

The Mexican Fiscal Federalism

May 2013

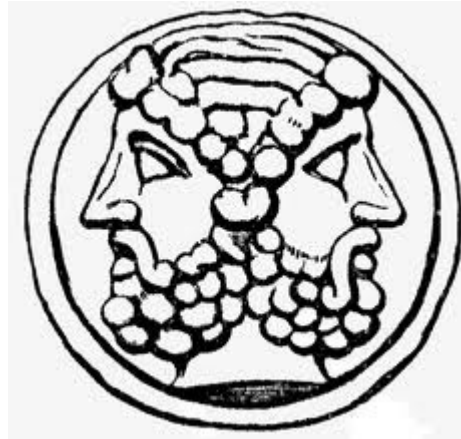
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Variables considered

- Two faces of Janus
- Revenue centralization
- Expenditure decentralization
- States own sources of revenue
- Federal Transfers to States
- International perspective
- Outcomes

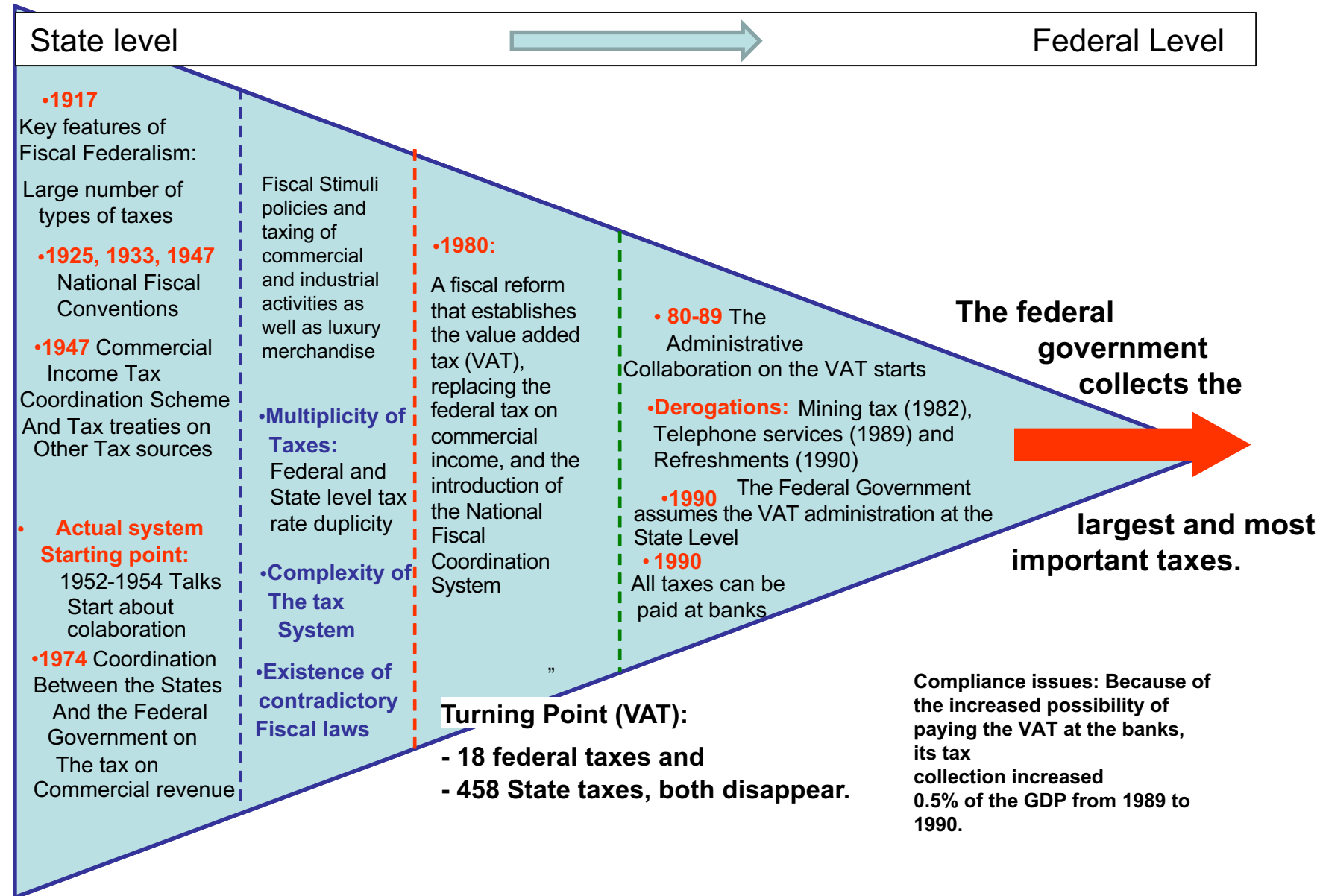
Two faces of Janus



Revenue centralization

Expenditure decentralization

Revenue centralization



Source: "Diagnóstico sobre el tema: colaboración y coordinación intergubernamental", National Treasury Convention and ITG Public Finances Consulting.

