

Financing water resources management in Mexico

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Water resources management in Mexico



- Water in Mexico is a national security and strategic resource, and the National Water Commission (CONAGUA) is in charge of its management
- The main **water actors** in water management in Mexico are: CONAGUA, State Water Commissions (CEAs), municipalities, water utilities, water users, the Mexican Institute of Water Technology (IMTA), the National Association of Water and Sanitation Enterprises (ANEAS), NGOs



- The main **challenges of the WRM** in Mexico are:
 - Restore the aquifers` water balance
 - Restore the river basins water balance
 - Reduce pollution
 - Face climate change challenges



Policy framework for financing WRM



- The art. 27 of the Mexican Constitution estates the water ownership
- The art. 115 of the Mexican Constitution establishes the functions and responsibilities related to water, sewerage and sanitation services provision of the municipalities
- The **National Water Law (LAN)** establishes the principles and mechanisms for WRM in Mexico, including the Water Financial System
- The **Federal Duties Law (LFD)** establishes the payments for water extraction or discharges from water utilities to CONAGUA
- The **water management policy** in Mexico is based on several principles: a) carried out according to river basins, b) with the organized participation of water users, c) the exploitation and use is made through concessions (private users) and allocations (states and municipalities), as well as wastewater discharge permits, (which are recorded in the Public Registry of Water Rights, e) water and sanitation services provision is a responsibility of municipalities, f) maintain the water balance in ecosystems



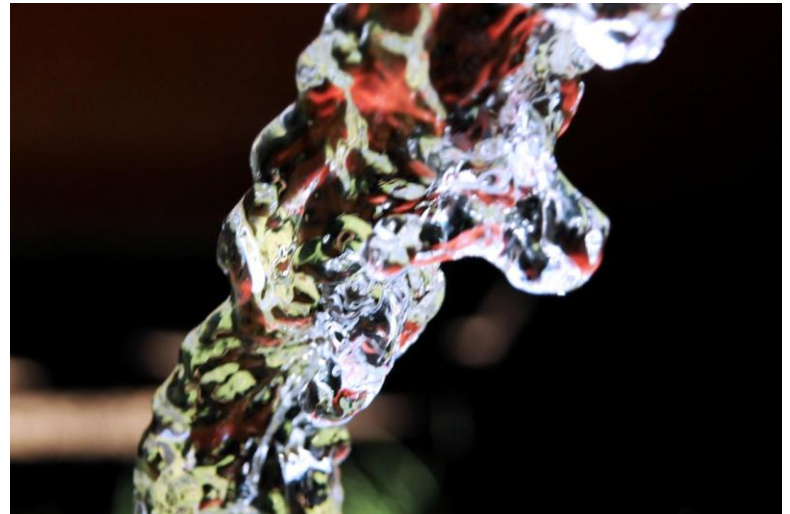
Policy framework for financing WRM

- The country has been divided into **13 Hydrological-Administrative regions** (groups of river basins that respect the municipal limits to facilitate the integration of socioeconomic information) for a better management and preservation of water
- The **National Water Program** is CONAGUA`s core policy instrument. It outlines the main objectives and strategies for every 6-year period. These goals needs mixed financial resources (PSP, three levels of government, users)
- According to the NWL and the Federal Duties Law (LFD), we can identify **four water management tool categories** in Mexico:
 - Regulatory
 - Order and control
 - Economic
 - Participative



Policy framework for financing WRM

- Revenue sources of WRM:
 - Tax collection / Oil revenues/ Foreign credit loans: Those finance the Federal Government in general and then it is distributed to different sectors
 - Collection through water rights for use and exploitation of water
 - Debt emission (federal, state and municipal)
 - Users and services tariffs (water utilities)
- For the environment, a specific amount (\$300 million pesos) of the water rights collection (from non-municipal users), is allocated to the Mexican Forestry Fund which is used for the Payment for Environmental Services programs that preserve environment and water



Policy framework for financing WRM



- Traditionally, the Mexican federal government has financed all the water infrastructure through eight main federal programs that require in general terms between 25 and 60% of total investment from the counterparts
- Recently (February 2008), the National Infrastructure Fund (FONADIN) was created as a financing mechanism for water infrastructure, among others, with the compulsory participation of the private sector



Financing WRM in Mexico in practice



- The average budget of the CONAGUA (2007-2009) is \$22,126 million pesos (\$1.75 billion dollars)
- The average revenues collection of the CONAGUA (2007-2009) is \$9,967 million pesos, 45% of its budget (\$787 million dollars)
- The concepts of revenues are: use of the nation's water (79.3%), block water supply to urban and industrial centers (16.1%), irrigation (2.1%), material withdrawal (0.4%), wastewater discharges (0.7%), use of federal zones (0.4%), various (transaction services, VAT and fines, etc.) (1%)
- The water investment trend from 1980 to 2002 diminished by a third, but from that year started to increase to similar levels of the 80s because of PRODDER. However, if we take a look at the per capita investment, the decrease is evident
- Economic crises have historically diminished the budget and investment in the water sector



Financing WRM in Mexico in practice

- As we have seen, the principles of WRM stated in the law have not been applied completely from the institutional and financing points of view
- To really finance WRM we need to respect some principles:
 - Financing is a cross-cutting activity that supports the main objective of water resources management
 - The water related collections should be applied directly to the water sector and more specifically, the river basin collections from water rights and other revenues should be applied to plans and actions to those river basins to incentive the collection, inspection and measurement
 - Strategic Financial Planning: Link river basin planning with the annual programming and budgeting
 - Start charging for water for agriculture



Financing WRM in Mexico in practice



- To really finance WRM we need to respect some principles:
 - Coordinate public policies among different sectors, mainly agriculture
 - Decentralize water management, including the allocation of financial resources, so that the river basins have their own budgets
 - Define the proper and specific financial mechanism to support WRM by river basin, either with trust funds or particular river basin budgets linked to WRM plans
 - Increase the user participation in the financing of WRM through water tariffs
 - Fix water tariffs for each water use and according to water availability, total cost recovery and the cost of conveyance
 - At the beginning, the rich regions would be autofinanced but the poor ones should be subsidized by the federal government until they reach a self-sustained level



Thank you

www.conagua.gob.mx

www.imta.mx

fausto.medelv@conagua.gob.mx

