

*Fiscal Decentralisation and
Gender Responsive Budgeting In
Mexico: Some Observations*

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Introduction

Mexico has a population of 102.3 million; with only 25 percent rural population.¹ In 2003, per capita GDP (PPP) in Mexico was estimated at 9168 US dollars. Though this was lower than its NAFTA partners, viz., US (37562 US \$) and Canada (30677 US \$), it is quite high compared to many other developing countries.² Mexico also qualifies as a country with High Human Development Index (HDI) and Gender Development Index (GDI) estimated at 0.814 and 0.804 respectively in 2003.³ However, the aggregate figures at national level hide the spatial disparities in development. If we take the HDI by states in Mexico, the most developed entity is Mexico *Distrito Federal* (0.93) and the least developed ones are the southern states of Chiapas (0.53) and Oaxaca (0.56) as per 2000 estimates (Esquivel and Lopez-Calva, 2002).⁴

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Income inequality is highest in Mexico among the OECD countries. The Gini coefficient of Mexico is very high and has worsened over years from 45.1 in mid-eighties to 52.0 in mid-nineties, though it lowered marginally to 48.0 in early 2000 (Forster M. and Mira d'Ercole, 2005).⁵ Increasing internal spatial inequality is often related to greater openness of economies and to globalisation in general,⁶ and Mexico is not an exception.

The spatial disparities in development have further aggravated with the entry of Mexico into the North American Free Trade Area (NAFTA) in 1993.⁷ While this has led to large inflow of foreign direct investment (FDI) and trade in services with North American nations, there were adverse effects in terms of worsening of income distribution in the country. The proximity to USA also catalysed the pace of migration and given the differential access to migration among regions, income and skill groups and gender, distorted the labour markets.⁸

Along with the economic integration through NAFTA, there has been an attempt for simultaneous establishment of democracy and decentralisation, which marks as one of the remarkable features of New Federalism in Mexico.⁹ The federal government set up a *Fiscal Pact* in 1980, and with its revision in 1993, promoted decentralisation in education and health services delivery in the early 1990s (Webb, Stephen B and Gonzalez, Christian Y, 2004). With the advent of fiscal decentralisation, an added emphasis is given to address the issues of growing gender inequalities through gender responsive budgeting at national and local levels.¹⁰ Gender responsive budgets also provide a logical entry point to achieve the gender commitments as outlined in MDG and also the poverty reduction targets.¹¹

The rationale for decentralised gender responsive budgeting is that local governments, which are closer to citizens, have better information on the gender differentials in needs and preferences, options and constraints of citizens and therefore more efficient provisioning of public services is possible at local level than at the higher levels of government. The theoretical underpinnings of this rationale based on the *principle of subsidiarity*¹² are accountability ('voice' and 'exit'), information symmetry, transparency and appropriate size of government at local level for effective service delivery. In a congenial environment, decentralised governance could help in better participation of all sections of society, including women. Most public services provided at the local

level are 'quasi-public' goods, which are often 'rival' and 'excludable' to a degree. In such cases, decentralised governments can provide these services in accordance with the preferences of people to ensure fair distribution of benefits. However, the beneficial effects of fiscal decentralisation on gender sensitive human development largely depend on the way in which the decentralisation process interacts with the social and institutional mechanisms and systems.

The objective of the paper is to analyse the scope and limitations of gender responsive budgeting in Mexico within the overall framework of fiscal decentralisation. However, decentralised gender responsive budgeting can be meaningful only when the local governments have significant assignment of functions and finance. Therefore, although the focus of the paper is gender responsiveness in decentralised budgetary policies, the initiatives to incorporate gender concerns in federal budgets are also analysed to capture the effectiveness of *top-down approach* in conducting gender budgeting.

Specifically, the paper attempts to:

- analyse the fiscal decentralisation in terms of revenue and expenditure assignments and intergovernmental transfers in Mexico with a gender perspective.
- examine the federal government initiative in gender sensitive public service delivery in health sector.
- evaluate the role of provincial government and civil society organisations in the process of institutionalising gender responsive budgeting in the State of Oaxaca; through legislations, public policies, and budgetary process.

Data for the paper is obtained from various institutions in Mexico including INEGI (Statistical Office), Ministry of Finance, *Secretaria de Salud* (Health Secretariat), National Institute of Public Health (Cuernavaca) and UN agencies. The qualitative information is collated through key informant interviews with researchers, academia, and civil society organisations including *Equidad de Género*, *Fundar*, National Institute for Public Health and Oaxacan Institute for Women. A randomised inquiry was conducted at local level with women in Oaxaca, who belonged to lower income quintiles, to capture the perspective of poor women in decentralised public service delivery.

The paper has been divided into six sections. Apart from the Introduction, section 2 attempts to assess the progress made by Mexico in attaining the millennium development goal (MDG) against the targets and indicators defined for the MDG for Mexico. Section 3 examines the fiscal decentralisation process in Mexico through a gender lens; while section 4 analyses the Federal Government's initiative on gender responsive budgeting in the health sector. Section 5 looks into Oaxaca's experience of institutionalising gender responsive budgeting through legal fiat, where the subnational government has worked in synergy with the civil society organisations. Section 6 concludes and draws policy suggestions.

II. MDGs and Mexico

Against the backdrop of Millennium Development Goal (MDG), there is a growing recognition that the countries that discriminate by gender pay a high price in terms of their ability to utilise creative energies of all sections of population for development and for reduction of poverty. Table 1 contains MDG indicators of Mexico as of 2002. The analysis showed that Mexico is well on its way to achieve educational attainments in terms of universalisation of primary education as well as in gender parity. But the capability deprivation in terms of health is acute.

