

México



Fondo de Estabilización de los Ingresos Petroleros (FEIP)

Oil Revenues Stabilization Fund

Objective The Oil Revenues Stabilization Fund was created as a policy tool for adequate risk management of the tax and oil royalty revenues of Mexico's Federal Government. In particular, the Fund is used for compensating reductions in oil and non-oil tax revenues during a fiscal exercise.

The FEIP's objective is to allow automatic fiscal stabilizers to work in the context of a balanced budget rule. If oil and non-oil tax revenues are below the amount originally envisaged in the budget approved for a fiscal year — due to shocks to economic activity, oil prices or the exchange rate— resources from the Fund can be used to compensate for the short-fall and therefore allowing expenditures to be maintained at the level that was originally envisaged. The Fund is a mechanism to help insure that every year's Fiscal Budget can be executed as planned.

Operation Governance

The Fund's decisions are undertaken by a Technical Committee, which is responsible for the Fund's governance structure, and is formed by officers of the Ministry of Finance (SHCP). Among its responsibilities, the following are worth noting:

- To authorize the amount of resources which, if any, are withdrawn from the Fund to compensate for a reduction in oil and non-oil tax revenues with respect to those included in the Revenue Bill of the current fiscal year. These withdrawals must be consistent with the guidelines established in the Federal Budget and Fiscal Responsibility Law.
- To authorize the acquisition of financial instruments for hedging oil-price risks.

Sources and uses of Fund's resources

- The Fund obtains resources from different sources, as explained in the Rules of Operation. These include: royalties that are charged by Law to PEMEX (Mexican State Oil Company), windfall Federal Government oil and non-oil tax revenues (when available and subject to the rules) and the returns from financial instruments purchased to hedge oil volatility.
- The Fund is allowed to use its resources to compensate the Federal Government Treasury for a fall of oil and non-oil tax revenues. The availability of these resources implies that the Federal Budget would not need to cut expenditures in response to a negative revenue shock in spite of its balanced budget rule. If the resources were not available, the rule would imply that expenditures would need to be cut by the same amount as the revenue shortfall.
- The Fund can also use resources to invest in financial instruments to adequately hedge the volatility of oil prices for any given fiscal year.

Transparency and Accountability

- The quarterly balance, revenues and expenses of the fund are published in the quarterly reports on Public Finances and Public Debt, which are available in the SHCP web site.

Fund's Rules of Operation (in Spanish)

- Mexico is part of the *International Forum of Sovereign Wealth Funds (IFSWF)*. In September 2012 the 4th annual *Meeting of the IFSWF* will take place in Mexico City.