



To generate value and protect Pemex and CFE from corruption: Transparency and Good Governance

- México Evalúa presents the results of the Transparency Index of Productive State Enterprises (IT-EPEs for its name in Spanish), a tool that identifies the corporate transparency practices within Pemex and CFE and evaluates the quality of information that these companies publish.
- The objective of the study is to use evidence to promote corporate transparency best practices as they apply to Productive State Enterprises (PSE), to fortify corporate governance and in this way, make these enterprises more efficient, more competitive and more effective in preventing corruption.
- Contrary to what we present, the initiative to reform the Pemex Law presented by Morena on January 9, weakens the corporate governance structures by centralizing power in the Pemex Director and eliminating counterbalances within the companies.
- We call on Congress to discuss the initiative to reform the Pemex Law in an open and plural manner.

Since the beginning of President Andrés Manuel López Obrador's (AMLO) term, there has been a change in course for Mexican Petroleum (Pemex) and the Federal Electricity Commission (CFE). The purpose of this shift is to strengthen these enterprises and consequently generate greater value for Mexicans. However, until now, key actors have not discussed how to improve these enterprises' governance, how to make them sustainable, or how to create an environment of integrity, leading to a better use of resources.

"At México Evalúa we are interested in contributing to efforts that raise the quality of Productive State Enterprises' work. With this purpose, we created a Corporate Transparency Index (IT-EPEs) to diagnose the state of corporate transparency as evidenced in the exercise of these enterprises' internal governance structures, measure its quality and publish concrete recommendations for its improvement, "explained Edna Jaime, Executive Director of México Evalúa.

For the evaluation of the corporate transparency practices within PSEs, the researchers studied the information that these PSEs report and proactively disseminate in order to allow investors and citizens to hold them accountable. Researchers also evaluated the quality of this information.

The results show that the quality of the corporate transparency practices within Pemex and CFE is insufficient. Only 28% of the variables analyzed in the case of Pemex, and 22% in the case of CFE, resulted in a good or excellent corporate transparency practices. In addition, the main sources of information on PSEs are not accessible to inexperienced audiences.

It is essential to work on strengthening capacities within these institutions that face great challenges following the opening of the energy sector. Our recommendations are aimed at strengthening the governing bodies, in particular, the Board of Directors in order to establish effective governance structures and counterweights, allowing for better PSE functioning and reducing risks for corruption.

This exercise becomes even more relevant in the framework of the initiative to reform the Pemex Law, proposed last January 9 by the Morena congressional party and assigned to that same group. The initiative proposes to centralize power in the Pemex Director, which would increase the political interference in the decision-making process and reduce the counterweights within the company.

"We express our concern about the #LeyPemex reform initiative that substantially modifies the objectives and conformation of Pemex's governing body, concentrates decisions in a single person, and affects the transparency and accountability mechanisms. We are calling on legislators to open the discussion in a public and plural way," said María Fernanda Ballesteros, Economic Regulation and Competition Program Coordinator México Evalúa.

José Roldán Xopa, Professor and Researcher from the Center for Economics Investigation and Teaching as well as Pablo Zárate, Director of Pulso Energético, also participated in the press conference.

Executive Summary: <https://www.mexicoevalua.org/wp-content/uploads/2019/02/Sintesis ITEPE.pdf>

To consult the full document: <https://www.mexicoevalua.org/wp-content/uploads/2019/02/Indice-de-transparencia-corporativa-EPEs.pdf>

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