Table 1: Millennium Development Goals and Mexico

Target	Indicators	Indicators of Mexico 2002
Eradicate extreme poverty and hunger	Proportion of population below 1\$(PPP) per day (%)	9.9
	Share of poorest quintile(10%) in national consumption (%)	1
	Prevalence of underweight children under 5 years of age	8
	Proportion of population below minimum level of dietary energy consumption	5
	Net enrolment ratio in primary education (%)	101
Achieve universal primary education	Proportion of pupils starting grade 1 who reach grade 5 (% of grade 1 students)	90
	Literacy rate of 15-24 year olds (% ages 15-24)	96.6
Promote gender equality and empower women	Ratio of girls to boys in primary education	1.01
	Ratio of literate women to men ages 15-24	100
	Share of women in wage employment in the non-agricultural sector (as % of male rate)	79
	Proportion of seats held by women in national parliaments (as % of total)	21.2
Reduce child mortality	Under five mortality rate (per 1000 live births)	29
	Infant mortality rate (per 1000 live births)	24
	Proportion of one year old children immunized against measles (%of total)	96
Improve maternal health	Maternal mortality ratios (per 100,000 live births)	79
	Proportion of births attended by skilled health personnel (%)	86
Combat HIV/AIDS, malaria and other diseases	Condom use at last high risk sex (% ages 15-24)	57
	Prevalence of malaria (per 100,000 people)	8
	Prevalence and death rates associated with tuberculosis (per 100,000 people)	44
	Proportion of TB cases detected and cured under directly observed treatment, short course(DOTS) (%)	83
Ensure environmental sustainability	Energy use per 1\$ GDP (1995 PPP US \$ per kg of oil equivalent)	5.3

Target	Indicators	Indicators of Mexico 2002
	Carbon dioxide emission per capita (metric tons)	4.3
	Proportion of population with sustainable access to an improved sanitation, urban and rural (%)	74
Develop a global partnership for development	Debt service as a percentage of exports of goods and services (%)	23.2
	Unemployment rates of 15-24 year olds (as percentage of labour force ages 15-24)	4.9
	Proportion of population with access to affordable essential drugs on a sustainable basis (%)	80-94
	Telephone lines and cellular subscribers per 1000 people	147
	Internet users per 1000 people	98.5

Source: UNDP, Human Development Report, 2005

However, the analysis of MDG disaggregated to regions and subgroups revealed stark regional disparities in terms of education and infrastructure, as well as in poverty, with a north-south divide in the country and indigenous groups worst off in terms of poverty, illiteracy levels, gender equity and basic infrastructure (Ricardo Fuentes and Andres Montes, 2004).

There are three important issues related to MDG: Firstly, because of its critical role in development, it is important to achieve the MDGs. Secondly, reduction of gender gap in the delivery of services is also important. This will also help in accelerating the pace of achieving the MDGs. Thirdly, for attaining these goals, a re-look at the assignment system is needed to ensure that the functions are assigned according to the comparative advantage of each level and orientation of both the centre and local governments to ensure that they follow *inclusive development*.

III. Fiscal Decentralisation and Gender Issues in Mexico

The federation of Mexico has 32 states and 2440 municipalities; each state has its own history, culture, and heritage. The states vary widely in socio-economic development and their integration with the rest of the world. Mexico is an example of co-operative federalism in practice, with considerable degree of policy co-ordination between federal and State governments. Much of the intergovernmental co-ordination has been achieved in Mexico through conditional transfers and close federal monitoring.¹³

3.1 Assignment System

Mexico is a highly centralised federation. Although decentralisation initiative began with the federal government transferring social sector responsibilities to all the states in 1992, not much progress has been made in this direction and most functions effectively remain with the federal government. The assignment of expenditure responsibilities across various tiers of government is specified by law (Table 2). In practice, however, there is ambiguity due to considerable overlapping. The federal and state governments have concurrent obligations for important services, which include education, health and social assistance.

Table 2: Mexico's Expenditure Assignment

Expenditure function	Federal government	State governments	Municipal governments
Defence	• 100 percent		
Foreign Affairs and Economic Relations	• 100 percent		
Labour Policies	• 100 percent		
Monetary and Financial Policy	• 100 percent		
Post and Telecommunications	• Government and private providers		

Table 2: Mexico's Expenditure Assignment (contd.)

Expenditure function	Federal government	State governments	Municipal governments
Education	<ul style="list-style-type: none"> • Setting policies and norms (SEP); financing through transfers (Ramo 33) • High schools and colleges (concurrent) • Federal technological institutes of higher education • Evaluation and audit of subnational performance • Labour relations and wage-setting • School construction supervision • All education in the Federal District • Approximately half of the technical schools • Most textbook production • Most teacher training 	<ul style="list-style-type: none"> • Financing, implementation, maintenance, and equipment (concurrent) • High schools and state universities • Administration of programmes and self-evaluation • Half of the technical schools • School construction (concurrent) • Adult education programmes 	<ul style="list-style-type: none"> • Minimal role, school maintenance, and some school construction (concurrent)

Table 2: Mexico's Expenditure Assignment (contd.)

Expenditure function	Federal government	State governments	Municipal governments
Health	<ul style="list-style-type: none"> • Setting policies and norms (Social Security Administration); financing through transfers (Ramo 33) • Evaluation and audit of subnational performance • Secondary and tertiary hospitals • Labor relations and wage determination • Most capital infrastructure decisions 	<ul style="list-style-type: none"> • Primary care for the rural population and urban poor • Partly responsible for financing • Administration of programmes and self-evaluation • Epidemiology and preventive care • Reproductive health 	
Roads	<ul style="list-style-type: none"> • Federal highway construction and maintenance • Financing of rural road development 	<ul style="list-style-type: none"> • State feeder roads (construction and maintenance) • Implementation of rural road development • Maintenance of secondary federal roads (with federal funds) 	<ul style="list-style-type: none"> • Local streets
Police and Internal Security	<ul style="list-style-type: none"> • Federal transfer to the states to strengthen state police • Federal and border police • Special police (concurrent) • Co-ordination of state & municipal public safety 	<ul style="list-style-type: none"> • Special police (concurrent) • State public order and safety 	<ul style="list-style-type: none"> • Local public order and safety

Table 2: Mexico's Expenditure Assignment (contd.)

Expenditure function	Federal government	State governments	Municipal governments
Social Assistance and Social Security	<ul style="list-style-type: none"> • Funding through Ramo 33 and Ramo 26 	<ul style="list-style-type: none"> • Implementation of school-lunch programmes • Food assistance to the poor • Other programmes in co-ordination with SEDESOL • Public libraries • National parks (concurrent) 	<ul style="list-style-type: none"> • Implementing of social infrastructure programmes
Culture and Libraries Parks and Recreation	<ul style="list-style-type: none"> • Biosphere reserves • National monuments • National parks (concurrent) 	<ul style="list-style-type: none"> • Some airports 	<ul style="list-style-type: none"> • Local parks
Public Transportation	<ul style="list-style-type: none"> • Most railways and airport operations have been privatised • Seaport operations being privatised 	<ul style="list-style-type: none"> • Some airports 	<ul style="list-style-type: none"> • Local transportation and transit
Environmental Protection	<ul style="list-style-type: none"> • National standards • Approval by INE, National Water Commission, the Ministry of Health and the Ministry of Industry 	<ul style="list-style-type: none"> • States can adopt their own standards, complying with the federal ones. 	<ul style="list-style-type: none"> • Land use permits

Table 2: Mexico's Expenditure Assignment (contd.)

