

Validation of Mexico:

Final assessment of progress in implementing the EITI Standard

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Acronyms

AMEXHI	Mexican Association of Hydrocarbon Companies
BO	Beneficial ownership
CAMIMEX	Mexican Mining Chamber
CNH	National Hydrocarbons Commission
DGM	Directorate General of Mines
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
ESSA	Exportadora de Sal S.A de C.V
FIU	Financial Intelligence Unit
FUNDAR	Fundar Centro de Análisis E Investigación
GA	Broad Group of civil society organisations participating in EITI
GDP	Gross Domestic Product
GiZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GRS	Group of Representatives and Alternates of Civil Society
IA	Independent Administrator
MSG	Multi-Stakeholder Group
MX-EITI	Mexico Extractive Industries Transparency Initiative
MXN	Mexican Peso
Pemex	Petróleos Mexicanos
PEP	Politically exposed person(s)
PIM	Proyecto Integral Morelos
PODER	Project on Organizing, Development, Education, and Research
SE	Ministry of Economy
SEMARNAT	Ministry of the Environment and Natural Resources
SENER	Ministry of Energy
SGM	Mexican Geological Service
SHCP	Ministry of Finance and Public Credit
SIA	Social Impact Assessment
SOE	State-Owned Enterprise
ToR	Terms of Reference
TM	Transparencia Mexicana
TWG	MSG's Technical Working Group(s)
UAM	Metropolitan Autonomous University
UNAM	National Autonomous University of Mexico

Executive summary

This draft Validation report presents the findings of the International Secretariat's Validation of Mexico, which commenced on 1 October 2021. The draft report was finalised for review by the multi-stakeholder group (MSG) on 3 January 2022. Following comments from the MSG on 24 February 2022, the Validation report was finalised for consideration by the EITI Board. The assessment suggests that Mexico has exceeded two EITI Requirements, fully met four, mostly met 13 and partly met 13 requirements.

Key achievements

- Mexico has used the EITI to establish a functioning forum for [multi-stakeholder](#) deliberations on the governance of the extractive industries. While trust among stakeholders appears to still be at a nascent stage, most stakeholders see this platform as unique in Mexico's extractive industries. Despite frustrations of some MSG members over the perception of slow progress in disclosures and the functioning of the MSG in practice, most considered that the EITI offered an opportunity to air grievances and work to build consensus on issues that have historically been a source of contention between the three constituencies.
- The EITI has provided a transparency benchmark for the last decade of Mexico's energy reforms, including the creation of several government portals that systematically disclose a large share of the oil and gas data required by the EITI Standard. Information on reserves, geological data, contracts, production, exports and payments to government is systematically disclosed on government portals, with the Hydrocarbons Commission's (CNH) [Rondas portal](#) leading global best practice in terms of the accessibility of contractual information in oil and gas. The national oil company Pemex systematically discloses much of the information required by the EITI, including in areas exceeding the minimum requirements of the Standard such as the disclosure of all procurement contracts.
- Stakeholders involved in Mexico's EITI have made efforts to tailor EITI implementation to issues of public interest nationally since the start of implementation. Primarily driven by civil society advocacy, the MSG has committed to work on new aspects of the EITI Standard of particular relevance to Mexico, including the socio-environmental impacts of the extractive industries, beneficial ownership transparency and gender. While views on the level of progress in addressing these issues varies across different constituencies, there is broad consensus that the EITI could add significant value to public debate through further disclosures in these areas.

Areas for development

- After five years of implementation, the time is ripe for Mexico EITI to review the outcomes and impact of the EITI to date. Taking stock of lessons learned and of the impact to date should provide key inputs to annual EITI work planning in order to ensure that Mexico EITI's planning documents build on the strengths and weaknesses of implementation to date and provide a robust results-based framework for implementation.