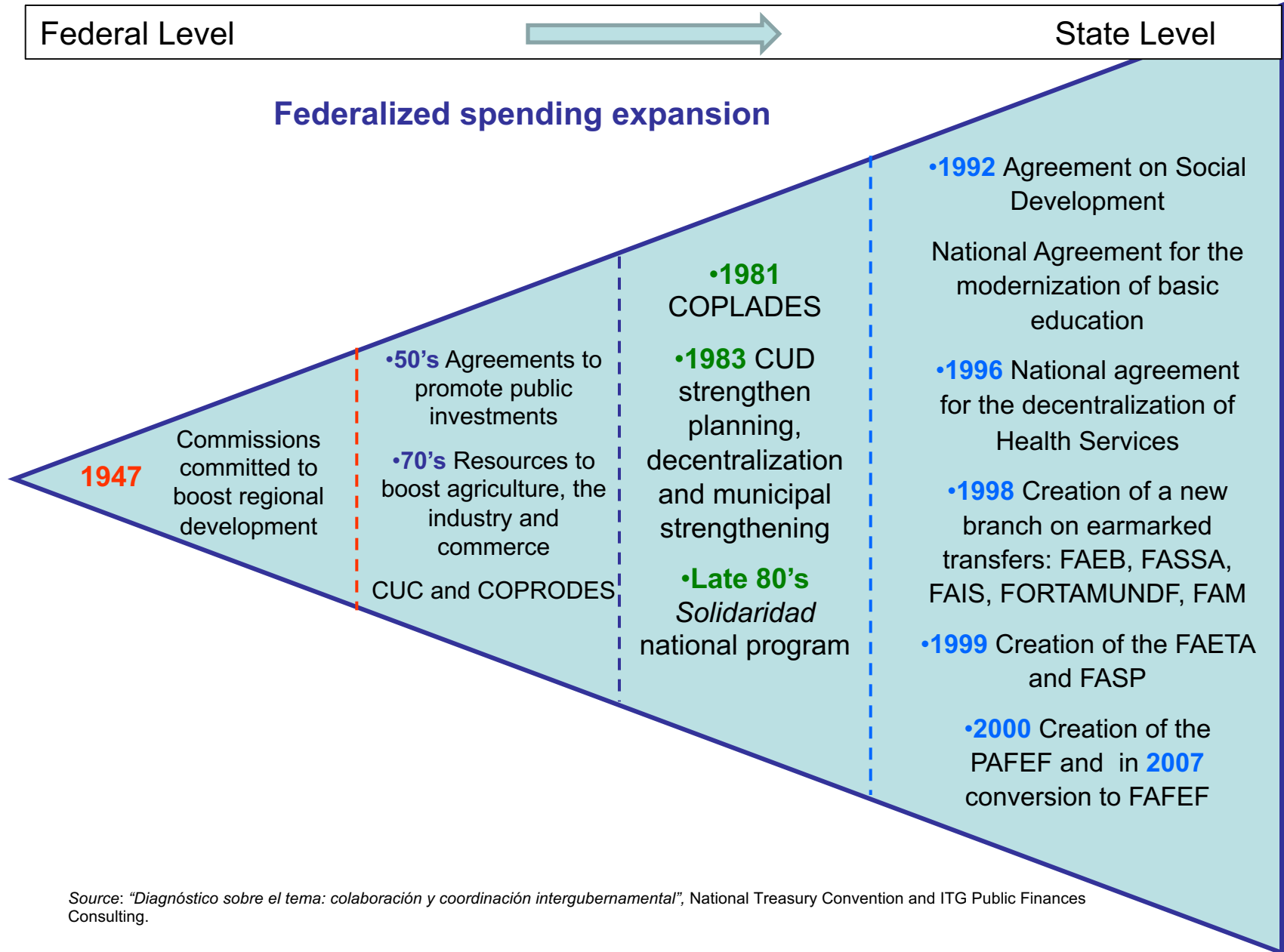
The Fiscal Coordination Law (1980 - present)

- Political context: From an hegemonic party political system and strong presidential informal power & discretion **towards** a multiparty competitive system, congress as a new player, and democratization.

- Economic and social context: Oil bonanza, debt & deficits, two-digit inflation, and social turmoil **towards** a macroeconomic stability with low indebtedness.

