Legal 500
Country Comparative Guides 2026

Mexico
Construction

Contributor

COMAD, S.C.

Roberto Hernández

Partner Director | rhernandez@comad.com.mx

Víctor Cisneros Villa

Associate | vcisneros@comad.com.mx

Juan Pablo Sandoval García

Junior Partner | jpsandoval@comad.com.mx

Julio Arcos Flores

Associate | jarcos@comad.com.mx

This country-specific Q&A provides an overview of construction laws and regulations applicable in Mexico.

For a full list of jurisdictional Q&As visit **legal500.com/guides**

Mexico: Construction

1. Is your jurisdiction a common law or civil law jurisdiction?

Mexico is a civil law jurisdiction and a federal State composed of a federal government and 31 states (plus Mexico City). Accordingly, its legal system is based entirely on written law, with both the federal level and each of the 31 states enacting their own civil, commercial, administrative and regulatory codes and statutes within their respective competences.

2. What are the key statutory/legislative obligations relevant to construction and engineering projects?

When speaking about private contracts, construction and engineering projects are regulated by the Commercial and Civil Codes of each one of the 32 Mexican States, as well as the Federal Civil Code. Also, they are regulated by the federal, local and municipal regulations that may apply in each case. Local regulations on construction, land use, zoning, and urban development issued by municipalities and state authorities

These rules regulate obligations such as project execution, liability, defects, professional responsibility, design obligations, and contractual performance

Regarding public construction contracts, they are regulated by the Government Procurement Laws and Public contracts Law of each one of the 32 Mexican States, as well as the Federal Government Procurement Laws and Public contracts Law (Ley de Obras Públicas y Servicios Relacionados con las Mismas (**LOPSRM**) and its implementing regulations). Also, they are regulated by the federal, local and municipal regulations that may apply.

Recently the LOPSRM enacted an amendment that include some new relevant aspects as compliance with the new Digital Public Procurement Platform, mandatory market investigations before procurement procedures, new participation restrictions for disqualified or non-compliant bidders, limits on direct awards, restrictions on subcontracting (now capped at 49% of the total contract amount), mandatory use of an electronic project logbook (bitácora electrónica), and updated rules on contract amendments and adjustment mechanisms. The reform also introduced strategic dialogues as a pre-procurement mechanism and shortened certain procedural deadlines.

Additionally, the biggest state-owned companies, such as PEMEX and CFE, have their special laws and regulations of construction, with the distinction between the administrative acts (administrative acts are considered from the publishing of the call for quotation until the assignment of the contract) and commercial or civil acts (from the formalization of the contract and during its execution).

It is also important to note that recent legislative efforts are aimed at approving a new law to promote investment in strategic social-purpose infrastructure, to generate projects partially financed by the State and by private companies. This legislation may coexist with the PPA law.

3. Are there any specific requirements that parties should be aware of in relation to: (a) Health and safety; (b) Environmental; (c) Planning; (d) Employment; and (e) Anti-corruption and bribery.

(a) health and safety;

Construction activities must comply with the national workplace safety standard NOM 031 STPS 2011, which regulates safety management, protective measures, supervision, training and incident reporting for all construction sites in Mexico.

Local authorities may also impose additional safety rule

(b) environmental issues;

Federal requirements including environmental impact authorizations, forest land use permits, waste management rules and water discharge authorizations, and State and municipal environmental permits. Major infrastructure programs—such as those in transport, rail and energy—frequently incorporate environmental and social impact assessments as core planning requirements

(c) planning;

Construction is subject to national, state and municipal urban development and land use plans, zoning constraints, right of way rules and building codes. Recently the Infrastructure planning is also influenced by national programs such as the 2026–2030 Infrastructure Investment Plan, which prioritizes sectors including energy, rail and highways

(d) employment; and

Employers must comply with the Federal Labour Law, including obligations on working conditions, social security, worker registration, and occupational risk insurance. Construction companies must also follow training, certification and workplace safety obligations enforced by the Ministry of Labour (STPS).

Parties should also consider Mexico's subcontracting regime: personnel subcontracting is generally prohibited, but specialized services and specialized works are permitted if they do not fall within the beneficiary's corporate purpose or predominant economic activity. In such cases, the contractor must be registered with the STPS in the REPSE registry and the arrangement must be documented in writing. In addition, where REPSE applies, the contractor must comply with reporting obligations before IMSS (Mexican Social Security Institute) and INFONAVIT (Housing Fund Institute). Accordingly, in construction projects involving specialized contractors, parties should verify REPSE registration and related labour and social security compliance from the outset

(e) anti-corruption and bribery.