Expenditure function	Federal government	State governments	Municipal governments
Water, Sewerage, and Sanitation		<ul style="list-style-type: none"> • Water supply and sewage (concurrent) 	<ul style="list-style-type: none"> • Garbage collection • Water supply and sewage; many water systems have been privatised (but municipalities retain debt liability) (concurrent)
Housing	<ul style="list-style-type: none"> • National programmes for housing development 	<ul style="list-style-type: none"> • Some states have housing agencies 	
Price Subsidies	<ul style="list-style-type: none"> • Market intervention programmes (mostly phased out) 		
Agriculture and Irrigation	<ul style="list-style-type: none"> • Funding for state programmes in irrigation, water supply, and hydroelectric exploration • National irrigation programmes and funding research • Rural development, rural roads, forestry • Funding for research 	<ul style="list-style-type: none"> • Rural development • Extension services • Drilling • Some research 	
Other Infrastructure	<ul style="list-style-type: none"> • Financing through Ramo 33 "social infrastructure" for the poor 	<ul style="list-style-type: none"> • "State infrastructure" 	<ul style="list-style-type: none"> • Cemeteries • Slaughterhouses • Public markets

Table 2: Mexico's Expenditure Assignment (contd.)

Expenditure function	Federal government	State governments	Municipal governments
Tourism	• National programmes (concurrent)	• State programmes (concurrent)	•
Industrial Policy	• Concurrent	• Concurrent	•

Source: Giugale, Marcelo and Webb, Steve (2000) and Diaz-Cayeros, Alberto; Gonzalez, Jose Antonio and Rojas, Fernando, 2002.

In general, the federal government provides those public services whose benefit reaches the entire nation, such as national defence, foreign affairs, monetary and fiscal policies, telecommunication (along with private providers), national highways, and labour policies. State governments provide services such as construction and maintenance of state feeder roads and primary care for the rural population and urban poor, State public order and safety, food assistance to poor, implementation of school-lunch programmes, water supply and sewage (concurrent with municipal governments) with an intermediate benefit sphere. Municipal governments provide services with local benefit areas, viz., street lighting, sanitation, slaughter homes and public markets, and land use permits.

2.3 Fiscal Transfers

Mexican federation is characterised by heavy subnational dependence on federal transfers to bridge the gap between significant subnational expenditure assignments and abysmally low and inadequate subnational tax capacity. In other words, there is a high dependency of State and Municipal governments on the intergovernmental fiscal transfers in Mexico.

The two main categories of transfers in Mexico are unconditional *participaciones* (Ramo 28) and conditional *aportaciones* (Ramo 33). In 2004, *participaciones* (Ramo 28) constituted 39.70 percent of total fiscal transfers, while *aportaciones* (Ramo 33) constituted 45.70 percent of total transfers (Table 3). It is noted that both these transfers accounted for approximately 40 percent of the federal budget (INEGI, 2004).

Participaciones is unconditional fiscal transfers. Most of these transfers go out under Ramo 28. These transfers were originally revenues of states and municipalities. But the collection of these revenues was delegated to the federal level in the *Fiscal Pact* for tax efficiency reasons. Legally, the federation only collects those taxes and distributes the proceedings to states.¹⁴

Table 3: Intergovernmental Transfers in Mexico: 2002-2004 (%)

	Structure of Transfers		
	2002	2003	2004
Participaciones(Ramo28)	42.7	41.3	39.7
Aportaciones (Ramo 33)	48.0	47.2	45.7
FAEB	31.1	30.7	29.7
FASS	5.5	5.8	5.7
FAIS	4.3	4.1	3.9
FASP	0.6	0.5	0.6
FAM	1.4	1.3	1.3
FAFM	4.4	4.2	4.0
FAETA	0.6	0.6	0.5
PAFEF	2.9	5.5	8.2
Convenios de escentralisacion	6.3	6	6.4
SEP	4.9	4.6	5.1
Others	1.4	1.4	1.3
Total	100	100	100
	(502925.2)	(545308.0)	(604190.0)

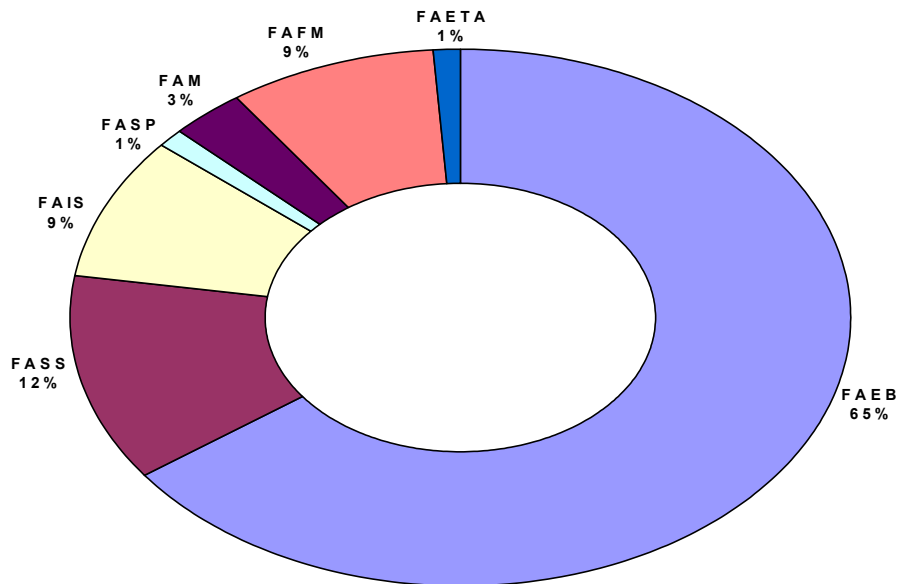
Note: Figure in the bracket relates to total fiscal transfers in millions of pesos.

Source: *Direccion General de Estadistica de la Hacienda Publica, Unidad de Planeacion Economica de la Hacienda Publica in Estadisticas Opportunist de Finanzas Publicas y Deuda Publica.*

Aportaciones are conditional fiscal transfers. These transfers, formerly under Ramo 26, now go out under Ramo 33. Ramo 33 transfers originated from a complex amalgam of fund programmes like FAEB (education), FASS (health), FAIS (social infrastructure), FASP (public safety), FAM (public assistance transfers), FAFM (transfers to municipalities) and FAETA (public education). These transfers were conceived as federal money earmarked to pay for (formerly) federal commitments and transferred to the state and municipalities together

with those commitments, for example, most important being education and health.