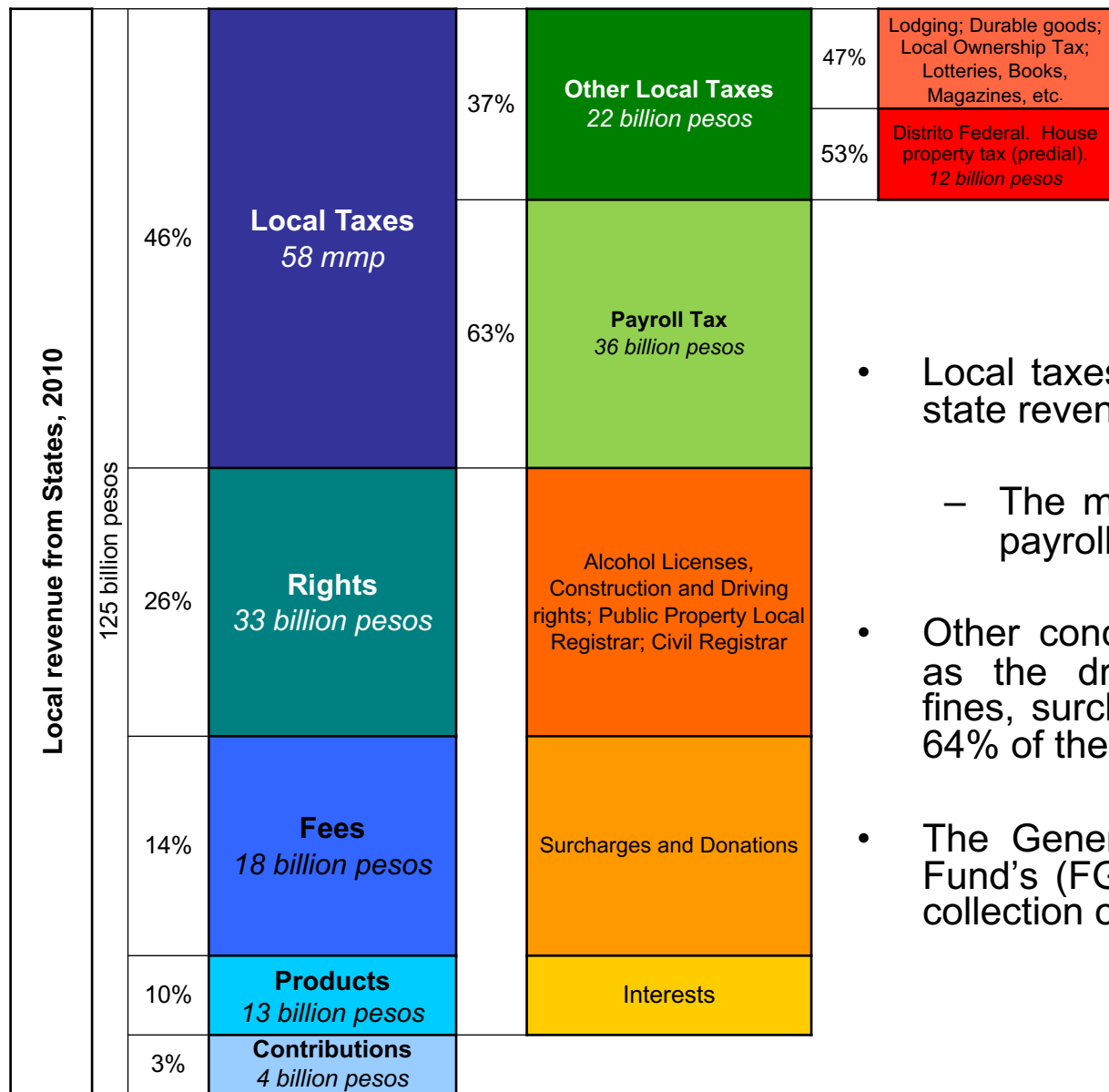
-- but sluggish growth and fiscal predicament persists --

Expenditure decentralization



Source: "Diagnóstico sobre el tema: colaboración y coordinación intergubernamental", National Treasury Convention and ITG Public Finances Consulting.