Anti corruption obligations arise from the Criminal Code, National Anti Corruption System, and administrative liability laws.

In public procurement, integrity compliance has gained major relevance. Authorities place increasing value on companies operating under ISO 37001 (anti bribery management systems), and the application of the Anticorruption System under the General Responsibility Administrative Law (Ley General de Responsabilidades Administrativas) which together provide traceability, controls, auditability and preventive policies aligned with public sector expectations.

4. What permits, licences and/or other documents do parties need before starting work, during work and after completion? Are there any penalties for non-compliance?

From the professional perspective and different than other countries, Mexico does not require companies to have specific professional licenses in order to start working in engineering and construction projects. Regulations may only require the legal establishment of the company as well as tax authorizations.

From the project point of view, prior licenses or requirements depend on the type of project, and the zone where it will be developed as well. Municipal construction licence, Land use/zoning authorization, water uses, Environmental impact approval where applicable.

Services however, have to fulfil specific requirements (in the case of architecture and engineering) certified professionals should be responsible for the designs. This is, to start the works, permits and licenses must be obtained, in connection with the specific projects, their location and compliance with other matters.

5. Is tort law or a law of extra-contractual obligations recognised in your jurisdiction?

Yes, they are called extra-contractual obligations, and they are part of the Civil Law system that protects affected parties of matters that a beyond the contract´s text and is commonly related to responsibility of the parties derived from negligence, bad faith, among others.

6. Who are the typical parties involved in a construction and engineering project?

In Mexico, an Employer and a Contractor are the typical parties involved in a construction contract. Other parties such as the “supervision”, that is a technical supervisor, or other technical experts may be needed but they are not part of the construction contract itself. In some contracts, a Contract manager can be used but also to help the development of the contract.

7. What are the most popular methods of procurement?

According to the commercial and administrative legislation, construction contracts are grouped by payment. So the common practice is to see lump-sum, unit-pricing, or mixed contracts.

However, it is also common to see Design provided by Employer, Contractor builds. Years ago, Design-Build was widely used but it started to diminish. Nowadays Design-Build is having exposure again. On some plants and other sophisticated projects EPCs are being used. Finally, PPPs, have not been as widely used and successful as they are expected.

8. What are the most popular standard forms of contract? Do parties commonly amend these standard forms?

Mexico does not use standard forms of contract. In some cases, FIDIC contracts are used in private contracts, but they are not widely considered.

9. Are there any restrictions or legislative regimes affecting procurement?

No. Mexico has a very open and unregulated system. However, in some cases, the administration may require that a certain percentage of the workforce, materials, tools, equipment, or investment be national.

10. Do parties typically engage consultants? What forms are used?

Yes, consultants are used commonly for purposes such as planning, design, project management, etc., As said, forms are not used.

11. Is subcontracting permitted?

Yes as far as the subcontract is not considered outsourcing. As explained before Parties should consider Mexico's subcontracting regime: personnel subcontracting is generally prohibited, but specialized services and specialized works are permitted if they do not fall within the beneficiary's corporate purpose or predominant economic activity. In such cases, the contractor must be registered with the STPS in the REPSE registry and the arrangement must be documented in writing. In addition, where REPSE applies, the contractor must comply with reporting obligations before IMSS (Mexican Social Security Institute) and INFONAVIT (Housing Fund Institute). Accordingly, in construction projects involving specialized contractors, parties should verify REPSE registration and related labour and social security compliance from the outset.

12. How are projects typically financed?

Private projects may involve the participation of banks and equity or a mixture of them. Private construction and engineering projects are commonly financed through Commercial bank lending, Developer equity, **Institutional investment vehicles**, **Capital markets instruments**, including debt issuances (certificados bursátiles), infrastructure investment trusts (CKDs, FIBRAs E), and other vehicles listed in the local market.

Public projects are usually financed by government budget. Public projects rely primarily on:

Federal Budget (Presupuesto de Egresos de la Federación – PEF), which is the main instrument for allocating public resources for infrastructure. Mexico's PEF defines the amount, distribution and destination of federal funds across branches of government and transfers to states and municipalities.

Development banks (Banca de Desarrollo), which provide long term financing, credit enhancements and guarantees for infrastructure with high social impact. BANOBRAS is the leading development bank for infrastructure financing. It supports federal, state and municipal governments, as well as private developers, offering credit, guarantees, refinancing and PPP support.

FONADIN (National Infrastructure Fund), a key source of funding and guarantees for transportation, water and energy infrastructure. FONADIN actively promotes private participation in large infrastructure projects.

