

Mexico



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Oil production has been the most important extractive activity in Mexico since the 1970s, and petroleum generated 33 percent of government income and 20 percent of exports in 2011.

While Mexico remains one of the top producers in the world, oil exports have declined as fields are depleted and domestic consumption rises.

Mexico	2000	2005	2011
Population (million)	99.96	106.48	114.79
GDP (constant 2011 international \$ billion)	742.2	961.4	1,153.3
GDP per capita, PPP (constant 2005 international \$)	11,853	12,191	12,814
Oil and gas revenue (% total government revenue)	...	41%	33%
Extractive exports (% total exports)	11%	17%	20%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank.

Mexico's Performance on the RGI

Mexico received a "satisfactory" score of 77, ranking 6th out of 58 countries, the result of high scores on all components except on the Enabling Environment.

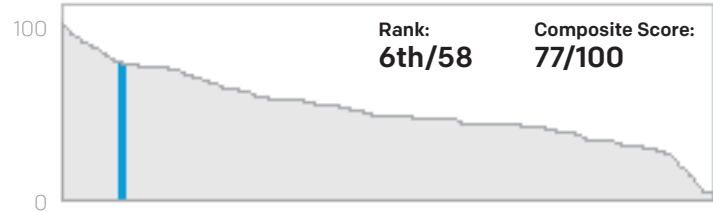
Institutional and Legal Setting

(Rank: 6th/58 Score: 84/100)

Mexico's extractive resources are governed by a strong legal framework, leading to a "satisfactory" score of 84.

By law, the state-owned oil company *Petróleos Mexicanos* (Pemex) dominates the industry. The Energy Ministry oversees Pemex's activities and sets policy. There is no licensing process, though Pemex does sign service contracts with other companies. Some contracts are awarded through competitive bidding, but Pemex may also sign agreements through a non-competitive "direct award" process.

The Federal Transparency and Access to Information Law requires comprehensive disclosure of industry information; environmental impact assessments are also required.



Reporting Practices

(Rank: 7th/58 Score: 82/100)

Mexico received a "satisfactory" score of 82, reflecting comprehensive disclosure on many revenue indicators but poor contract transparency.

Only limited information on Pemex's subcontracting policies is published before contracts are awarded. Information on the selection process is not always available, and service contracts are not published.

Comprehensive industry data are available online, but reports can be difficult to understand and information must be pieced together from different agency websites. The Finance Ministry publishes disaggregated data on payments received from Pemex, export values, production costs, and the cost of subsidies. The Energy Ministry and the National Hydrocarbon Commission publish reports on the petroleum sector, but rely on information from Pemex.

Safeguards and Quality Controls

(Rank: 8th/58 Score: 81/100)

Mexico's "satisfactory" score of 81 is largely due to substantial audit requirements that are not always effective in practice.

Pemex officials exercise considerable discretion in the subcontracting process. Congress oversees Pemex's activities and must approve the company's budget. Lawmakers have no responsibility to review service contracts, but may request information from Pemex officials.

National audit organizations have the power to review all government accounts, including those of Pemex. In practice, however, auditors lack the capacity to effectively oversee the oil sector. The Supreme Audit Institution presents lawmakers with annual reports, but the figures are often at least a year old. Several legislative committees review audit reports but do not focus specifically on resource revenues.

Enabling Environment

(Rank: 18th/58 Score: 53/100)

With a particularly low ranking for the rule of law, Mexico received a "partial" score of 53, its lowest on any component.

State-Owned Companies

(Rank: 2nd/45 Score: 98/100)

Pemex is entirely government-owned and has a legal monopoly over petroleum exploration, production and commercializa-

tion. The company publishes information on reserves, field-by-field production volumes, prices, export values, investment, production costs, social payments made to local governments in producing regions, disaggregated revenues, and payments to the government. Some of this information is buried in highly technical reports. Pemex's accounts are audited and audit reports are made public.

Natural Resource Funds

(Rank: 6th/23 Score: 79/100)

In 2002 the government created the Oil Income Stabilization Fund to ensure continued investment in Pemex. The fund is one of four stabilization funds that by law must receive any surplus oil revenues; it is administered by the Finance Ministry. Rules

for deposits and withdrawals are defined by law, but Congress has approved changes allowing the fund to cover Pemex's operating expenses. Basic financial data are published quarterly and presented to Congress.

Subnational Transfers

(Rank: 8th/30 Score: 81/100)

The governments of oil-producing states receive a portion of extractive revenues through direct transfers. There are no conditions on how these transfers are spent and financial data are not published. However, the bulk of subnational transfers are made through the central government's normal revenue distribution processes. Information on these disbursements is published quarterly by the Finance Ministry.

Mexico's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
6	COMPOSITE SCORE	77
6	Institutional and Legal Setting	84
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	89
	SOC financial reports required	100
	Fund rules defined in law	100
	Subnational transfer rules defined in law	100
7	Reporting Practices	82
	Licensing process	33
	Contracts	33
	Environmental and social impact assessments	50
	Exploration data	100
	Production volumes	100
	Production value	100
	Primary sources of revenue	100
	Secondary sources of revenue	67
	Subsidies	100
	Operating company names	..
	Comprehensive SOC reports	100
	SOC production data	100
	SOC revenue data	83
	SOC quasi fiscal activities	100
	SOC board of directors	100
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	33
	Subnational transfer rules	100
	Comprehensive subnational transfer reports	67
	Subnational reporting of transfers	100
8	Safeguards and Quality Controls	81
	Checks on licensing process	50
	Checks on budgetary process	67
	Quality of government reports	87
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	100
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	100
	Quality of fund reports	67
	Fund reports audited	100
	Government follows fund rules	33
	Checks on fund spending	100
	Fund disclosure of conflicts of interest	100
	Quality of subnational transfer reports	50
	Government follows subnational transfer rules	67
18	Enabling Environment	53
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	45
	Open Budget (IBP Index)	61
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	61
	Government effectiveness (WGI)	62
	Rule of law (WGI)	34

■ Satisfactory	■ Weak
■ Partial	■ Failing