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Congress Barely Meets Deadline To Approve Budget

by LADB Staff
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In late December, the Chamber of Deputies averted a crisis by approving a budget less than two days before the final deadline established by the Mexican Constitution. Under Mexican law, the lower house must approve the budget for the next year by Dec. 15. If agreement is not reached by this date, legislators are allowed a grace period of 15 days to complete the task or force the country into a constitutional crisis. Legislators failed to reach agreement by the Dec. 15 deadline because of disagreements on spending priorities, including a proposal by the major opposition parties to boost funding for education, housing, and other social programs (see SourceMex, December 12, 1999). The disagreements on social spending spilled into a special session Dec. 22-23, when legislators again failed to approve the budget. The dispute continued in a second special session Dec. 28-29. But faced with the final deadline, the governing Partido Revolucionario Institucional (PRI) and the two major opposition parties finally compromised.

Opposition parties win increased funds for housing, education

The compromise budget of 1.2 trillion pesos (US$126 billion) that was finally approved contains 15.5 billion pesos (US$1.62 billion) in additional revenues sought by the center-left Partido de la Revolucion Democratica (PRD) and the conservative Partido Accion Nacional (PAN) for education, housing, and other social programs. The two opposition parties also won additional revenues for states and municipalities. But the final budget also includes the 34.6 billion pesos (US$3.63 billion) requested by President Ernesto Zedillo's administration for the bank-rescue agency Instituto de Proteccion al Ahorro Bancario (IPAB). The PAN and the PRD resisted the IPAB funding proposal until the last minute, but their plan to eliminate the funds was narrowly rejected by a vote of 246-245. The measure was defeated because several PAN and PRD members failed to show up for the vote. The spending bill approved by the legislators is costlier than Zedillo's proposed budget of 1.169 trillion pesos (US$122.7 billion). To compensate for the increased expenditures, the lower house boosted its projected revenue by increasing the estimated average price of crude-oil exports for 2000 to US$16 per barrel from the previous US$15.50. The legislators also agreed to supplement revenues by raising taxes on tobacco products.

Zedillo says budget exposes Mexican economy to oil markets

The decision by lawmakers to increase the projected oil-export price drew strong criticism from Zedillo. At a meeting with legislative leaders, he warned that it would increase the vulnerability of the Mexican economy to fluctuations in the global oil markets, as happened in 1998. A severe decline in global oil prices that year forced the government to reduce the federal budget three times (see SourceMex, 1998-01-21, 1998-03-25, and 1998-07-15). Zedillo said 7.5 billion pesos (US$788 million) of the 15.5 billion pesos (US$1.62 billion) in additional spending approved by the lower house will come from projected oil-export revenues. "To me this is a cause for concern," Zedillo told the legislative leaders. But the daily newspaper Reforma said Zedillo's concerns were overstated, since the budgets proposed by the president and the Congress differ little in the total funds tied directly to the oil market. An analysis published by the newspaper Jan. 11 said roughly 232 billion
pesos (US$23 billion) of the president's budget is vulnerable to the oil market, compared with 239 billion pesos (US$25 billion) approved by the Congress. Another concern raised by the Zedillo administration was that increased expenditures approved by the lower house would force the federal government to postpone investments in major infrastructure projects, particularly in energy and telecommunications. "These are the sectors that will most clearly have to contribute to creating space in the budget to accommodate the 15.5 billion pesos (US$1.62 billion) in social spending," said Finance Secretary Jose Angel Gurria Trevino. Marco Antonio Provencio, a spokesman for the Secretaria de Hacienda y Credito Publico (SHCP), said the agencies most likely to be affected by cuts are the state-run oil company PEMEX, the Comision Federal de Electricidad (CFE), the Comision Nacional de Agua (CNA), and the Secretaria de Comunicaciones y Transportes (SCT). But legislators immediately criticized the administration for deciding to offset the increased expenditures for social programs with cutbacks instead of expanding the budget. PRD Deputy Sergio Benito Osorio, who heads the energy commission (Comision de Energeticos) in the Chamber of Deputies, said it would be "irresponsible" for the SHCP to reduce revenues for the CFE and PEMEX because that would reduce services to the general public. Osorio said the CFE budget for 2000 is already about 12% lower in real terms than in 1999, while the PEMEX budget is about equal to last year. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 12, reported at 9.52 pesos per US$1.00] (Sources: The Dallas Morning News, 12/29/99; Associated Press, 12/31/99; Proceso, 01/02/00; Reuters, 12/29/99, 01/06/00; La Jornada, 12/29/99, 12/31/99, 01/05/00, 01/07/00; Novedades, 01/04/00, 01/06/00, 01/07/00; Excelsior, 12/29/99, 01/05-07/00, 01/10/00; Reforma, 01/02/00, 01/06/00, 01/07/00, 01/11/00; El Economista, 01/04/00, 01/07/00, 01/10/00, 01/11/00; El Universal, 01/10/00, 01/11/00

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