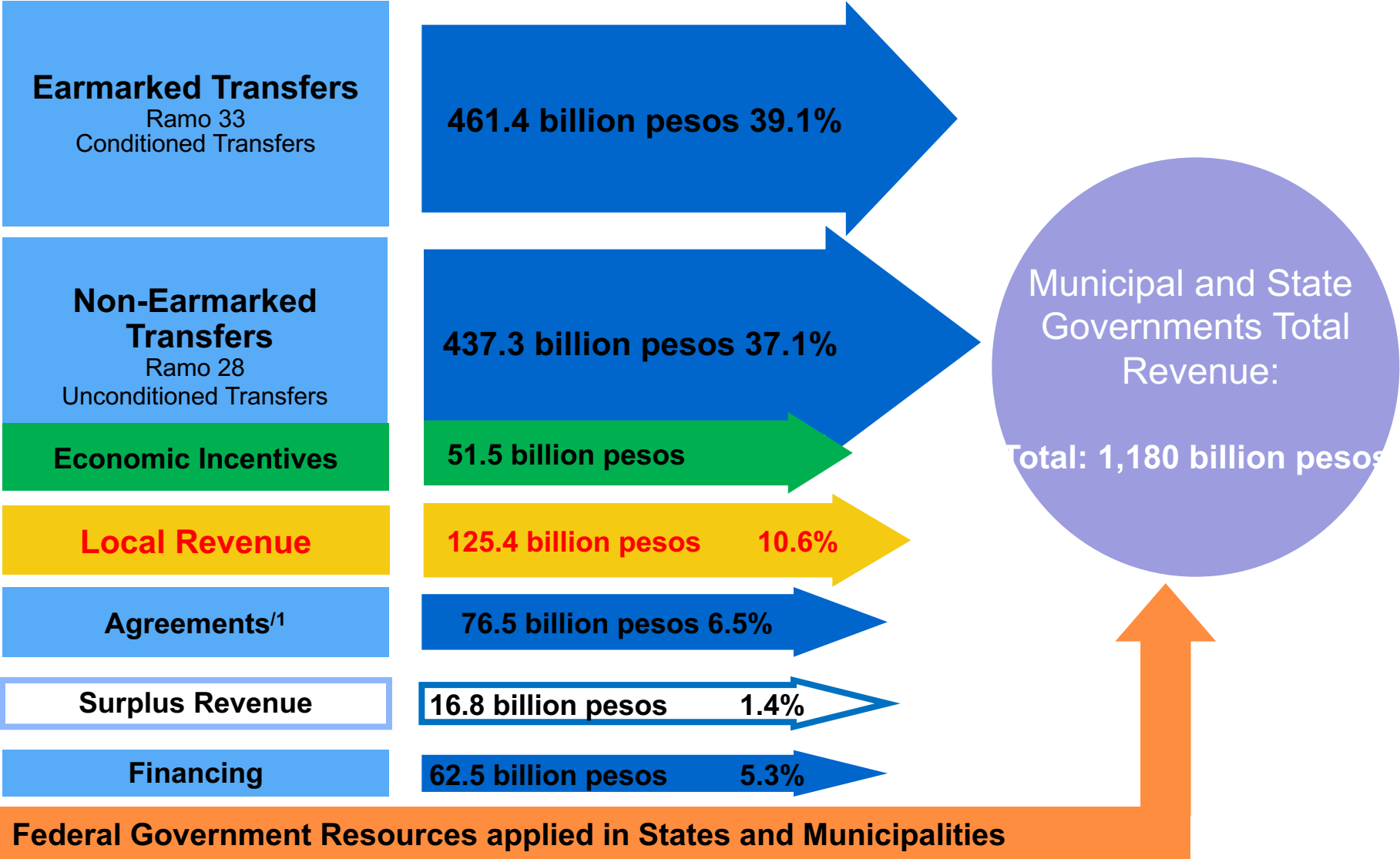
States' own sources of revenue (transfers not included)



- Local taxes represent 36% of their total state revenue.
 - The most important local tax is the payroll tax
- Other concepts different to local taxes, as the driving license fee, registers, fines, surcharges and interest represent 64% of the states' local revenue.
- The General Non-earmarked Transfers Fund's (FGP) formula rewards the local collection of local taxes and state rights.

Source: Federal Mexican Ministry of Finance, SHCP.