- While Mexico’s EITI reporting has disclosed new information on the mining sector, there remain wide disparities between the level of transparency in mining as compared to oil and gas. Weaknesses in company participation in EITI reporting have persisted across Mexico’s three EITI Reports published to date, causing large gaps in coverage of government revenues from the mining sector in particular. Challenges in reporting have also caused gaps in disclosures related to issues of key priority for the MSG, including on socio-environmental impacts, beneficial ownership and gender. Closer attention to establishing a clear and comprehensive scope for EITI reporting, combined with proactive efforts by all constituencies to ensure full participation in EITI reporting on the part of all material companies included in scope, should help ensure that extractive data of high public interest is publicly disclosed in a comprehensive, reliable and accessible manner.
- While civil society’s engagement in the EITI has been robust and dynamic, civil society stakeholders consulted consider that the broader constraints in general civic space in Mexico have had an impact on their freedom of expression and operation in relation to EITI activities. Yet there is little evidence that the MSG has discussed these concerns to date. The EITI should provide a safe space for discussions of potential constraints on civil society’s engagement in the natural resource governance debate, with any curbs on civil society’s ability to fully, actively and effectively participate in any aspect of EITI implementation addressed in a timely manner.

Progress in implementation

EITI Validation assesses countries against three components – “Stakeholder engagement”, “Transparency” and “Outcomes and impact”.

Stakeholder engagement

The government, extractive companies and civil society appear generally engaged in EITI implementation, although there have been ebbs and flows in government and industry engagement in particular. Weaknesses in government provision of funding for EITI and the lack of actions to overcome barriers to implementation, combined with consistent gaps in company participation in EITI reporting, have caused gaps in EITI disclosures and shortcomings in outreach and dissemination. The MSG appears to include adequate representation from the three constituencies and provides some oversight over implementation, although the perception of at least one third of the MSG is that the group does not operate in an efficient or equitable manner. While broader constraints on civic space are widely acknowledged by most stakeholders, there are different opinions across constituencies on the indirect impacts of these constraints on civil society’s engagement in EITI. While civil society appears fully, actively and effectively engaged in all aspects of implementation despite funding constraints, Validation identified broader constraints on expression and operation that appear to have credibly reduced civil society’s freedom of expression and of operation in relation to public debate on natural resource governance. Rejuvenating and publicising government and industry engagement in EITI, including in the provision of sustainable sources of funding for implementation, combined with a review of the MSG’s internal governance and operating practices to ensure consistency with its governance rules, should help strengthen the multi-stakeholder oversight of EITI implementation.

Transparency

Mexico has established an annual EITI reporting process that seeks to build on existing systematic disclosures, although weaknesses in company EITI reporting have meant that a majority of the government's extractive revenues have not been publicly disclosed to levels of comprehensiveness, reliability and disaggregation required by the EITI Standard. The government's systematic disclosures in the oil and gas sector far exceed the level of systematic transparency in mining, with routine and timely disclosures of contractual documents, production, government revenues and SOE financial management. While Mexico's EITI reporting has referenced these sources, it has not yet added more value by undertaking regular diagnostics of rules and practices of extractive industry governance. Meanwhile legal taxpayer confidentiality constraints ('fiscal secrecy') have constrained the government's ability to disclose disaggregated revenue data for companies that have declined to participate in EITI reporting. While the MSG has made some progress on disclosure areas of priority for Mexico EITI, there is a general frustration on the part of civil society at the lack of disclosures of beneficial ownership data to date, as well as about gaps in company disclosures of social and environmental management practices and expenditures. There is a clear potential for Mexico EITI's role to evolve from referencing existing data disclosures to working with government agencies and companies to enhance systematic disclosures of extractive data, with a stronger focus on analysis and use of EITI data. The contentious history of stakeholder relations surrounding extractive projects in Mexico provides fertile ground for the MSG to further develop the EITI's role as a regular diagnostic of extractive governance rules and practices.