Chart 1: Structure of Aportaciones, 2004



FAEB transfers, related to education, is single largest component of Ramo 33. It is seen that 65 percent of *Aportaciones* went for FAEB (for education) and 12 percent for FASS (for health) (Chart 1). It is to be noted that most of the Ramo 33 transfers do not relate directly to poverty alleviation and social infrastructure, but rather to the payroll of functionaries, which were decentralised to the states through an agreement reached in 1993.

3.3 Asymmetries in Spending and Revenue Assignments

Fiscal federalism in Mexico, like elsewhere, is faced with asymmetries in spending and revenue assignments. Almost 95 percent of the revenue raised and 94 percent of expenditure incurred is at federal and provincial levels.

Table 4: Fiscal Decentralisation in Mexico

Level of Government	Revenue		Expenditure	
	Value (Mn. Peso)	Percentage	Value (Mn. Peso)	Percentage
Federal	811431	76.5	875775	65.6
Provincial	192578	18.1	382638	28.7
Municipal	57525	5.4	76569	5.7
Total	1061534	100	1334982	100

Source: Government Finance Statistics, 2003, International Monetary Fund

In other words, local revenues and expenditures constitute just about 5 percent of total revenue and 6 percent of local expenditures. In 2002, the relative shares of federal, state and municipal governments in total expenditures respectively were 65.6, 28.7 and 5.7 percent (Table 4).

3.4 Gender in Fiscal Decentralisation

Given the asymmetries in spending and revenue assignments across the three tiers of government in Mexico, gender responsive budgeting needs to begin at the federal and to some extent at provincial levels. At the same time, the medium and long term strategy should be to devolve more powers to local governments and sensitise them to gender equity concerns.

There is no evidence of incorporating gender in the intergovernmental relations in Mexico. One of the potential areas is incorporating gender in the criteria for fiscal transfers. The conditional transfers on education and health under Ramo 33 are designed on the basis of staffing and physical sites (schools, clinics, and hospitals). These transfers could be made more equitable and efficient, if it is designed with criteria related to population density, age, and gender across provinces in Mexico (Giugale, Marcelo and Webb Steve, 2000).

The point to be noted here is that it would be ideal to incorporate gender in specific purpose transfers (conditional) rather than in general purpose transfers (unconditional). The objective of the general purpose transfer system is to offset the fiscal disabilities and it is desirable to keep the transfer system formula-based, simple, equitable, and without perverse incentives. Any attempt to bring in the gender component in general purpose transfers may make it complex and can create incentives against undertaking measures to improve gender equity. However, *equalisation transfers* will enhance gender equity.

Equalisation transfers improve the capacity of the poorer regions to deliver standards of social and economic services. These transfers are not specifically targeted to the poor; but the poor will benefit from the general capacity increase in the region. The condition of women is expected to be worse in poorer regions and states. Equalising transfers may help to provide larger outlay for programmes and policies with larger content for women's empowerment. But there exist no fiscal equalisation transfers in Mexico.¹⁵

IV. Federal Government Initiative in Gender Sensitive Public Service Delivery: The Case of the Health Sector

The Federal government has taken considerable initiatives in terms of gender budgeting in the health sector in Mexico. This section deals with the initiatives taken to sensitise budgetary decisions for gender concerns in the provision of health services in terms of scope and its limitations.

The health system in Mexico is fragmented. It has several subsystems, each servicing different population groups. First, there are several social security schemes, the largest being the Mexican Institute of Social Security (IMSS), which covers the employees and the self-employed in the formal sector of the economy.¹⁶ Second, the services provided by the Department of Health (*Secretaria de Salud or SSA*) and the state governments to the uninsured population (or *poblacion abierta*).¹⁷ Third, some urban middle and upper income level population

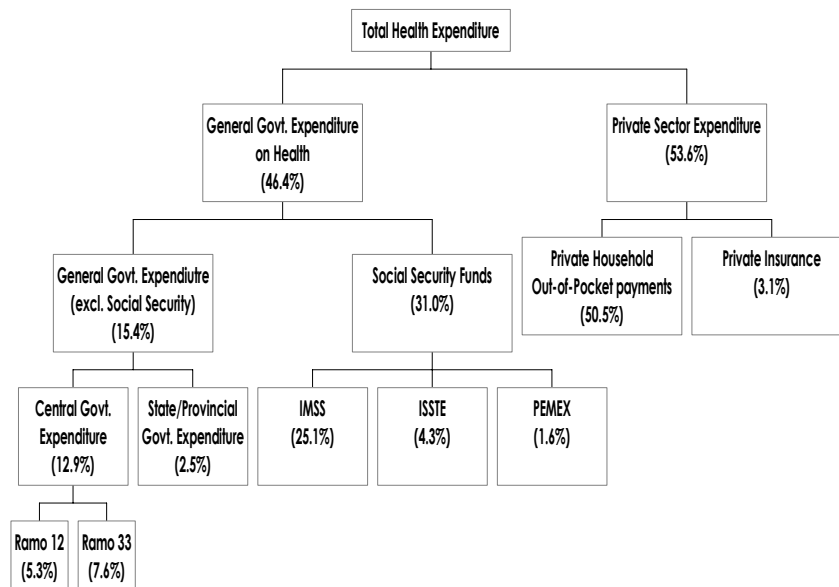
may contribute to social security but also seek health care in the private sector, either through out-of-pocket payments or through pre-paid private medical insurance schemes.

4.1 Financing Health in Mexico

In Mexico, the sources of financing health in the public sector include Federal Ministry of Health (Sector Salud), the Provincial Ministries of Health, and Social Security Institutions like IMSS, ISSSTE and PEMEX. In the private sector, financing sources include households and employers (companies) who pay insurance premiums for their employees. The point to be noted here is that information on total financing of health sector has not been compiled in Mexico till recently. Mexico's 'National Health Programme 2001-2006' took up the challenge of institutionalising a *System of National and State Health Accounts* broadly in line with International Classification of Health Accounts. The aim of this attempt is to produce information on financial resources spent on health, the flow of funds within the institutions of the health sector and enhance the accountability.

The Mexican Health Foundation (Funsalud) carried out the first estimates of health expenditure using the System of National Health Accounts (SNHA). *Chart 2* gives health expenditure by financing sources for the year 2003.