Federal transfers to states & municipalities

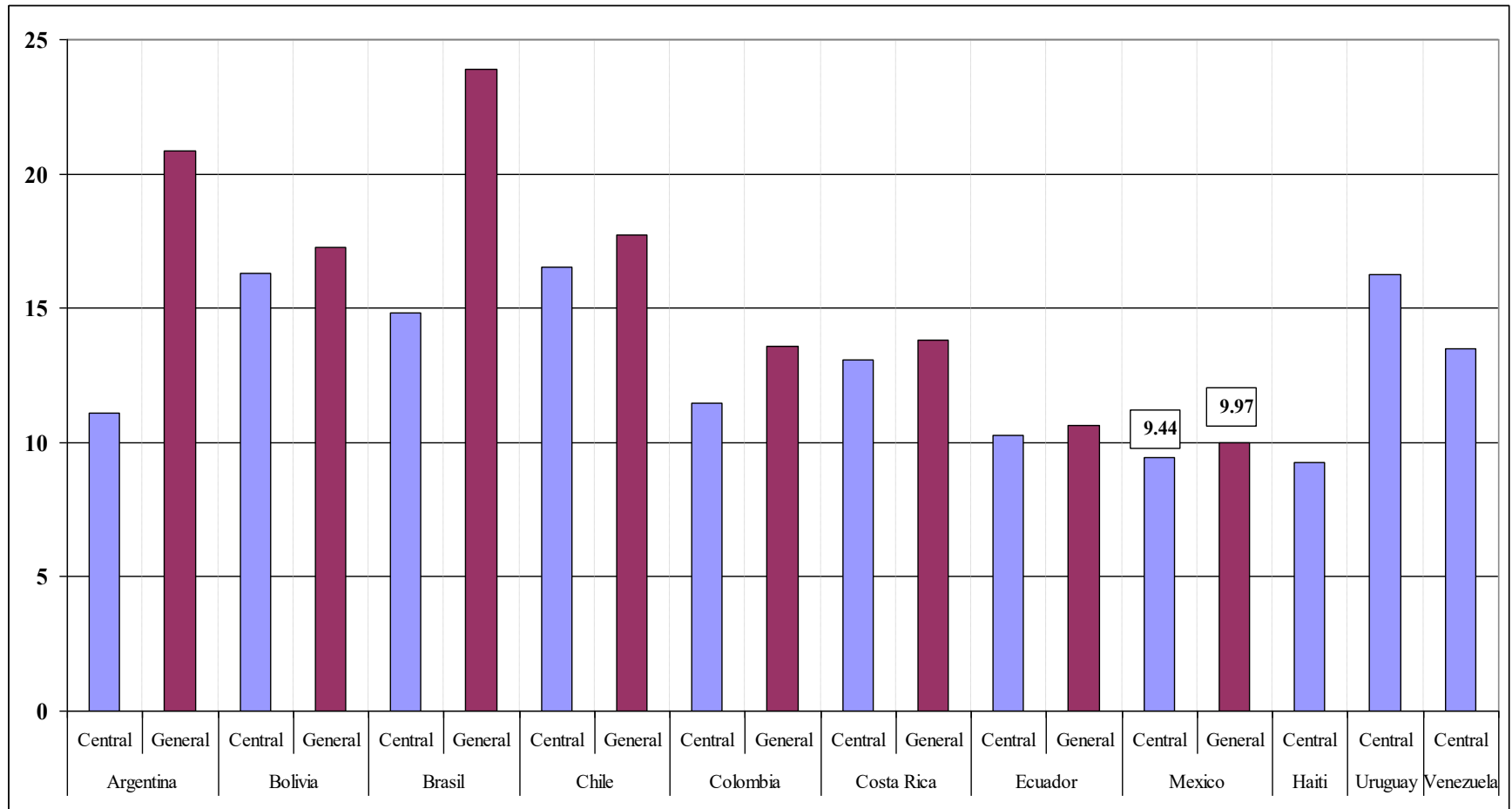


1. Includes Decentralization and Reassignment Agreements, all data from 2010.

Source: Federal Mexican Ministry of Finance, SHCP.

International Perspective

Central / General government revenues (% of GDP, av. 1997 - 2009)

