average of 45/100.

In terms of public **participation**, Mexico’s score is 44 out of 100 (v/s global average of 25/100).

Mexico has mixed results in terms of budget oversight and has a score of 44/100. While the legislature provides adequate oversight during the planning stage of the budget cycle, there is weak oversight during the implementation stage of the budget cycle.

In terms of supreme audit institutions (SAIs), Mexico does well with a score of 92/100. The SAIs provide adequate budget oversight and has significant discretion to undertake audits as it sees

fit. The SAI is independent and its head cannot be removed without legislative or judicial approval.

## Fiscal Structure

**Fiscal Federalism:** Mexico has a federal form of government and is made up of 31 states and the federal district of Mexico City and includes more than 2 500 municipalities. The transformation of the political system from a single party rule that existed for ~70 years to a competitive multi-party has impacted the fiscal policies and processes of the Mexican government. The increasingly active role of Congress in the budget process has resulted in intense negotiations and greater transparency in public finances and budget management.

## Budget - Political Process

Mexico has a presidential form of government. Legislative power is with the Mexican Congress which consists of the Chamber of Deputies and the Senate. The formulation of the executive budget is centralized and is directed by the Ministry of Finance. Within the Ministry of Finance, the Under Secretariat for Expenditure is the central budget authority and has responsibility over public expenditures.

The Mexican budget year matches the calendar year. The process begins with the Ministry of Finance submitting the first macroeconomic estimates to the legislature, no later than April 1. Within three months or by June 30, the executive gives the legislature the structure and main proposals for the next year. The budget formulation stage ends with the submission of the budget to the lower house of the legislature by Sept 8. Following the budget debate in the Chamber of Deputies (Oct 20) and Senate (Oct 30), the budget is put to a full vote in the Senate (Nov 15).

## Fiscal Transparency: A Snapshot

### Country Snapshot

Sovereign Rating/Outlook

Moody’s

	(A3/Stable) S&P (BBB+/Stable)
Budget Coverage (General/Central government)	Yes
Open Budget Index Score	66
Availability of Year End Execution Report	Yes
Fiscal Rule/Fiscal Responsibility Laws	Yes
Accounting Methodology	Accrual
Key Areas for Improvement	(1) Adoption of GFSM standards (2) Buttressing Implementation oversight

**Key websites and Data Sources:**

Budget: [www.shcp.gob.mx](http://www.shcp.gob.mx)

Central Bank: [www.banxico.org.mx](http://www.banxico.org.mx)

Open Budget Survey:  
<http://survey.internationalbudget.org/#profile/MX>

OECD: [www.oecd.org/mexico/](http://www.oecd.org/mexico/)