Mexico's current national strategy contemplates large scale public expenditure supported by mixed public private participation across priority sectors such as energy, rail transport and highways. The federal Infrastructure Investment Plan 2026–2030 anticipates approximately MXN 772 billion in 2026 and cumulative 5.6 trillion pesos to 2030, mobilized through budget allocations, financing mechanisms and specialized infrastructure vehicles.

13. What kind of security is available for employers, e.g. performance bonds, advance payment bonds, parent company guarantees? How long are these typically held for?

The common securities are: Advance payment bonds for the 100% of the advance payment; performance bonds for 10-20% of the price of the contract, and hidden defects bonds for 10% of the amount of the contract.

14. Is there any specific legislation relating to payment in the industry?

Certainly, in the private sector, there is no specific obligation regarding payment. However, in the private sector, the general rule is that the parties may agree on whatever they consider appropriate, so long as their agreement does not contradict the law.

15. Are pay-when-paid clauses (i.e clauses permitting payment to be made by a contractor only when it has been paid by the employer) permitted? Are they commonly used?

Pay when paid and pay if paid clauses are used and valid in private contracts. Unfortunately there are no regulations that regulate them and therefore, they can be used as a way to abuse of contractors and subcontractors, if they are not well written.

16. Do your contracts contain retention provisions and, if so, how do they operate?

Yes. These provisions are usually included in order to guarantee specific obligations under the contract such as payment for subcontractors, payments owed to authorities and other kind of payments in case that the contractor does not comply with them, and the Employer has to face them.

It is common for the employer to cover itself for subcontractors' administrative fines, workers' suits, failures in social security obligations, claims by subcontractors, or even defects, through retentions on monthly payments.

17. Do contracts commonly contain liquidated delay damages provisions and are these upheld by the courts?

Yes. It shall be noted that, nder the Mexican Civil Codes, liquidated damages are subject to specific limitations: they may not exceed the value of the principal obligation to which they relate, and they must be applied proportionally in cases of partial performance.

18. Are the parties able to exclude or limit liability?

Yes. However, liability cannot be excluded or limited when negligence causes harm to third parties. In such cases, the negligent party remains fully responsible for the damages suffered by those third parties.

19. Are there any restrictions on termination? Can parties terminate for convenience? Force majeure?

There are no restrictions on termination. However, parties can agree different terms. Usually employer has the right to terminate for convenience and contractor does not. Termination for force majeure may be regulated but not really used. Also, according to the commercial and civil laws, no party may be responsible for a force majeure act.

20. What rights are commonly granted to third parties (e.g. funders, purchasers, renters) and, if so, how is this achieved?

Third-party rights are not commonly used in a direct or standalone manner in Mexican construction contracts.

However, the closest functional equivalent—particularly in the context of real estate developments and project financing—is the use of trust structures (fideicomisos). These are widely relied upon to grant and protect the rights of third parties, such as lenders, purchasers and, in some cases, contractors.

21. Do contracts typically contain strict provisions governing notification of claims for additional time and money which act as conditions precedent to bringing claims? Does your jurisdiction recognise such notices as conditions precedent?

Contracts in Mexico do not typically include strict notice provisions requiring the contractor to submit claims for additional time or money within specified deadlines, and such mechanisms are not commonly drafted as conditions precedent to entitlement.

However, where the parties expressly agree to such notice requirements, they are generally recognised and enforced as conditions precedent. Accordingly, if a party fails to submit a claim in the form, manner or timeframe established in the contract, that omission may result in the loss of the corresponding entitlement and could even be considered grounds for unjustified termination.

22. What insurances are the parties required to hold? And how long for?

Civil Responsibility and damages in general; Auto and Workers insurance. Also professional liability in case of designers and consultants.

23. How are construction and engineering

disputes typically resolved in your jurisdiction (e.g. arbitration, litigation, adjudication)? What alternatives are available?

Litigation and arbitration are the most used however recently the big contractor and in some specific public entities are started to use mediation and expertise as a new mechanism to resolve dispute. Dispute Boards and Adjudication are not recognized nor used.

The effect of the recent judicial reform in 2025 becomes the perspective of the contractors and clients to explore different dispute resolution mechanisms. However, the litigation is still used.

Also, at the beginning of 2024, the Alternative Dispute Resolution Law entered into force. Even though most of the mediation guild is not entirely comfortable with such law, we believe it may encourage the use of more amicable ADR, such as mediation or conciliation.

24. How supportive are the local courts of arbitration (domestic and international)? How long does it typically take to enforce an award?

Historically, Mexico has been strongly supportive. It´s enforcement usually takes about 9 months but this may vary from the specific circumstances of each case.

