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MEXICO WATER REPORT



Theme of the Quarter - CONAGUA Budget

The Mexican National Water Commission (CONAGUA) is the primary federal government entity in charge of water sector infrastructure projects. It has central offices in Mexico City, plus regional offices responsible for 13 regional river basin organizations and at least one office in every state to interface with local water authorities. CONAGUA provides significant funding to the 31 Mexican state and hundreds of municipal water commissions/districts to carry out projects. Small states rely extensively on CONAGUA's federal funds for projects, while larger states often use primarily local funds. However, most projects rely on CONAGUA funding and assistance.

CONAGUA's 2010 budget is 34.5 billion pesos (US \$2.7 billion), a 5 percent increase over the previous year even after taking into account inflation. While that may not be sufficient to address the problems in the water sector, it does, nonetheless, represent a major commitment to addressing water issues during a time when almost all other government expenditures are being cut in Mexico. Most federal and local water projects will move forward in 2010, and more significant increases in the CONAGUA budget are expected in the years to come.

Within the CONAGUA budget, 18.6 billion pesos (US\$1.45 billion) will be destined for water and wastewater programs. Meanwhile, 2010 funding for agricultural water projects increased over 60 percent from 2009, increasing from 4.64 billion to 7.37 billion pesos (US\$577 million).

In 2009, the Federal District (DF) and the State of Mexico (which surrounds the DF) together received about one-third of the CONAGUA budget (11 billion pesos). In 2010, this percentage increased to over 37 percent of the total CONAGUA budget. However, the amount allotted to the DF grew by almost 100 percent to over 10 billion pesos (US\$785 million) while the State of Mexico's share contracted by 50 percent. As a result, in 2010, the DF budget is now four times larger than that of the State of Mexico. The dramatic increase in DF funding reflects several important Valley of Mexico projects, including the wastewater discharge tunnel, known as the Túne Emisor Oriente, and the Emisor Central deep drainage pipeline. In addition to the total amount for 2010, the federal government plans to spend an additional 2.7 billion pesos (US\$211 million) on the Cutzamala reservoir system, which supplies 20 percent of the water consumed in the Valley of Mexico metropolitan area. Wisconsin's Mexico Office is investigating the significance of this major state budget change, and will provide additional details in the next edition.

The next three largest states that received more than 20 percent increases in their 2010 budgets are Tabasco with 2.2 billion pesos (US\$172 million); Sinaloa with 1.6 billion pesos (US\$128 million); and Veracruz with 1.1 billion pesos (US\$89 million). San Luis Potosi received a 57 percent increase in funding. Two border states, Baja California and Coahuila, saw their budgets increase 25 and 22 percent, respectively. The Mexico Office can provide more detailed state-by-state budget information.

While CONAGUA funding is a good indicator of water project activity in Mexico, there is another important factor to consider in order to understand the complete water budgetary picture. State water commissions and medium-to-large municipal water districts in Mexico carry out the great majority of projects, not CONAGUA itself. Many state and local water entities rely more heavily on local funding than on CONAGUA funds. In fact, a CONAGUA general rule establishes that when federal funds are involved in a state or municipal project, local funds must make up 60 percent of the total funding. With this in mind, the Mexico Office is trying to obtain state water commission budget information. The next quarterly report will include an analysis of the major state water commission budgets, together with the CONAGUA federal budget, to get a more complete understanding of the total funding available for water projects in Mexico.