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The Mexican Congress approved the 2006 budget without major conflicts with President Vicente Fox, but faced some controversy within its own ranks. This year, Fox and the Congress haggled about the public deficit and the projected reference price of oil exports (see SourceMex, 2005-09-07). But the differences between the executive and the legislative branches were not as acrimonious as they were during the debate on the 2005 budget (see SourceMex, 2004-10-11, 2004-12-15, and 2005-05-18).

In determining the revenues budget (Ley de Ingresos) for 2006, the executive initially proposed a projected oil price of US$31.50 per barrel, but eventually gave in to the legislators' estimated price of US$36.50 per barrel. Legislators argued that their higher figure was based on projections for oil-export prices to remain high during 2006. The administration's budget proposal also projected GDP growth of only 3.6% in 2006, a very small increase from the 3.5% growth rate used for the 2005 budget.

The Fox administration has since reduced its estimates for Mexico's economic growth in 2005 to 3% (see SourceMex, 2005-12-14). In accepting the projections established by the Congress regarding government revenues from oil exports and tax collections, the president agreed not to veto the revenues portion of the budget (Presupuesto de Ingresos), which the Congress set at 1.973 trillion pesos (US$186 billion).

The Chamber of Deputies, which has the final say on the budget, approved the revenues portion on Nov. 15, following endorsement of the estimate by the Senate. Using the revenues estimate as a reference, the lower house then approved an expenditures budget (Presupuesto de Egresos) of US $1.973 trillion pesos, subject to revision by the budget committee (Comision de Presupuesto). The equal figures for revenues and expenditures would have given Mexico its first balanced budget in a decade.

The expenditures budget included 5 billion pesos (US$473 million) in special funds for areas affected by Hurricanes Stan and Wilma in the summer and fall of 2005. The two hurricanes caused significant damage to homes, infrastructure, and agriculture in several southern states (see SourceMex, 2005-10-12, 2005-11-02, and 2005-11-09). In crafting the expenditures budget, the Congress increased the amount of money available for the special fund for states (Programa de Apoyo al Fortalecimiento de las Entidades Federativas, PAFEF) to 22.5 billion pesos (US$2.12 billion).

Several governors were pressuring Congress to boost the amount to 39 billion pesos (US$3.68 billion), given the projections for a strong oil-export market in 2006.
Controversy surrounds funding for social security institute

The budget committee, which tinkered with the expenditures budget for almost three weeks, added several billion pesos, bringing the total to 2.72 trillion pesos (US$257 billion). The committee argued that some of the additional funds, about 26 billion pesos (US$2.4 billion), were necessary to cover a reduction in the cash reserves of the social security institute (Instituto Mexicano del Seguro Social, IMSS).

The committee's additions to the expenditures budget angered some members of Congress, particularly legislators from the center-left Partido de la Revolucion Democratica (PRD). PRD Deputies Alfonso Ramirez Cuellar and Miguel Alonso Raya accused budget-committee chair Deputy Angel Heladio Aguirre Rivero, a member of the former governing Partido Revolucionario Institucional (PRI), of conspiring with the Fox administration to manipulate the IMSS finances. He said the Congress had already reached an agreement with the Secretaria de Hacienda y Credito Publico (SHCP) to reduce cash reserves for the IMSS to 9.5 billion pesos (US$897 million).

Ramirez Cuellar and Alonso Raya said the PRD delegation in the lower house would examine whether the modifications implemented by the budget committee violated the Mexican Constitution. Article 74 of the Constitution specifies that the budget approval is the exclusive domain of the Congress, and changes by a single committee of the Congress may represent a violation of this mandate.

PRI Deputy Juan Carlos Perez Gongora said the increase in the expenditures budget was not intentional but more the result of an accounting mistake. In addition to the changes to the IMSS, the committee also increased funding for the Secretaria de Salud (SSA), Secretaria de Desarrollo Social (SEDENOL), and Secretaria de Educacion Publica (SEP). Funds were reduced for the SHCP and other federal entities.

Discrepancies described as accounting mistake

Perez Gongora acknowledged that the committee was not as careful as it should have been during the shifting of funds. "We agree that the new figure was not the one that the full Congress approved," said Perez Gongora. "This was the result of an accounting mistake...on the part of those who developed the final version of the budget."

The PRI legislator noted that the budget committee was forced to deal with changes to IMSS expenditures, which had been promoted by fellow PRI Deputy Roberto Vega Galina. Vega, who is also the president of the IMSS workers union (Sindicato Nacional de Trabajadores del Seguro Social, SNTSS), has fought efforts to reduce funding for the IMSS. In 2004, he led the opposition to a major overhaul of the IMSS (see SourceMex, 2004-07-28).

Even with the discrepancies between the budget approved by the full Congress and the version passed by the budget committee, Aguirre Rivero decided not to make any further revisions and sent the document to the executive branch for publication. The final version of the budget was published in the federal register (Diario Oficial de la Federacion) in mid-December, meaning that President Fox did not exercise his veto power.
Some legislators from Fox's center-right Partido Accion Nacional (PAN) had hinted before the measure was considered by the budget committee that the president would reject the expenditures budget if legislators added funds, particularly for the IMSS. "The president could return the budget to Congress with some observations because of the IMSS funds," said Deputy Jose Gonzalez Morfin, the PAN's floor coordinator in the lower house said in late November.

Perez Gongora raised some concerns that the differences between the budget approved by the full Congress and the version sent to the president created an opening for the administration to manipulate the budget in ways that the Congress had not intended. "The mistake opens the door for the SHCP to interpret the figures and reassign some funds," said the PRI legislator. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 4, reported at 10.58 pesos per US$1.00] (Sources: El Financiero, 11/02/05, 11/07/05, 11/10/05, 11/11/05, 11/14/05, 11/15/05; Bloomberg news service, 11/15/05; La Jornada, 11/02/05, 11/10/05, 11/11/05, 11/15/05, 11/16/05, 11/17/05, 11/25/05; El Universal, 11/02/05, 11/04/05, 11/08/05, 11/10/05, 11/11/05, 11/15/05, 11/16/05, 11/29/05, 12/07/05; La Cronica de Hoy, 11/01/05, 11/02/05, 11/07-09/05, 11/10/05, 11/15/05, 11/17/05, 11/25/05, 12/08/05, 12/09/05; Agencia de noticias Proceso, 11/01/05, 11/09/05, 11/10/05, 11/14/05, 12/12/05; La Crisis, 11/02/05, 11/03/05, 11/08/05, 11/10/05, 11/15/05, 11/25/05, 12/13/05; Notimex, 11/07/05, 11/09/05, 12/13/05, 12/22/05; Reforma, 11/02/05, 11/13/05, 11/14/05, 11/15/05, 12/23/05; El Economista, 11/02/05, 11/07/05, 11/09/05, 11/10/05, 11/11/05, 11/14-17/05, 11/28/05, 11/29/05, 12/03-14/05, 12/23/05, 01/04/06)

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