Outcomes and impact

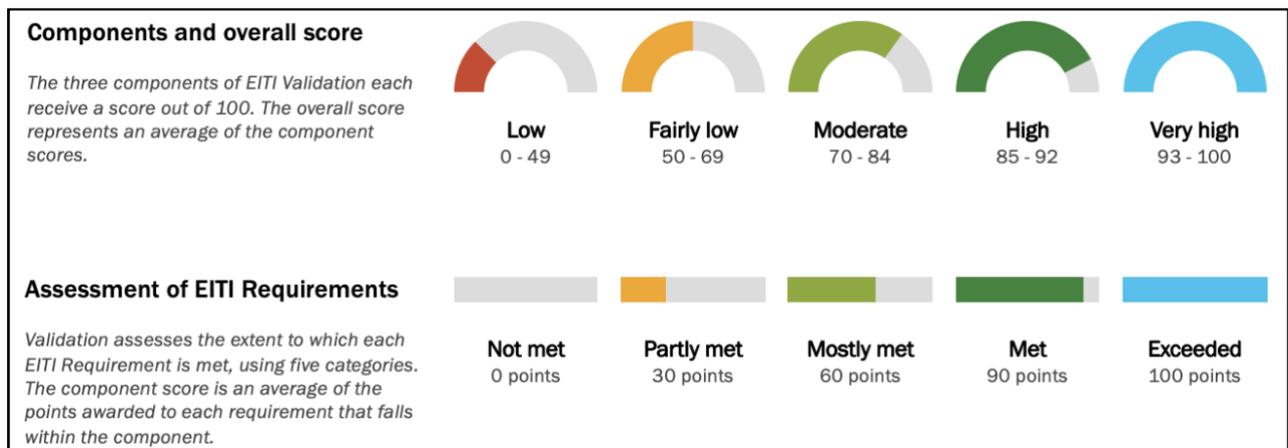
Stakeholders have sought to ensure that objectives of EITI implementation align with national priorities through the annual work plan, although the Mexico EITI work plan does not yet act as a key monitoring, evaluation, learning and accountability document. Mexican stakeholders made proactive efforts for EITI-related outreach and dissemination, particularly in the early years of implementation. The MSG, and civil society members in particular, have undertaken roadshows, workshops and seminars both in Mexico City and in resource-rich regions in the 2016-2019 period. However, the pace of outreach and dissemination declined sharply since 2020, in part due to funding constraints both for the EITI and the government more generally. Most MSG members consulted considered that the Mexico EITI communication efforts to date have been insufficient, with many highlighting the irregular updates of the Mexico EITI [website](#) as an example.¹ There is little evidence of the MSG making efforts to tailor EITI communication products to the needs of target groups or to local languages. There does not appear to be a mechanism in place for the MSG to systematically follow up on recommendations from EITI reporting or Validation, which has reduced the scope for EITI implementation to lead to broader reforms. Only one review of outcomes and impacts of EITI implementation has been published to date, covering the first year of implementation and published in 2018. Regular reviews of outcomes and impact are an integral part of efforts to strengthen Mexico EITI's accountability to the broader public and could help further enhance the MSG's annual work planning.

¹ Please note that certain Mexican websites, including that of Mexico EITI, are only accessible from certain IP addresses in North America. It is thus necessary to use a VPN to access these websites from other regions of the world.

