



CHIHUAHUA MUNICIPALITY IN MEXICO: RECOGNIZED WITH THE NATIONAL AWARD FOR GOOD GOVERNANCE BASED ON THE FIRST PEFA SUB-NATIONAL ASSESSMENT WITH PEFA CLIMATE

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Context

Located in northern Mexico, bordering the United States, Chihuahua City is both the capital of the State of Chihuahua and the capital of the Municipality of Chihuahua. It is the second most populated municipality in the State, with a population of just under one million people.

Unemployment is very low, at 3.9% as of 2022, and the local economy is promptly recovering after the COVID-19 pandemic.

Chihuahua is financially self-sustaining. Over 40% of the income is created from within the Municipality alone, and the remaining funding comes from fiscal coordination agreements with the Federal Government.

The public finances of the Municipality have been rated with high standards in recent years according to both Fitch and HR credit rating agencies and is currently ranked the sixth most competitive city nationwide.

The 2021-2024 Municipal Development Plan outlines a strategy for "*Making Chihuahua the most competitive city in Mexico*" with citizens center to all efforts on innovative public policies to improve the quality of life in Chihuahua, being currently the sixth most competitive city nationwide according to the Chihuahua City Invest platform.

It was recognized by municipal officials that, "*if we want to be the best and the most competitive Municipality of our country, we need to be at the level of the best in the world. In order to know, we needed a baseline.*"



Process

The Municipality of Chihuahua decided to use [PEFA 2016 Framework](#) and [PEFA Climate](#) as a baseline and undertook the first PEFA subnational assessment conducted outside of Mexico City together with the first PEFA Municipal Climate assessment conducted in Latin America.

Why PEFA:

The PEFA assessment fits perfectly into the outlined learning **objectives** and helped to identify:

- How does the Municipal Public Financial Management system stack up against international good practices
- How to articulate public policies that may contribute to proper management caring for the environment
- How good and strengthened public financial management translates into strong, well-thought, well-planned and well-executed public policies

The municipal government believes that:

*“By being **the first** in our country, we want to be a model for all other local governments, proving that we can be **better**, more **efficient** and more **effective** for the benefit of our citizens.”*

The PEFA Secretariat and a team of external assessors and consultants accompanied and supported the effort through each phase until completing the final report. An Oversight Team was established with extensive experience and knowledge of the Municipality’s processes and laws. This team had the participation of representatives of the business sector, who enhanced the process. With the peer reviewers – PEFA Secretariat, Inter-American Development Bank (IDB) and the State Government a quality endorsement and certainty in the assessment were provided.



Results

The Chihuahua Municipality states:

*“Today **we are convinced of the benefits**. Our 2023 budget has been planned with a PEFA approach. We talk very often about PEFA. The PEFA terminology is part of our everyday City/Municipal administration and management. We are convinced that it is useful.”*

“PEFA has allowed us to very clearly build an improvement and reform plan that will be translated into our daily management practices; it will be used in the next assessment, to consolidate achievements, and to initiate the necessary reforms in each of the dimensions where opportunities for improvement have been identified.”

“With PEFA Climate, we seek to incorporate a special component into the budget structure for resources allocated to climate change adaptation and mitigation actions, so that budgets may identify actions carried out and facilitate decision-making. PEFA Climate also helped us find a common thread for the construction of long-term public policies for climate change containment actions.”

Lessons learned

- The Municipal financial management system is functioning overall according to the parameters of international good practices: 20 out of the 30 rated indicators are between A and C+
- The Local Government confirms that the good performance of a public financial management system is a necessary condition to achieve the objectives of aggregate fiscal discipline, the strategic allocation of resources, and the efficient rendering of public services to citizens.
- The Municipality is prepared to encourage and adapt financial management to climate change requirements, incorporate guidelines from the beginning of budget cycles, and use functional expense classifiers, to achieve a green PFM
- The Municipality shares they now have a baseline on strengths and weaknesses accompanied with guidelines to continue with a PFM action and reform plan to be

taken in the near future, all with the goal to improve the various aspects of public finance management locally.

- The climate-change information allows the Municipality of Chihuahua to better face environmental challenges.

Simultaneously Launching PEFA + PEFA CLIMATE:

Aware of the challenges ahead, and hand in hand with their oversight team, as well as with guidance from the mayor, the Municipality made the decision to carry out the assessment including the PEFA Climate assessment ([Mexico Chihuahua Municipality 2022](#)), despite knowing that this entailed a greater undertaking as the methodology was initially intended for national governments and was adapted for the first time for its use in a Municipality.

Chihuahua is the first subnational government to use the PEFA Climate module, driven to incorporate the climate change variable permanently into the budget structure and management, and to further carry out the necessary actions to be an environmentally friendly city, ensuring citizens and government are sensitive to climate change.



Recommendations

As a subnational government the Municipality of Chihuahua can recommend the following to governments that are currently interested in carrying out an assessment:

- Create, from the beginning, communications and dialogue involving all the areas and stakeholders, with clear objectives, scope, and outline how PEFA can contribute to a better PFM.
- Leadership, both at the managerial and the team leader levels, is essential for a good outcome. Those involved from the leadership to the most operational levels need to know what PEFA is and understand it.
- As a City/Municipality that has completed the assessment, Chihuahua invites governments not to be afraid to open their financial management systems, making them transparent and public, to professionalize all the teams through continuous improvement processes.
- For the Municipality of Chihuahua, it has been a great experience. The PEFA Secretariat, through a rigorous review, corrections, and comments on the final report, helped safeguard this methodology. The presence of the IDB also allowed us to reach the global vision of an organization that has a strong commitment to transparency and accountability, specializing in public financial management of local governments and climate change, as a focal point of their actions.

Carrying out the PEFA assessment is the completion of a great challenge accepted by the Municipal administration, with a focus on the Strategy of Effective and Efficient Government of the Municipal Development Plan upon the start of the administration.

Six months after publishing the Sub-National PEFA Assessment with PEFA Climate the Municipality announced that on December 8th, 2022, they were notified by the National Confederation of Mexico Municipalities that after deliberating between several city projects, the Municipality of Chihuahua was recognized with the national award for good governance in the category of cities with international projection.

“It is very satisfying for me to share this award, since with the recognition of this initiative in Chihuahua, it could now be an example and replicated in other cities of our country.”





Learn more

[PEFA Chihuahua Municipality Report](#)

[PEFA Chihuahua Municipality Summary of Scores](#)

[Chihuahua Municipal website](#)

[Chihuahua Municipal Transparency Portal](#)

[Open Government Partnership](#)