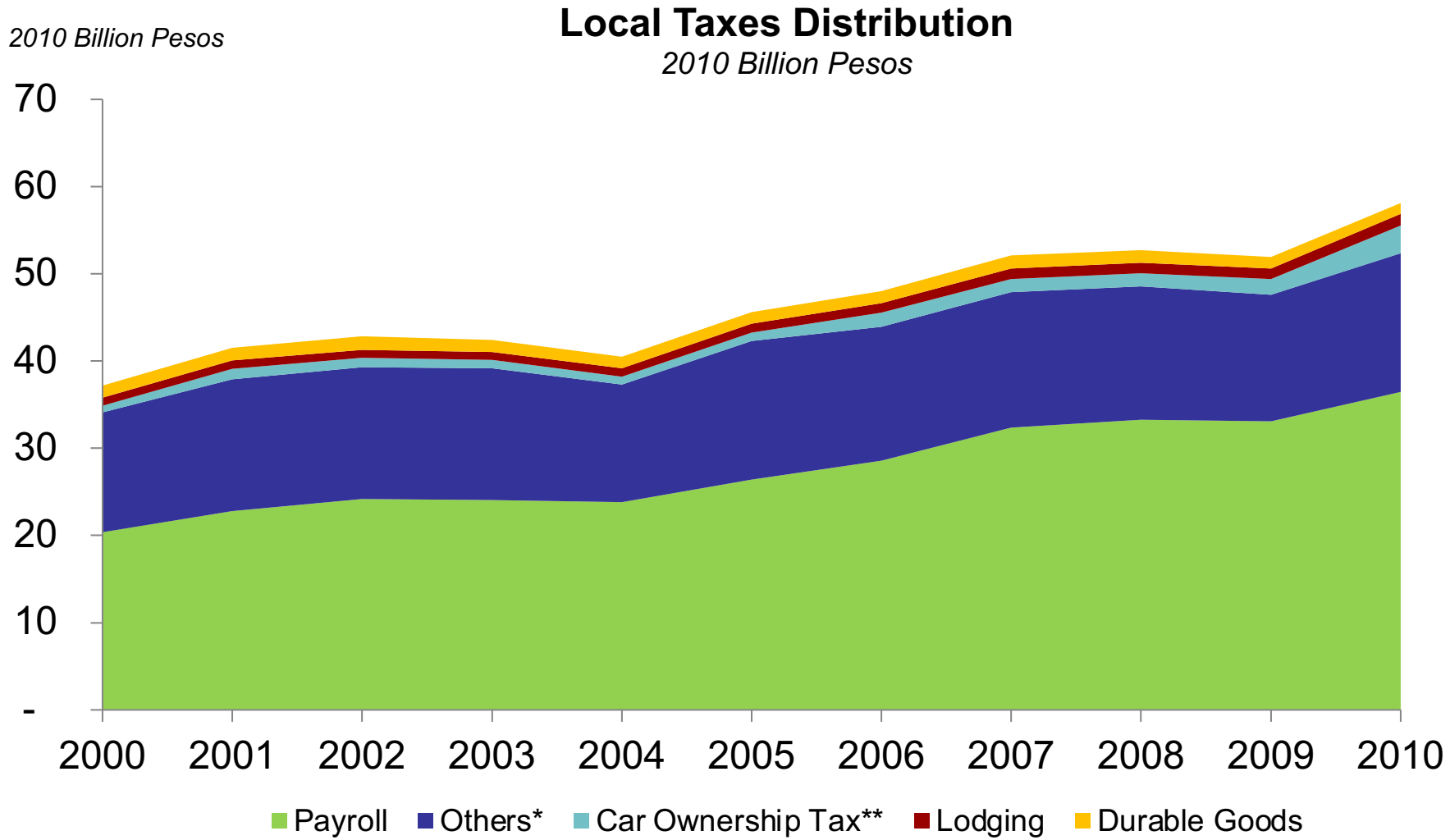


Source: Author's elaboration with data from the Economic Commission for Latin America and the Caribbean, ECLAC.