Figure 1 Scorecard: Summary of progress in the Validation of Mexico

EITI Requirements			Assessment	
Validation of Mexico: Assessment per EITI Requirement			Level of progress	Score
Component	Module	Requirements		
Outcomes and impact	Extra points	Effectiveness and sustainability indicators		1
	Outcomes and impact	Work plan (#1.5)	Mostly met	60
		Public debate (#7.1)	Partly met	30
		Data accessibility and open data (#7.2)	Partly met	30
		Recommendations from EITI (#7.3)	Partly met	30
	Outcomes & impact (#7.4)	Partly met	30	
Stakeholder engagement	Multi-stakeholder oversight	Government engagement (#1.1)	Mostly met	60
		Industry engagement (#1.2)	Mostly met	60
		Civil society engagement (#1.3)	Mostly met	60
		MSG governance (#1.4)	Mostly met	60
Transparency	Overview of the extractive industries	Exploration data (#3.1)	Exceeded	100
		Economic contribution (#6.3)	Exceeded	100
	Legal and fiscal framework	Legal framework (#2.1)	Exceeded	100
		Contracts (#2.4)	Mostly met	60
		Environmental impact (#6.4)	Not assessed	-
	Licenses	Contract and license allocations (#2.2)	Mostly met	60
		License register (#2.3)	Mostly met	60
	Ownership	Beneficial ownership (#2.5)	Partly met	30
	State participation	State participation (#2.6)	Mostly met	60
		In-kind revenues (#4.2)	Mostly met	60
		SOE transactions (#4.5)	Mostly met	60
		SOE quasi-fiscal expenditures (#6.2)	Partly met	30
	Production and exports	Production data (#3.2)	Fully met	90
		Export data (#3.3)	Mostly met	60
	Revenue collection	Comprehensiveness (#4.1)	Partly met	30
		Barter agreements (#4.3)	Partly met	30
		Transportation revenues (#4.4)	Partly met	30
		Disaggregation (#4.7)	Mostly met	60
		Data timeliness (#4.8)	Fully met	90
		Data quality (#4.9)	Partly met	30
	Revenue management	Distribution of revenues (#5.1)	Fully met	90
		Revenue management & expenditures (#5.3)	Not assessed	-
	Subnational contributions	Direct subnational payments (#4.6)	Partly met	30
Subnational transfers (#5.2)		Mostly met	60	
Social and environmental expenditures (#6.1)		Partly met	30	

How EITI Validation scores work



The overall score (out of 100) represents an average of the scores of each component.

Each requirement will be assessed following the scale below and assigned corresponding points:

- **Exceeded** (100 points): All aspects of the requirement, including ‘expected’, ‘encouraged’ and ‘recommended’ aspects, have been implemented and the broader objective of the requirement has been fulfilled through systematic disclosures in government and company systems.
- **Fully met** (90 points): The broader objective of the requirement has been fulfilled, and all required aspects of the requirement have been addressed.
- **Mostly met** (60 points): Significant aspects of the requirement have been implemented, and the broader objective of the requirement is mostly fulfilled.
- **Partly met** (30 points): Significant aspects of the requirement have not been implemented, and the broader objective of the requirement is not fulfilled.
- **Not met** (0 points): All or nearly all aspects of the requirement remain outstanding, and the broader objective of the requirement is far from fulfilled.
- **Not assessed**: Disclosures are encouraged, but not required and thus not considered in the score.
- **Not applicable**: The MSG has demonstrated that the requirement doesn’t apply.

Where the evidence does not clearly suggest a certain assessment, stakeholder views on the issue diverge, or the multi-stakeholder group disagrees with the Secretariat’s assessment, the situation is described in the assessment.

1. Effectiveness and sustainability indicators

The country is awarded 0, 0.5 or 1 point for each of the five indicators. The points are added to the component score on Outcomes and impact.