25. Are there any limitation periods for commencing disputes in your jurisdiction?

The general statute of limitations is 10 years but there may be other specific statutes of limitation. One particular exception to the general 10-year rule is the 2-year status of limitation for claims for professional services payments. (This period may vary from one State to another)

26. How common are multi-party disputes? How is liability apportioned between multiple defendants? Does your jurisdiction recognise net contribution clauses (which limit the liability of a defaulting party to a "fair and reasonable" proportion of the innocent party's losses), and are these commonly used?

Multi-party disputes are relatively common in our jurisdiction, particularly in complex commercial and construction-related matters.

Liability among multiple defendants is generally apportioned according to the damage caused by each party, taking into account their respective degree of participation and fault. Contractual penalties cannot exceed the total amount of the Contract.

While net contribution clauses are recognised under the principle of freedom of contract, they are not widely used in practice.

27. What are the biggest challenges and opportunities facing the construction sector in your jurisdiction?

Mexico offers major opportunities for the construction industry due to a large federal infrastructure pipeline and the expansion of public–private co-investment schemes. The main opportunities arise from significant investment in energy, transport, water, social infrastructure and telecommunications under the national investment plan.

At the same time, the sector faces important challenges stemming from recent reforms to public-works legislation, stricter procurement and compliance requirements, and the need to align contracting practices with international standards. In addition, the rigidity of the public sector in the structuring and administration of public works contracts represents a further challenge, as it often limits flexibility in risk allocation, contract management and the timely resolution of issues arising during project execution.

The success of upcoming projects will depend on the effective implementation of new regulatory frameworks, institutional capacity and the private sector's ability to adapt to enhanced governance, transparency and risk-allocation expectations.

28. What types of project are currently attracting the most investment in your jurisdiction (e.g. infrastructure, power, commercial property, offshore)?

Mexico is prioritising investment in the sectors defined under the Federal Infrastructure Investment Plan 2026–2030, which allocates MXN 772 billion for 2026 and channels funds primarily to:

- Energy projects, which represent 54% of the

national infrastructure allocation and remain the country's main investment destination.
- Rail projects, including 3,000 km of new passenger rail, expansions of the Tren Maya and the Interoceanic Corridor.
- Highway projects, particularly mixed investment corridors such as Córdoba–Orizaba, Nuevo Laredo 4/5, and Sonoyta–Puerto Peñasco.
- Port and airport expansions, including major capacity increases at Manzanillo and upgrades to terminals in Guadalajara, Cancún, CDMX and other airports.
- Water, sanitation and waste management infrastructure, supported by development bank financing.
- Social infrastructure, including schools, universities, hospitals and urban public space projects.
- Telecommunications projects, especially broadband expansion and the Red Compartida in underserved regions.

Additionally, Mexico is preparing significant legal reforms to strengthen mixed investment models, including legislative initiatives such as the Ley General de Infraestructura para el Bienestar, which seeks to create a new framework for public–private investment focused on social impact, flexible competitive procurement and the redistribution of risks between the State and private development.

29. How do you envisage technology affecting the construction and engineering industry in your jurisdiction over the next five years?

Construction is very slow in implementing technology. However, we see more and more the use of electronic platforms, drones, and robots. We see an increase without any doubt.

30. What do you anticipate to be the impact from ongoing supply chain issues and the escalation of material costs over the coming year?

The ongoing supply chain disruptions and the escalation of material costs are expected to continue placing significant pressure on the construction sector over the coming year.

In particular, the increase in material costs in public works contracts—where price adjustments are often limited or where contract value modifications are restricted—may lead to a growing number of projects being left incomplete as a result of contract terminations. This is especially relevant in scenarios where contractors are unable to absorb disproportionate cost increases not contemplated at the time of bidding.

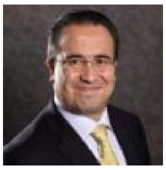
More broadly, any contractual framework that is excessively rigid and does not allow for the adjustment of prices in response to extraordinary or unforeseen global events is likely to face a heightened risk of non-performance or early termination. This, in turn, may discourage participation in future tenders and affect overall project delivery.

This context highlights the need for more flexible risk-allocation mechanisms, including price adjustment clauses, hardship provisions and other contractual tools aimed at preserving the economic balance of the contract and ensuring the continuity of projects.

Contributors

Roberto Hernández
Partner Director

rhernandez@comad.com.mx



Víctor Cisneros Villa
Associate

vcisneros@comad.com.mx

Juan Pablo Sandoval García
Junior Partner

jpsandoval@comad.com.mx

Julio Arcos Flores
Associate

jarcos@comad.com.mx