Chart 2: Health Expenditure by Sources of Finance, Mexico 2003



Source: Health Secretariat, Mexico

The most relevant finding of the SNHA is that private sector is the main financing source for medical services and private out-of-pocket expenditure in Mexico accounted for 51 percent of total health expenditure. This finding has gender implications, especially in the context of the fact that only 51 percent of the population is covered under social security schemes. Secondly, government spending constitutes just about 15 percent of total spending. Of this, the provincial spending is just 2.5 percentage points. In other words, the direct spending by the government on the health sector is very low and of this the share of state governments is abysmal as over 84 percent of government spending is incurred at the central level.

4.2 Decentralisation in Health Sector

The recent process of decentralisation in the health sector in Mexico began with the adoption of the *Program to Reform the Health Sector*, 1995-2000. The *Program* aimed not only at the decentralisation of health towards the states, but also to increase the coverage of the non-insured population. It also sought to address inequalities in access to health care and the low quality and inefficiency of health services in the federal-state system administered by the Ministry of Health (Mendoza, Enrique Caberero and Martinez-Vazquez, Jorge, 2000).

Until 1990s, the decentralisation process was slow and could possibly be characterised as administrative deconcentration. During the period 1983-1987, some responsibilities for health services previously under the federal government were transferred to states, but in only 14 states. However, these states continued to be subject to strict regulatory and budgetary controls by the central Ministry of Health. Its implementation was characterised by a high level of conflict between the traditional players of Mexican health system: namely, the players connected to social security (mainly from Mexican Institute of Social Security, IMSS) and the Minister/ Ministry of Health (SSA – *Secretaria de Salud*) (Saddi, Fabiana, 2004). The current decentralisation of the federal-state health care system is deeper and wider than that of the 1980s.

The fiscal transfers to health sector have been less *ad hoc* and less arbitrary in its design in this new phase of decentralisation. The devolution of *Resources Fund for Health Services* (FASS) from *Secretaria de Salud* to the States, which began in 1996, is determined on the basis of formula. The criteria for devolution of health transfers is given in Article 29, 30, and 31 of *Fiscal Co-ordination Act*. As per Article 29, the fiscal transfer for health sector is based on three criteria as follows: (a) inventory of infrastructure, hospitals, and personnel; (b) actual expenditure required to pay to the personnel; and (c) other resources allocated within the federal budget document, in order to promote equity in health services.

With regard to functional assignments in health sector in Mexico, Federal government retained the regulatory powers, responsibilities related to major specialised hospitals, research and training. State

governments are given the assignments related to state level hospitals, clinics, health centres, public health system, sanitation, monitoring of rabies and dengue fever, supervision of water quality and pollution control; while the government at county-levels are vested with no powers other than confined participation in water and sanitation programmes. Given the skewed assignments in the functions and finances of the health sector, it is significant to adopt a *top-down approach* towards gender responsive budgeting.

4.3 Gender in Health Sector of Mexico

In the backdrop of National Development Plan (2000-2006), the process of gender responsive budgeting in health sector began in Mexico at the federal level. The two components in the process of making gender responsive budgeting in health sector are (i) mainstreaming gender in health policy; and (ii) reprioritising budgetary allocation to reduce gender gaps.

No models existed on the *ex-ante* process of gender responsive budgeting in Mexico. A guide was prepared by *Equidad de Género* to incorporate gender in health policy and budgeting. This guide is primarily to build the capacity of government officials who are involved in the preparation of health budget. Subsequently, a three-day forum on *Women and Health Programme* was held in 2001 in Mexico, officially endorsed by the Department of Health, to generate proposals to be fed into the development of the six-year sectoral programme of the health department. The forum discussed a plethora of health issues concerned with the complete life cycle of women. As a result of the three-day forum, a technical committee was created within the *Women and Health Programme*, comprising a diversity of actors in order to contribute to the aim of integrating gender into all the activities of the Health Department. Further, gender-sensitive budget group was established. It was vide this process that gender-sensitive budgets reached the policy agenda and achieved a formal endorsement (Box 1).

Box 1 Process of Gender Budgeting in Health Sector of Mexico

Step 1: Theoretical Procedure Narrated by 'Health Guide' To Conduct Gender Budgeting

- a) proper diagnosis of health sector from gender perspective.
- b) Analyse gender equities and periodic review of the programmes.
- c) Analyse components and actions of the programme to understand where gender budgeting can be introduced to reduce the gender gaps through reallocation.
- d) Define priorities and track any reappropriation of the money allocated.
- e) Design indicators to measure whether gender gaps are reduced.

Step 2: Agenda of 'Women and Health' Forum To Operationalise Gender Budgeting

- a) Gender perspective in health programmes.
- b) Sectoral gender budgeting.
- c) Regulations bearing on health needed to be updated/changed/newly created.
- d) Programming with gender perspective; evaluation of plans and programmes from gender perspective.
- e) Health officials' gender training, especially on reproductive health, human rights and prevention of domestic violence (mental health component).

Step 3: Programme of Action To Implement Gender Budgeting

- a) Institutionalisation of gender perspective in health budgets.
- b) Sensitising the health officials in gender and identifying gaps.
- c) Measure gender gaps (homicide, women's health, mental health, eating disorders, diabetics, access to health, adhere to diet, domestic violence).
- d) Collection of data/information to document gender-gaps and show gender inequities (mortality statistics, epidemiology surveillance statistics, hospitalisation data by gender, morbidity statistics by gender, primary care level statistics).
- e) Appointing women as 'health workers' in formal sector.
- f) Changing social perception of health.
- g) Community participation in health policy decision-making, recognising the existence of free labour force, usually women, in the care economy.

Source: (Interviews), *Secretaria de Salud*

The strength of gender budgeting attempts in the health sector of Mexico is the ex-ante process of diagnosing the gender differentials in health, prior to programming and budgeting to reduce the gender gaps.

This is an advanced step in gender budgeting; moving beyond the traditional models of ex-post gender budgeting which is confined to the quantification of gender related allocations in the existing health budget.¹⁸

Yet another point to be noted is that as public financing of health is only 15.4 percent of the total (with 12.9 percent at centre and 2.5 percent at provincial levels), the emphasis of gender budgeting initiatives confined to *Secretaria de Salud* might not result in intended results. Given the significant magnitude of out-of-pocket expenditure on health, gender budgeting initiatives in health sector need to be extended to private financing aspects of the health sector and in turn identify the policy alternatives for the health coverage of non-insured poor households. The *expenditure tracking surveys* of significant programmes like *Progressa* can also be useful in analysing the gender differential impacts of public expenditure in terms of health.

