

Achievements and Challenges of Fiscal Decentralization

Lessons from Mexico

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Acronyms

CAPFCE	Comité Administrador del Programa Federal de Construcción de Escuelas
CEDEMUN	Centro de Desarrollo Municipal
CGC	Commonwealth Grants Commission
CIDAC	Centro de Investigación para el Desarrollo, A.C.
CNA	Comisión Nacional del Agua
CNS	Consejo Nacional de Salud
CONAFE	Consejo Nacional de Fomento Educativo
COPLADE	Comités de Planeación para el Desarrollo del Estado
COPLADEMUN	Comités de Planeación para el Desarrollo Municipal
COPRE	Comisión Presidencial para la Reforma del Estado
CVAT	Compensating value added tax
DIF	Desarrollo Integral de la Familia
EDUCO	Educación con Participación de la Comunidad
FAEA	Fondo de Aportaciones para la Educación de los Adultos
FAEB	Fondo de Aportaciones para la Educación Básica y Normal
FAETA	Fondo de Aportaciones para la Educación Tecnológica y de los Adultos
FAFM	Fondo de Aportaciones para el Fortalecimiento de los Municipios
FAISE	Fondo de Infraestructura Social Estatal
FAISM	Fondo de Aportaciones para Infraestructura Social Municipal
FAM	Fondo de Aportaciones Múltiples
FASP	Fondo de Aportaciones para la Seguridad Pública
FASSA	Fondo de Aportaciones para los Servicios de Salud
FFM	Fideicomiso de Fomento Minero
FGP	Fondo General de Participaciones
FISM	Fondo para la Infraestructura Social Municipal

GDP	Gross domestic product
IEPS	Impuesto Especial sobre Producción y Servicio
IMF	International Monetary Fund
IMSS-	Instituto Mexicano del Seguro Social
COPLAMAR	Coordinación General del Plan Nacional de Zonas Deprimidas y Grupos Marginados
INDETEC	Instituto para el Desarrollo Técnico de las Haciendas Públicas
INE	Instituto Nacional de Ecología
INEA	Instituto Nacional para la Educación de los Adultos
INEGI	Instituto Nacional de Estadística Geografía e Informática
IPF	Inversión Pública Federal Instituto Nacional de Estadísticas Geografía y Investigaci
ISAN	Impuesto Sobre Automóviles Nuevos
ISIM	Impuesto Sobre Ingresos Mercantiles
ISSSTE	Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado
IVA	Impuesto al Valor Agregado (Value Added Tax)
MARINA	Secretaría de Marina
NAFTA	North American Free Trade Agreement
NEP	Nueva Estrategia de Programación
OCDE	Organización para la Cooperación y el Desarrollo Económico
OECD	Organization for Economic Cooperation and Development
OPD	Organismos públicos de descentralización
PAN	Partido Acción Nacional
PAO	Planes operativos anuales
PARE	Programa para Abatir el Rezago Educativo
PEMEX	Mexico's nationalized oil company
PRD	Partido de la Revolución Democrática
PRI	Partido Revolucionario Institucional
PROCAMPO	Programa de Apoyos Directos al Campo
PRODEI	Programa para el Desarrollo de la Educación Inicial
PROGRESA	Programa de Educación, Salud y Alimentación
PROMAP	Programa de Mejoramiento de la Administración Pública
PRONASOL	Programa Nacional de Solidaridad
RFP	Recaudación Federal Participable
RST	Retail sales tax
SECODAM	Secretaría de Controlaría y Desarrollo Administrativo

SEDENA	Secretaría de la Defense Nacional
SEDESOL	Secretariat de Desarrollo Social
SHCP	Secretaría de Hacienda y Crédito Público
SNCF	Sistema Nacional de Coordinación Fiscal (Pacto Fiscal)
SSA	Secretaría de Salud
VAT	Value Added Tax

Preface

*Olivier Lafourcade**

Democratization, decentralization, development. These three sequential forces have swept the world over the last decade and have redrawn the maps of politics, power, and prosperity. Undoubtedly, they have been fostered and accelerated by globalization (financial and commercial) and by the information technology revolution. Understanding those forces of change (despite their speed and complexity) is of the utmost importance for, in the end, their value will be measured by one simple yardstick—their impact on people’s quality of life, especially among the poor.

Modern Mexico has been fully engaged in, and is thus a rich case study of, the democratization, decentralization, and development trio. In recent years, enhanced political competition has redistributed decision-making across the three levels of government (federal, state, and municipal) and has made it more accountable to the average citizen. It has also given subnational governments a renewed role as economic agents. The taxation, spending, borrowing, and institutions of Mexican states and municipalities are now increasingly (albeit unevenly) under the rigor of market discipline. The combined, closer scrutiny of voters and financiers is creating a new incentive framework for policymakers—a framework where necessary reforms become both inescapable and, more importantly, a perceived source of potential reward.

This book is the product of the analytical work of a large number of experts, Mexican and foreign. They here document Mexico’s decentralization experience; conceptualize its main trends, policies, and options; and bring it into the light of international comparison. They distill critical

* Director, Mexico Country Department, the World Bank. As with other chapters in this book, the opinions expressed here are the author’s own, and do not necessarily reflect the views of the World Bank, its Board of Executive Directors, or its member countries.

lessons and challenges that are of relevance for Mexico, for Latin America and, generally, for countries that are embarking on far reaching decentralization efforts. This renders the volume a major contribution to our knowledge and thinking in this area. And a timely one: for decentralization is an irreversible process that is likely to continue occupying policy-makers for years to come.