

Transparency and accountability analysis of Pemex's social development program

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Currently, Mexican Petroleum (PEMEX), one of the biggest oil companies in the world, contributes with approximately a third of public incomes of the Mexican State. 1 Even though the state-owned company is focused on maximizing the economic value it obtains from hydrocarbons' sales, it maintains a social development program whose goal is to facilitate the oil activities and diminish the impacts derived from the latter.

Since the extractive industries in general have an important impact (and not necessarily positive) on the communities in which they operate, it is understandable that the expenditure program for social development has the "goal of improving the life quality of the population of states and municipalities with oil production". 2 Despite that, the criteria for assigning the funds of the social development program clarify that the supports given by PEMEX "are neither payments nor compensations of the company for damages caused to the environment".3

They also admit that it seeks to "improve perception, recognition and public acceptance of its activities". 4 For such ends, PEMEX has instrumented a social development program which divides the transfers into donatives, which are given in cash, and donations, in goods. These donatives and donations are ruled by assignment criteria which specify that the priority zones are those where:

- a) there are facilities for production, transformation and destruction of hydrocarbons;
- b) there is oil sector investment;
- c) the oil industry generates most of the direct jobs;
- d) zones in which oil activities have a substantial impact on other productive activities; or
- e) where oil activities have a significant impact on the environment.

The criteria establish that at least 90% of the authorized budget must be directed to zones identified as priorities for PEMEX's operation. The linkage between oil activities and social development seem, according to this initial approximation, to develop under reasonable circumstances. The criteria themselves clarify that there will be a priority on state government entities and municipalities which "by law are responsible for the conduction and implementation of development plans and programs". 5

Furthermore, the social development program incorporates, at least in theory, a rational resource management system with mechanisms to determine who receives funds after proposals are turned in. For example, the allocation criteria specify that the solicitors must present the "technical file of the actions to be carried out or studies of technical-social viability". 6 The program, we are still on supposition grounds, even bases its operation mainly on a census of priority municipalities in which there is a high level of oil activity.

So far, what we have observed is a considerable number of previsions and norms related with the social development program, even if by itself it does not provide a clear idea of management. If we wish to know more about the program, it is required to see deeper into other issues. Nevertheless, one of the main challenges of analyzing PEMEX's social development program is the quality of information. The documents generated by the company do not report totals (there are no reports with integrated figures) and neither do they reflect the decision-making process, presenting exclusively the total figures which were authorized or transferred. 7

An example of how reduced the information is, would be that the addition or disappearance of municipalities from one year to the next is not supported with analytical information. Under these terms, it is impossible to determine the specific reasons why the donatives and donations increase or are reduced year by year. It is obvious to conclude that the effective and transparent management of PEMEX's social development program's resources depends on a clear logic for making executive decisions and that this logic is reflected on the information made public, however, broadly speaking, the social development program is characterized by the disorganization of the information exposed to the public and by the lack of transparency in a practical level.

The former conclusions, and those which follow, are based on an analysis of information access requests made by Fundar, Center for Analysis and Research and the review of the Federal Institute of Access to Public Information's (IFAI) website, specifically through the tool called "Zoom", which presents information access requests previously made and their answers.

According to the public information generated by PEMEX, there are 42 municipalities in Veracruz which have facilities related with the oil industry and which have priority status. Curiously, from 2000 to 2006, 82 of Veracruz' municipalities received donatives or donations from PEMEX under the social development program (twice as double as the census) and even though it is possible to recognize a tendency to focus the resources to priority municipalities, it is true that PEMEX's funds given to municipalities which are not priorities, are not considerable. Thus, the logic behind given funds is an authentic mystery, so it is impossible to evaluate the effectiveness of the process.

The value of the census of the municipalities is limited, it lacks an oil activity hierarchy, in other words, it includes some municipalities which seem to have very reduced activities, it doesn't have information about the social development level of those municipalities and there isn't a practical definition of what oil activity concretely is, although it must be acknowledged that we could find indirect differences in the allocation criteria. It is also important to point out that some municipalities included in the census (which therefore grants them priority) have neither received donatives nor donations in the last 6 years, as is the case of the municipality of Acula.

A review of the municipalities considered for receiving benefits in the period 2000-2006 opens more questions than the answers it gives. For example, it is not easy to review the compliance with the clause which says that 90% of the donatives and donations must be used for priority municipalities. To trustworthily verify the level with which it is respected is almost impossible, since there are years in which the information given is incomplete. 8

Other findings are: there are no precise indicators of the impact of PEMEX's social development programs, on the contrary, the company incorporates the funds request to its allocation system and not trustworthy and exhaustive follow-up information; PEMEX doesn't assume an active role in the monitoring of the resources and takes to an extreme, even negative, the consideration that "the conduction of local development processes are neither its central goal nor its direct responsibility". 9

It seems that PEMEX makes decisions on funds allocations without reviewing the impact of such actions in the past, only on the new proposal (which also tends to lack objective and prospective analysis). Without external evaluation mechanisms, or additional ones to the funds request process, it is difficult to justify the drastic fluctuations which take place occasionally. Under these conditions one may assume that the reason why the donatives and donations fluctuate year by

year is because the municipalities present “reasonable” proposals to make use of more resources, without knowing whether PEMEX evaluates the performance or the appropriateness of the increases to contribute to social development.

It is also important that there only exists one stipulation in the criteria for donatives and donations’ allocation which limits the transfer of funds in electoral periods. But this mechanism does not guarantee that the donatives and the donations are not deviated towards political-electoral means. The reference to the non-allocation during electoral periods is so vague that it allowed, in 2005, when there were municipal elections in Veracruz, the social development transfers to increase in several municipalities. 10

It is possible to conclude that there are several problems with PEMEX’s Social Development Program. The quality of information found on PEMEX’s website, just like the information documented on the authorizations and transfers made (and which has been handed complying with information access requests found on IFAL’s website) is of very low quality. There are several tables which report different information for the same year and many of the information sources have irrelevant or confusing data. The lack of quality information makes it difficult to evaluate the program’s effectiveness and questions its performance. One of the most serious problems of the information not being complete is that it doesn’t allow analyzing the way in which decisions are made at a corporate level.

Furthermore, the simple fact that PEMEX differs the responsibility of evaluating the projects it finances, with money acquired through exploitation of a natural resource which belongs to the country, questions the seriousness of the program. A serious decision-making process, with clearly defined parameters, is key for reaching a desirable satisfaction level in fulfilling the objectives set.