The evidence from Time Use Survey (TUS) of Mexico could provide useful insights to identify appropriate health policy initiatives for women. For instance, TUS (2001) revealed that men spent 2.4 hours per week for health care compared to women at 3.9 hours per week. This is relatively higher than the time allocation by women in fetching of water and fuel (1.4 hours per week). This empirical evidence from TUS suggests that the issues of women not only as *users of services*, but also *providers of health services*, both at community level and household level, need adequate attention in the macropolicies related to health sector.

V. Oaxaca's Experience: The Role of State Government in Gender Responsive Budgeting

Oaxaca is one of the southern states in Mexico with worse welfare indicators, where indigenous communities fare even worse; in particular, indigenous women, are largely monolingual (speaking only their indigenous language) and have exceptionally low levels of education, and are commonly confined to their villages (Cos-Montiel, 2003). The maternal mortality rate (MMR) is very high in Oaxaca. In

2003, MMR was as high as 103.1 per one thousand live births in Oaxaca. It is higher than the national average (63.9). The trends in Infant Mortality Rate (IMR) also showed that it is higher in Oaxaca (25.6 per one thousand live births) than at the national average (19.7 per one thousand live births).

In addition to the quantitative indicators, it is important to analyse the qualitative aspects as well. It is noted that, in some communities, cultural traditions impose very rigid roles and responsibilities both on men and women. The geography of Oaxaca is yet another factor that exacerbates the inequalities created by gender roles for two reasons (Cos-Montiel, 2003). Firstly, in Oaxaca, provision of public services and infrastructure is far fetched, especially by poor remote communities, which are often indigenous. The absence of quality services leads to a continuation of traditional practices, which may reinforce inequalities between men and women and stunt the development of those living in remote communities, thereby impeding economic development and well being. Secondly, influences that can alter gender roles are slow to reach remote areas, therefore changes occur more slowly than in more urban or accessible communities.

The following two subsections analyse the process of gender budgeting in Oaxaca through legal fiat and also the attempts to address the gender concerns on the revenue side of the budget. However, it is too early to analyse the impact of gender budgeting in Oaxaca on gender development, as it was initiated only in 2002-2003.

5.1 Institutionalising Gender Budgeting through Law: Scope and Limitations

The Oaxacan experience of local level gender budgeting is an example to decipher the limitations of legislative fiat-based budgetary reforms in its impact on public service delivery. It also throws light on the scope and limitations of the attempts of civil society organisations in institutionalising gender budgeting. The Institute of Oaxacan Women (IOW) played the crucial role in institutionalising gender budgeting in the state of Oaxaca. First of all, IOW sensitised government officials on the significance of gender budgeting in the context of the prevailing gender inequalities through rigorous gender sensitive training. Secondly, they persuaded the Governor to pass a law to make compulsory to generate sex disaggregated data and indicators, further disaggregated by ethnic

components and rural-urban differentials. The creation of the system of gender disaggregated information was given emphasis as an important prelude to gender responsive budgeting.

The process of gender budgeting, as mentioned, began in most of the developed and developing countries through an *ex-post* analysis of the budget through the gender lens. In Oaxaca, instead of analysing the existing budgets, *prima facie* they assumed that the budget is gender blind. The gender training of the officials in charge of formulating the budgets was the first step, so they could create a methodology to incorporate gender analysis. Each level of administration required a different process of training with different goals. The first was aimed to 'sensitise' the Governor of Oaxaca to understand the importance of gender in budgeting, second to create awareness about gender sensitive budgeting at the top level of bureaucracy and third, to provide proper training to the officials involved in the budget wing. The logic behind the intervention was that, once trained, policymakers in charge of designing policy, would succeed in identifying barriers in formulating gender sensitive budgets.

Gender training was imparted to 17 governmental bodies and Ombudsman by 2003. As a result, necessary amendments in the existing legislation were made to make the process of Gender Responsive Budgeting (GRB) mandatory. In December 2002, the local Congress passed an Act that instructs the government to engender its fiscal policy establishing a new benchmark for Mexico. Oaxaca thus was the first state to integrate gender responsive budgeting process in Mexico. However, the point to be noted here is that legal changes are only the *necessary, but not the sufficient condition* for successful integration of gender in local level budgeting.

Effective fiscal decentralisation is an important prerequisite for successful local level gender responsive budgeting. Although the state government has taken significant initiative to incorporate gender in budgeting through legal fiat, given the fiscal dependency of Oaxaca on federal government, the scope of local level gender budgeting depends much on the flexibility of the finances at the local level. The fiscal dependency of Oaxaca is evidenced by the proportion of the federal transfers in total ingresos (revenue) of the state; *Participaciones Federales* (unconditional transfers) constituted 25 percent of the total

ingresos, while *Aportaciones* (conditional transfers) constituted 71 percent (Table 5).

Table 5: Structure of Revenue in Oaxaca, 2002 (in percent)

Components of Revenue	(%)
<i>Impuestos</i> (tax)	0.45
<i>Doritos</i>	1.89
<i>Productos</i>	0.63
<i>Aprovechamientos</i>	0.19
<i>Contributions of de Majoras</i>	0.27
<i>Participaciones Federales</i> (unconditional transfers)	24.86
<i>Aportaciones Federales</i> (conditional transfers)	70.73
<i>Ortos Ingresos</i> (other revenue)	0.36
<i>Por Cuenta De Tremors</i>	0.00
<i>Financiamiento</i>	0.62
<i>Disponibilidad Inicial</i>	0.00
<i>Total de ingresos</i> (total revenue)	100

Source: INEGI (2004): *Finanzas Publicas Estatales y Municipales de Mexico*

On the other hand, expenditure side of analysis showed that 55.77 percent of expenditure is on subsidies and transfer payments, 8.63 percent is spent on personal services and 20.55 percent is *Recursos Federales Municipios* (Table 6).

Given that a significant part of the revenue of Oaxaca is for intergovernmental transfers and most of the expenditure of the state is of committed nature, the critical issue is to what extent the gender responsive budgeting at the state level can impact on overall gender equity.