Outcomes

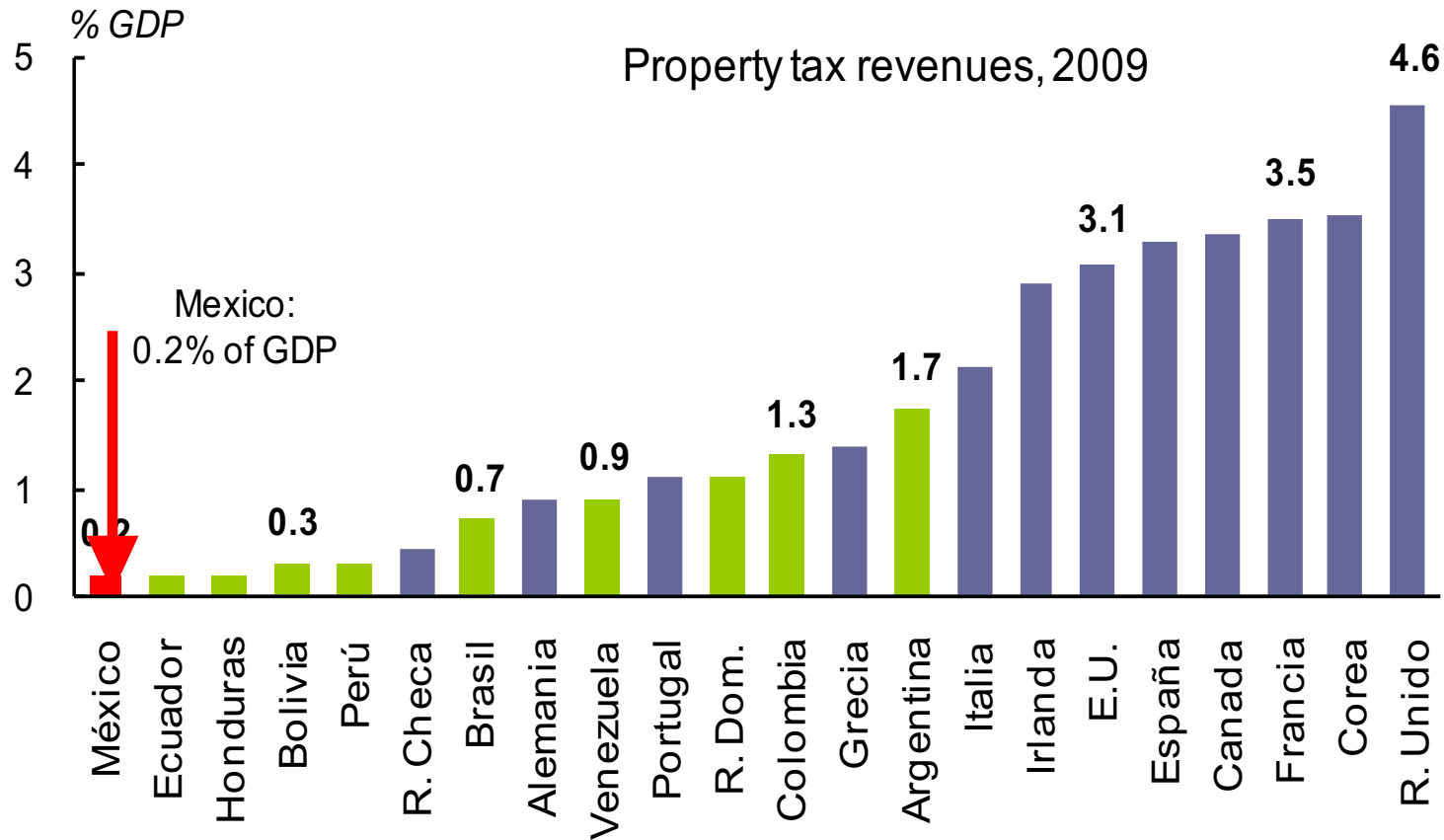
Revenue & Expenditure

Evolution of states own source' of revenues



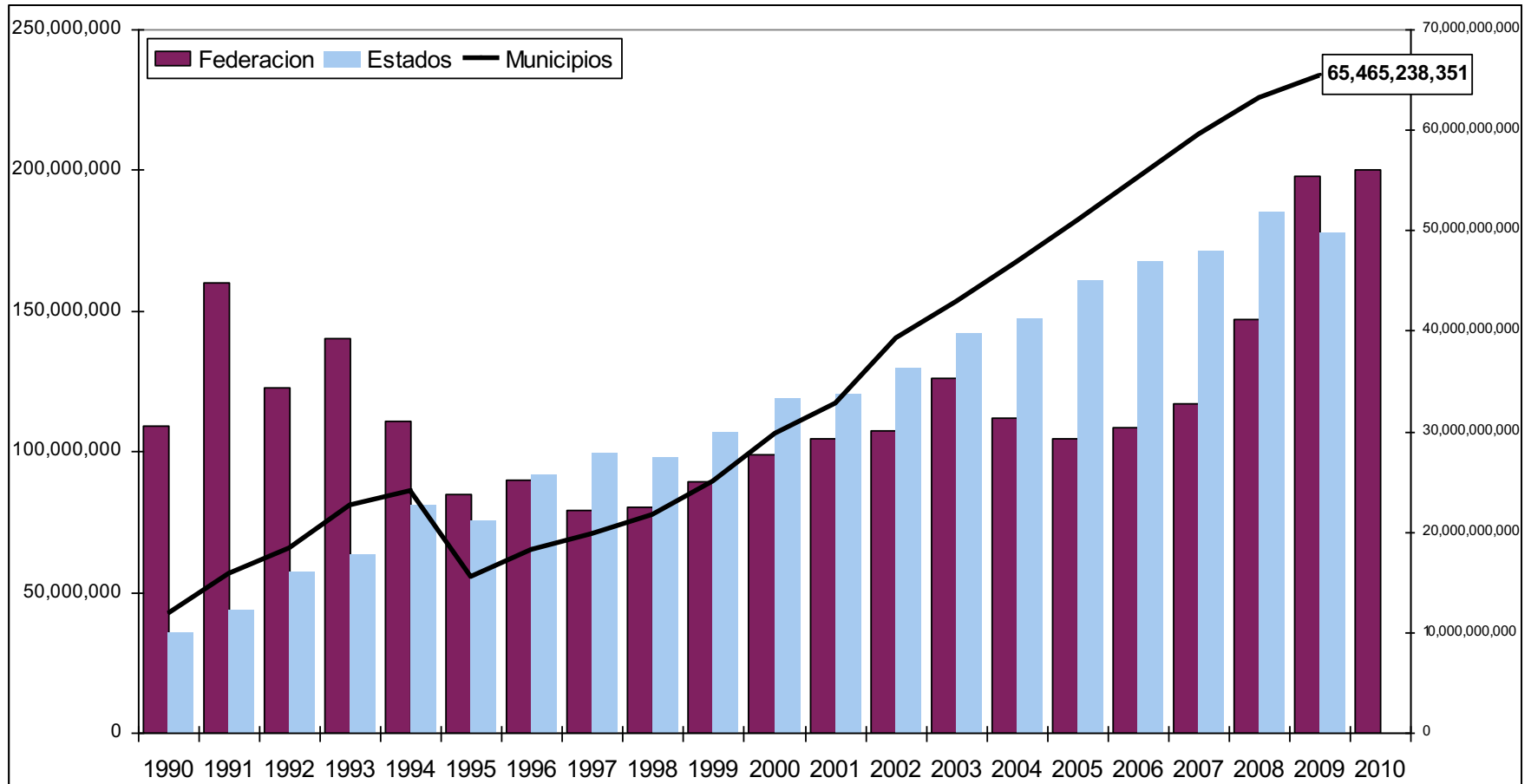
*Include the Real State Acquisition Tax, lotteries, cellphones, etc.
**Includes the federal and local tax on car ownership.