1.1 National relevance of EITI implementation

This indicator considers the extent to which EITI implementation in Mexico addresses nationally relevant extractive sector challenges and risks. The objectives for Mexico's EITI implementation have evolved across the MSG's successive work plans since Mexico became an EITI member country. The initial set of objectives in the [2017-2019](#) work plan were relatively narrowly focused on EITI implementation, even if they alluded to broader priorities of improving the transparency of socio-environmental aspects of the extractive industries and strengthen access to information to improve living conditions. Development of the [2021-2022](#) work plan included a broader consultative process and led to the identification of objectives more clearly aligned with national priorities such as the [2019-2024 National Development Plan](#), including analysis of the energy transition's impact on the extractive industries, contribution to gender equality in the extractives and improving beneficial ownership transparency. Many stakeholders noted that the change in government in late 2018 introduced a change in government priorities and growing focus on anti-corruption efforts. The MSG's submission for this Validation highlighted Mexico EITI's role in supporting government efforts to improve transparency and curb corruption, and the relevance of beneficial ownership to the government's various international commitments and the priorities of government entities such as the Ministry of Finance and Public Credit's Financial Intelligence Unit. The MSG's submission highlights Pemex's [Cumple](#) programme, which frames its participation in the EITI as compliance with international standards.

MSG meeting minutes and the 2021-2022 EITI work plan show that the MSG has also addressed other issues such as the energy transition, mechanisms for environmental management and the disclosure of social impact assessments, among others. The 2021-2022 work plan includes plans to go beyond the minimum EITI Requirements in the areas of socio-environmental disclosures (for instance through the systematic publication of social and environmental management plans), analysing the energy transition's impact on the extractive industries, and disclosures related to gender considerations in extractive industry governance. The MSG has also taken the extra step of publishing a dedicated report on social and environmental aspects of the extractive industries from 2017-2019. There is no evidence of significant progress or increased disclosures in these areas, however, and the majority of civil society stakeholders consulted described shortcomings in the MSG's dedicated reporting on social and environmental issues.

Consultations revealed disagreement between stakeholder constituencies about why there had not been more progress on these areas. Limits on government capacity, deliberate lack of support, and the political transition of 2018-2019 were all cited as reasons by different stakeholders. Stakeholders across constituencies expressed concerns about the sustainability of EITI implementation in Mexico due to declining resources and levels of government engagement.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

1.2 Systematic disclosures of extractive industry data

The Federal Government systematically discloses a significant share of information required by the EITI Standard through routine government systems in the oil and gas sector, although the level of systematic disclosures in the mining sector remain far more limited. Mexico enacted a General Law on Transparency (General Law of Transparency and Access to Public Government Information) in 2016, which guarantees the right of access to information held by any government entities. The [National Transparency Platform](#) was established as a portal for these disclosures, providing access to a range of documents from each Federal Government entity including the SOE Pemex and government agencies engaged in EITI implementation, such as SHCP, SEMARNAT and the Ministry of Economy. Consultations with civil society revealed scepticism that all relevant documents were actually published. A cursory review conducted by the validation team supports this scepticism, and suggests gaps in disclosures, for instance in data on licenses awarded by SEMARNAT.

Several other platforms also systematically disclose information on the oil and gas sector. The CNH's [SIH portal](#) systematically discloses technical information, including data on reserves and geological information. The CNH's [Rondas portal](#) discloses the full text of operating oil and gas contracts and related documents as well as on the licensing process. The Mexican Petroleum Fund (FMP) [website](#) publishes monthly information on government revenues from the oil and gas sector, disaggregated by revenue stream, company and project. The SHCP [website](#) publishes monthly, quarterly and annual data on Federal Government revenues, albeit only disaggregated by company for contributions from the national oil company Pemex. The SOE Pemex's [website](#) publishes extensive information on its operations, including its audited financial statements, procurement contracts, and filings to stock exchanges where its securities are listed. The larger private oil and gas companies appear to publish aggregate information on their social management plans, while oil and gas companies operating in Mexico with head companies domiciled in the European Union or Canada (e.g., Repsol, see for instance [2020 disclosures](#)) publish mandatory payments to government reports. Oil and gas production data is disclosed through the CNH's SIH portal, while for exports the national statistics agency INEGI's [portal](#) discloses oil and gas export values and the Pemex open data [portal](#) publishes volumes and values of oil and gas exports by the SOE, but not by private operators.