Table 6: Economic Classification of Expenditure in Oaxaca, 2002

Components of Expenditure	(in percent)
<i>Servicios Personales</i> (Personal services)	8.63
<i>Materiales Y Suministros</i> (materials)	1.04
<i>Servicios Generales</i> (General Services)	2.38
<i>Subsidios, Transferancias Y Ayudas</i> (subsidies and other transfers)	55.77

<i>Adquisicion Bienes Muebles E Inmuebles</i>	0.69
<i>Obras Publicas Y Acciones Sociales</i>	10.60
<i>Inversion Financiera</i>	0.00
<i>Recursos Federales Y EST.A Municipios</i>	20.55
<i>Otros Egresos (other expenditure)</i>	0.00
<i>Por Cuenta De Terceros</i>	0.00
<i>Deuda Publica</i>	0.31
<i>Disponibilidad Final</i>	0.03
<i>Total De Egresos (Total expenditure)</i>	100

Source: INEGI (2004): *Finanzas Publicas Estatales y Municipales de Mexico*

5.2 Revenue side Gender Responsive Budgeting in Oaxaca

A novel feature of gender budgeting in Mexico was also the attempt to address gender concerns on the revenue side of the budget. In February 2003, the Ministry of Finance in Oaxaca had begun the analysis of revenue side of the budget through a gender lens. This endeavour began with the objective of institutionalising a system for identifying how men and women contribute to the fiscal system and thereby recognising the importance of women in the tax system. The Ministry of Finance presented a detailed strategy for incorporating gender in revenue side of the budget in June, 2003 at a meeting conducted by IOW, UNIFEM, and the Economic Commission for Latin America, and the Caribbean. It is to be noted that only local direct tax payments made by men and women were given emphasis in the exercise. However, this initiative enabled Oaxaca to become the first state in Mexico, and moreover in Latin America, to focus on the revenue side in an attempt to sensitise the budget to gender issues.

As part of the endeavour of integrating gender in taxation, tax forms, tax statements, information systems, reports on tax payments, feedback forms, and reporting were modified to incorporate gender. The process began with the introduction of the procedure that all tax forms should indicate the sex of the taxpayer. This in turn enabled them to create databases to identify the tax and tax evaders by gender and to generate information on investors by gender and in which areas they invested. Effectively, Oaxaca introduced the changed format in 2004 and the analysis of 2004 data is under progress.¹⁹

The initial analysis showed that women's tax payments account for 34 percent of total revenue and this information helps to make visible the women's invaluable contribution to development. Despite the fact that this proportion is lower than that of men, it is important to highlight that in Oaxaca women's income represents only a 60 percent of those earned by men (Cos Montiel, 2003). It is also noted by Ministry of Finance (Oaxaca) that taxes from women reach the Revenue Service punctually.

The point to be noted here is that the federal transfers constitute 96 percent of the total revenue of Oaxaca and tax collection is mainly done by the Central government. Under this context, it is significant for the Federal Ministry of Finance also to be equally involved in the process of revenue-side gender responsive budgeting to make the Oaxacan experience a success. Moreover, the initiative in Oaxaca is confined to only direct taxes, and women tax payers constitute a negligible part of it.

5.3 Perspective of Random Poor Women in Oaxaca on the Provision of Public Good: A Qualitative Analysis

Oaxaca is a state where a significant part of income accrues as remittances from abroad, particularly USA. The objective function of the household (of the women randomly selected for our analysis of perspective of poor in the provision of public good) was to tap the potential of unskilled labour markets in USA to improve their standard of living. Migration aspects were the prime inference we received from this random observation of the women of lower quintile of income class. Girls and boys of the households only aspire to attain secondary education level, which is the minimum threshold to aspire for unskilled labour markets in USA. The gender-wise disaggregation of migration of unskilled labour markets in USA from the state of Oaxaca was difficult to obtain, but a significant number of poor women also migrate to USA.

The capability deprivation in terms of education was not visible from the micro response. This observation in terms of education is in concomitant with the macro level observations that Mexico is in the path of universalisation of education and in attaining gender equality in education. But the situation seems different in terms of health; there is capability deprivation in terms of health. The perspective of poor women regarding the provision of public services in the health sector gave a dismal picture of the functioning of primary health centres with practically

no doctors and little medicines. In addition to health-related reasons, they also provided insights into the non-health factors that result in poor health indicators. One of the prime reasons behind the relatively high maternal mortality rate among the poor women in the Oaxacan village is lack of road infrastructure in the villages. Yet another point to be noted here is the difficult geographic terrain of Oaxaca, where indigenous people live in the interior mountain villages and public provision of goods is yet to reach. The access and utilisation pattern of health services were discussed with the random poor women of our study, which revealed the existence of significant number of private (indigenous medical practitioners) in the village and the female members of their household prefer to take treatment from them rather than going to public health centres. No disease specific pattern in accessing the public versus private health care clearly came out of the discussion; the only matter which was revealed was the superstitious belief in the occultist of the village in deciding whether to access health care, especially among women.

The *time use* aspects were discussed with the women, randomly chosen, to understand the statistical invisibility of women's work. It was revealed that they spent equal hours in care economy and market economy (pottery and piggery) and evidence of multi-tasking was also reported. They reported that the forward and backward linkages of economic activity, they involve with, is very weak in village, though they did not report significant market failures for the products.

The incidence of domestic violence was discussed with the women; but they reported no evidence of domestic violence in Oaxacan village. This information needs to be viewed within the realm of self-censorship threshold. It is also to be noted that apparently financial and functional autonomy was evident for the female members of the household as they have to undertake the household responsibilities in the absence of their men who migrated to the unskilled labour markets in USA.

VI. Conclusion

The overall conclusion of the study is that despite considerable initiative to make the local budgeting gender responsive, much remains

to be done. The strategy to impart gender responsiveness to budgeting lies in hastening the fiscal decentralisation process itself. Given that more than ninety percent of the subnational government revenue accrues from fiscal transfers and subnational governments hardly have fiscal autonomy in expenditure decisions, the attempt of gender budgeting at local level in Mexico does not go far enough. Undoubtedly, the initiatives in terms of creating a legal framework and carrying out the necessary amendments taken are noteworthy and the civil society groups, particularly women's groups have played important role in furthering advocacy; however the effectiveness of these measures depend on the role of the state governments in providing public services. Therefore, until the institutional mechanisms of fiscal decentralisation and degree of fiscal autonomy are varied, it will be a difficult task to take it forward.

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Endnotes

¹ Data relates to 2000. World Development Indicators, 2005, World Bank.

² UNDP, Human Development Report, 2005.