Property tax collection



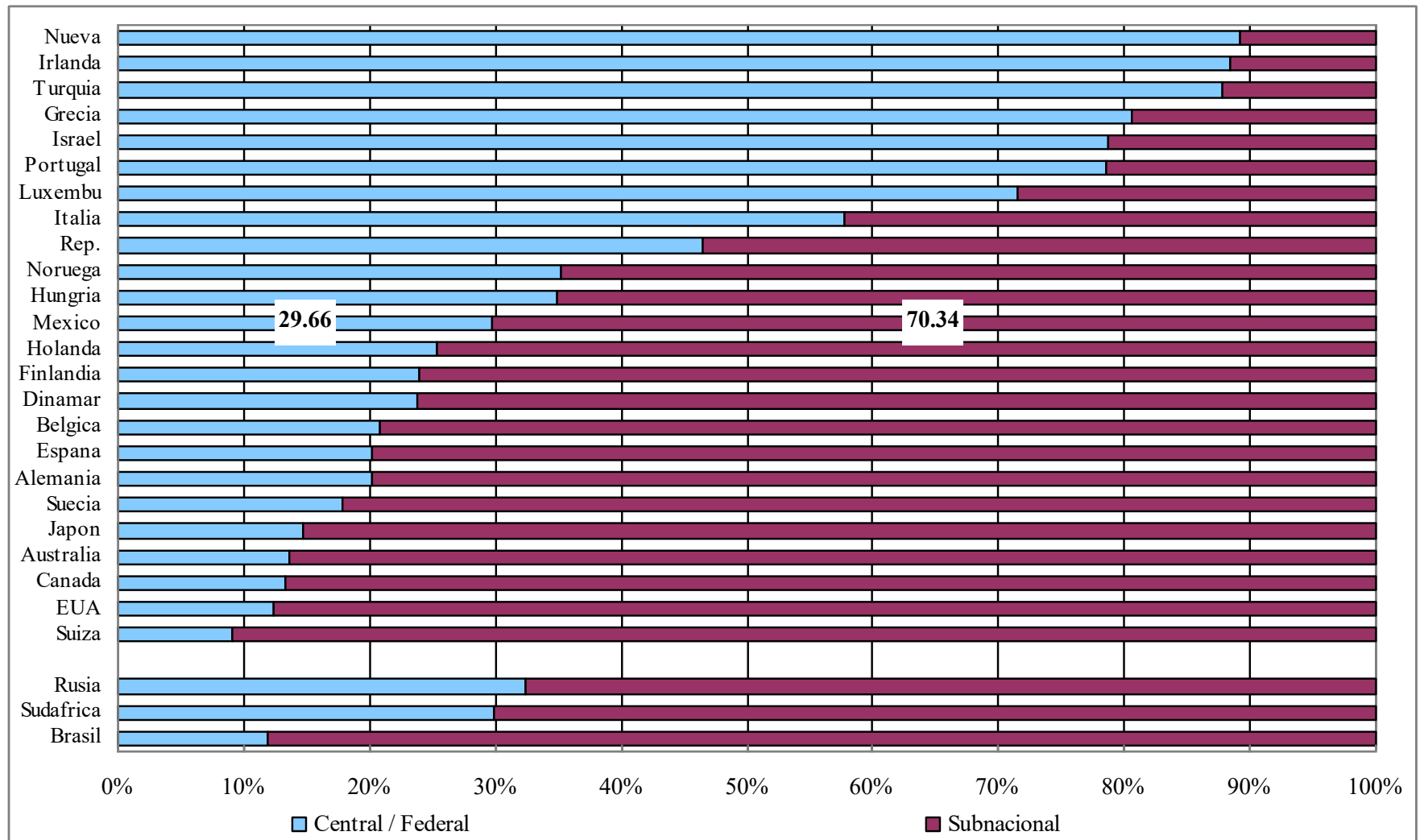
Source: Federal Mexican Ministry of Finance, SHCP.

Public Employment Expenditure, 1990 – 2010 (Federal, State and Local govt., 2003 pesos)



Source: Author's elaboration with data from the Federal Mexican Ministry of Finance, SHCP.

Total Public employment, federal vis-a-vis Subnational govts. (2008)



Source: Author's elaboration with data from the International Labour Organization (ILO), LABORSTA database.

Thank you!