Systematic disclosures in the mining sector appear far more limited. The Geological Survey's (SGM) annual Statistical Yearbook for Mining (e.g., the [2019 yearbook](#)) discloses information on production and exports of the main mineral commodities produced in Mexico. The [National Transparency Platform](#) discloses some information on licenses required for mining, while the [CartoMinMex portal](#) provides information on active mining licenses. Although the SHCP [website](#) publishes regular data on Federal Government revenues in aggregate, there are no public disclosures of mining revenues specifically, either by sector or by individual company given taxpayer confidentiality constraints. The industry association CAMIMEX publishes regular information on member mining companies' activities, including through the association's [annual reports](#), [sustainability reports](#) and various [presentations](#), but does not disaggregate data on individual company payments or expenditures.

The MSG has adopted a conventional approach to EITI disclosures through a single EITI Report to date. Although minutes of MSG meetings reflect occasional discussions of systematic disclosure, the MSG has not yet formulated a concrete plan for further strengthening systematic disclosures of EITI data. There is significant untapped potential to re-engineer the EITI reporting process to leverage existing sources of systematic disclosures, with the EITI playing a greater role in performing a diagnostic of deviations between practices and the statutory framework.

The Secretariat proposes that 0.5 additional points be added to the score on Outcomes and impact for this indicator.

1.3 Environment for citizen participation in extractive industry governance

This indicator considers the extent to which there is an enabling environment for citizen participation in extractive sector governance, including participation by affected communities. Several laws and regulations provide an enabling statutory environment for citizen participation in the oversight of the extractive industries. For instance, Article 120 of the Hydrocarbons Law requires a process of free prior informed consent (FPIC) involving host communities prior to the launch of any project in which indigenous communities are likely to be affected, while a June 2016 decision from the Supreme Court of Mexico created jurisprudence for the systematic consultation of indigenous people and communities prior to the development of such projects.² Consulted stakeholders' opinions on the application of these legal provisions varied significantly, however. The MSG's submission to this Validation reflected this split in views on the MSG, with industry stakeholders considering that there was an enabling environment for citizen participation in extractive governance, while civil society did not consider that the environment was enabling in practice given allegations of the lack of guarantees for exercising the right to self-determination. Many CSOs consulted provided anecdotal evidence of weaknesses in the process of public hearing for mega-projects and extractive developments, primarily due to the lack of sufficient information being provided to affected communities in a manner that was accessible to all. Several CSOs noted that, while information on projects was published on various government websites ahead of public hearings, most CSOs faced challenges in accessing this information given the need to search for precise terms to find relevant project information. The MSG noted in its submission for this Validation that there were weaknesses in the process for ensuring affected communities' participation in the decision-making related to oil and gas projects in particular, given the lack of tools for accommodating the needs and capacities of host communities.

There is no evidence in MSG meeting minutes that the environment for civil society participation in extractive industry governance has been discussed, with the exception of ad hoc discussions of limits to access to information. Several CSOs consulted considered that the MSG had taken no actions to review policies and practices related to citizen participation in extractives governance and that mechanisms for citizen participation had deteriorated since Mexico joined the EITI. Stakeholders consulted from industry and government did not express specific views on the enabling environment for civil society, aside from noting that they considered CSOs engaged in the EITI to be outspoken and able to influence decision-making through their participation in the EITI. Several CSOs noted that the 2018 EITI Report was accompanied by a note criticizing the

² <https://revistaselectronicas.ujaen.es/index.php/TAHRJ/article/view/4808/3831>

Report's quality. This was offered as evidence that civil society was not able to adequately influence decision-making through the MSG.

Civil society engaged in the EITI appear to have sufficient technical capacity to engage in all aspects of EITI implementation, as evidenced by MSG meeting minutes. While several industry and government stakeholders consulted called for more capacity building for CSOs engaged in EITI, this view was not shared by civil society. Stakeholders from all constituencies raised concerns over the availability of funding for CSOs' engagement in EITI, citing lack of government support, legislative burdens to accessing foreign funding, and the end of the Germany-Mexico Common Fund's support for civil society in 2019. Several stakeholders expressed concern over the medium-term financial sustainability of civil society's engagement in EITI.