³ The *Human Development Index* [HDI] is a gender-neutral measure of the average achievements of a country in three basic dimensions of human development: longevity, knowledge, and a decent standard of living. Longevity is measured by life expectancy at birth, knowledge by adult literacy and the combined gross primary, secondary, and tertiary enrolment ratio, and standard of living by Gross Domestic Product (GDP) per capita in US dollars in purchasing power parity (PPP) terms. Let L denote life expectancy at birth in years, A adult literacy as percent, E combined gross primary, secondary and tertiary enrolment ratio in percent, and Y per capita GDP in PPP US dollar terms. The value of each variable for a country is transformed into its deviation from the minimum possible value of the variable expressed as a proportion of the maximum deviation possible, i.e. maximum less minimum. Thus, after transformation we have $L^* = (L-25)/(85-25)$, $A^* = A/100$, $E^* = E/100$, and $Y^* = (Y - \min Y)/(\max Y - \min Y)$. Given the minimum life expectancy for women and men of 27.5 years and 22.5 years, respectively, the average minimum life expectancy is taken as 25 [= (27.5 + 22.5)/2]. Similarly, maximum life expectancy is taken as 85. The maximum and minimum of both adult literacy and enrolment are taken as 100 and 0, respectively. The maximum and minimum for Y are exogenously fixed. HDI is computed as $\{L^* + (2/3 \times A^* + 1/3 \times E^*) + Y^*\}/3$. The *Gender Development Index* (GDI) uses the same variables as HDI, but adjusts for the degree of disparity in achievement across genders. The average value of each of the component variables is substituted by "equally distributed equivalent achievements". The equally distributed equivalent achievement for a variable is taken as that level of achievement that if attained equally by women and men would be judged to be exactly as valuable socially as the actually observed disparate achievements. Taking an additively separable, symmetric and constant elasticity marginal valuation function with elasticity 2, the equally distributed equivalent achievement X_{ede} for any variable X turns out to be $X_{ede} = [n_f (1/X_f) + n_m (1/X_m)]^{-1}$ where X_f and X_m are the values of the variable for females and males, and n_f and n_m are the population shares of females and males. X_{ede} is a 'gender-equity-sensitive indicator' (GESI). Thus, for this chosen value of 2 for the constant elasticity marginal valuation function, GDI is computed as

$\{L_{ede} + (2/3 \times A_{ede} + 1/3 \times E_{ede}) + Y_{ede}\}/3$.

⁴ GDI across states in Mexico is not readily available. The available data showed that the least developed region is San Simón Zahuatlán in Oaxaca with a GDI of 0.5 (IOW database, 2000).

⁵ 40 percent of population in Mexico live below poverty line (2003 estimates) and percentage of total income earned by the richest 20 percent of population is 57.4 percent while percentage of total income earned by the poorest 20 percent is

only 3.5 percent (Development Data Group, World Development Indicators, 2002).

⁶ For details, refer Kanbur, Ravi and Anthony Venables (2005).

⁷ The process of trade opening has begun in 1987 with inclusion of Mexico in the GATT; and NAFTA in 1993 strengthened the process.

⁸ In 1990, almost 4.4 million Mexicans resided outside the country (almost all in the United States), roughly double the estimated number in 1980, with new important sources of emigration included the Provinces of Chihuahua and Oaxaca and the Federal District.

⁹ The transition to democracy occurred with the presidential elections of 2000, which ended the dominance of a single party in Mexico for over 70 years. The establishment of democracy and decentralisation has roots in the social and politically historical facts; that in reality is the foundation of Mexican democracy and the end of one-party hegemony. Though the first efforts of decentralisation date to the 1980s; the decentralisation of mid 1990s led the way for institutional reforms with respect to raising revenue sharing allocations to the states, expansion of state's capacity to raise own resources, allocation to the states of the major share of funds assigned for regional and social development, strengthening the capacity of municipalities and clarification of administrative functions among federal, state and local authorities (Ward, Peter M, *et.al.*, 1999).

¹⁰ The effect of fiscal decentralisation and gender budgeting in lessening the spatial and gender disparities created by NAFTA is an empirical question which is too early to analyse in the context of Mexico; and beyond the scope of the paper.

¹¹ It is important to note that the Mexican experience of gender budgeting subscribes more to the Cairo and Beijing Platforms of Action than MDG framework.

¹² Oates, 1972.

¹³ For details, refer Giugale, Marcelo and Steve Webb (2000)

¹⁴ In other words, *Participaciones* come from the most important sources of revenues. The main components of these assignable taxes are revenues collected from the federal income tax, the value added tax and the ordinary fees from oil. These federal transfers to the states and municipalities under *Ramo 28* are aimed to strengthen their revenue capacity, compared with their expenditure mandates.

¹⁵ The basic argument for such equalising transfers is found in the rationale of horizontal equity advanced by Buchanan (1950) and later reformulated by Boadway and Flatters (1982). A quick econometric investigation has been carried out to examine whether the principles of fiscal equalisation operate in Mexico. Using fixed effects model of pooled least squares across 32 States in Mexico during the period 1999-2002, the analysis of the link between total fiscal transfers (both in case of *Participaciones* and *Aportaciones*) and SDP, both in per capita terms, revealed that there is a positive functional relationship between the variables. The fiscal transfers are therefore not equalising. The policy implication

of these econometric results is that Mexico may design fiscal transfers to take into account of horizontal fiscal equalisation principles, as of in Canadian system of fiscal transfers, to bridge the horizontal fiscal imbalances and in turn achieve desired degree of fiscal equality across Mexican states.

¹⁶ Yet another social security scheme, which provides care to government workers, is Institute of Health and Social Security for State Workers (ISSSTE). In addition to IMSS and ISSSTE, PEMEX provides social security for oil company workers, SEDENA to the members of the army and air force, and MARINA to the navy. Social Security schemes covered approximately 51 percent of population (OECD Health Technical Paper, 2004).

¹⁷ Health services for this population are provided directly through governmental health facilities or indirectly through the IMSS-Solidaridad, which is a programme financed by the government and actually delivered by the Social Security Institute (IMSS). The health component of the poverty alleviation programmes run by the government is also included. Mexico has a decentralised health system and therefore states are responsible for public provision of care.

¹⁸ The working groups created within the Department of Health reviewed the entire programme structure of health sector and made initial recommendations in integrating gender into the policy framework. But the inexperience of the new administration and lack of time led the programme and budget officers to be confined to the existing formats of budgeting. However, gender budgeting initiatives developed different approaches to reach out to government departments, committees in congress, parts of national machinery, media and civil society organisations. Training and sensitisation workshops also played an important role in sensitising the public on inclusion of gender in budgeting in Mexico at national and subnational levels.

¹⁹ The discussions in this section are drawn from the meetings with Ministry of Finance, Oaxaca and Cos, Montiel (2004).