Outreach to communities hosting extractive activities has been a central focus of civil society engagement in the EITI since inception, although financial constraints have curbed outreach since 2020. Numerous outreach activities driven by CSOs in resource-rich areas were undertaken in the 2016-2019 period, which are catalogued in the MSG's submission for this Validation and on the civil society constituency's *Transparencia Extractiva* [website](#). However, many CSOs and development partners have argued that CSOs at the subnational level have not yet been significantly engaged, and that outreach to date raised awareness but had not removed barriers to participation. All civil society stakeholders consulted for this validation argued that EITI had not contributed broadening civic space related to extractive governance, but that the period of Mexico's EITI implementation had in fact coincided with a deterioration in civic space, including related to extractive governance.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

1.4 Accessibility and use of extractive industry data

This indicator considers the extent to which extractive sector data is accessible and used for analysis, research and advocacy. Consultations revealed mixed opinions about the usefulness of data disclosed through EITI reporting to date. Several industry and government stakeholders argued that EITI Reports gathered all information on the extractive industries to one place and were thus useful tools for both government agencies and extractive companies. Consultations, however, revealed no instances in which EITI data was used by industry or government.

Civil society stakeholders, on the other hand, argued in consultations that data disclosures do not meet their needs or the needs of the broader public, and called for more disclosures related to beneficial ownership, socio-environmental aspects of the extractive industries, and the gender dimensions of extractive activities. As evidence of this, CSOs cited the critical side note accompanying the 2018 EITI Report, noted that large sections of text have been duplicated between 2016, 2017, and 2018 Reports, and argued that the 2017-2019 Social and Environmental Report lacked comprehensive coverage of mining companies, social and environmental expenditures and impact assessments.

Mexico has maintained up to date EITI reporting within the two-year timeframe set by Requirement 4.8, and routinely discloses far timelier data through the FMP, SHCP and CNH

portals. Some government systematic disclosures in the oil and gas sector are published in open format, such as data on government revenues, contractual terms and operational data on the CNH's [Rondas portal](#). Much of the EITI data on the oil and gas sector systematically disclosed on government portals including FMP and SHCP is in open, machine readable and inter-operable format (e.g., in .csv format), although none of the EITI data in the mining sector is systematically disclosed on government portals in open format. There has been some media coverage of the EITI in Mexico, primarily focused on the publication of EITI Reports and events. Several academic studies have assessed progress in EITI implementation in Mexico, including in terms of [creating accountability](#), [curbing corruption](#), and [strengthening democratic controls](#). The MSG's submission for this Validation highlighted the technical and capacity challenges local communities face in accessing EITI data. It noted that this led to data only being used by stakeholders with significant technical knowledge, and did not help communities to influence decision-making. In mining, the MSG's submission simply referenced industry association CAMIMEX's routine publications (annual report, sustainability report, presentations).

Public debate supported by EITI in the national press has been limited. Through civil society, outreach, particularly in the 2016-2019 period, has sparked some public debate, consultations suggest that this has been limited by funding constraints since 2020. Public interest in revenue projections, allocations and environmental management suggests a significant potential for further work on encouraged aspects of the EITI Standard such as revenue management and expenditures (Requirement 5.3) and environmental impact (Requirement 6.4).

The Secretariat proposes that zero additional point be added to the score on Outcomes and impact for this indicator.

1.5 EITI-related changes to extractive industry policy and practice

This indicator considers the extent to which EITI has informed changes in extractive sector policies and practices. Consultations revealed widespread appreciation for the EITI as a unique forum in the Mexican context, in which all three constituencies can interact, and development partners noted that this was particularly key in politically polarised times. In the oil and gas sector, government and industry stakeholders highlighted the use of the EITI Standard as a guideline during the energy reforms and contracting rounds. They explicitly attributed the high company participation and investor trust in the bid rounds to the transparency achieved by adhering to EITI. The MSG's submission for this Validation suggested that the EITI Standard was used as such during energy reforms, which enabled the government to require disclosure by extractive companies, thereby complementing secondary legislation in the oil and gas sector. Several government stakeholders consulted considered that the EITI continued to play a role in providing guidelines for transparency, although some from other constituencies considered that the government's use of the EITI as a tool for reform had declined since 2019.

In regard to mining, the MSG's submission to this Validation attributes the launch of mining industry association CAMIMEX's sustainability reports to the EITI. Consultations did not suggest such a clear linkage, and some stakeholders noted that Mexico had failed to achieve the goal set during EITI candidacy, that mining sector transparency should be increased commensurate to transparency the oil and gas sector. Most stakeholders consulted considered that there had

been no changes to date in law, regulation, or administrative practices because of EITI. Several stakeholders consulted described the EITI as providing the Ministry of Economy's Department of Mining with an overview of the sector and a means of ensuring disclosures from companies. Consultations did not, however, disclose any specific changes regulation or administrative practices attributable to EITI, and many civil society stakeholders consulted expressed frustration at the lack of tangible reforms in policy or practice related to extractive industry governance.

The Secretariat proposes that zero additional points be added to the score on Outcomes and impact for this indicator.

2. Outcomes and impact

This component assesses EITI Requirements 7 and 1.5, which relate to progress in addressing national priorities and public debate.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
<p>Work plan (Requirement #1.5)</p>	<p>Mexico EITI has agreed a national EITI work plan every two years since joining the EITI, including 2017-2019 and 2021-2022. While the MSG agreed a document in lieu of a work plan for 2020 at its 11 September 2020 meeting, the plan was never published and contained neither objectives nor clear costings. The irregularity of updates and lack of annual updates of activity planning is a concern, with the 2021-2022 work plan only approved on 2 September 2021.</p> <p>Nonetheless, the MSG's 2021-2022 work plan provides a clear planning document, albeit with some weaknesses, that appears to have been the product of consultations with the constituencies given that it was developed by the MSG's technical working group in meetings over March-August 2021. This marks an improvement on previous Mexico EITI work plans, to which several stakeholders consulted noted there had been little input from the various constituencies. It defines objectives that appear aligned with national priorities (e.g. the 2019-2024 National Development Plan and constituency priorities described in the 'Stakeholder engagement' template) and sets out activities to achieve these objectives. The work plan is timebound, with sources of funds indicated, but is not fully costed, providing only costs of only some consultants but not of most activities. Nonetheless, activities to address the MSG's technical and financial resource constraints are a part of the work plan. The MSG's planning document includes activities to extend the scope of EITI implementation to other areas such as the energy transition, environment and</p>	<p>Mostly met</p>

	<p>gender information and contract transparency. Plans to address any potential legal or regulatory obstacles to EITI implementation are included. The work plan includes a general reference to follow-up on corrective actions from Validation, a number of work plan activities relate to follow up on recommendations in the EITI Reports without being labelled as such, including follow-up on environmental information. The 2021-2022 document includes activities to improve the systematic disclosure and accessibility of EITI data, including tailoring data to the needs of target audiences.</p> <p>The extent to which the MSG uses the work plan as a regular monitoring tool is unclear based on a review of MSG and working group's (succinct) meeting minutes. The MSG appears to have discussed its work plan only when undertaking updates to the plan, rather than on an ongoing basis. Several civil society stakeholders consulted did not consider the objective of annual planning for EITI implementation that supports implementation of national priorities for the extractive industries had been fulfilled, while members of other constituencies did not express particular views on the issue. The Secretariat's assessment is that Requirement 1.5 is mostly met in Mexico in the period under review. The annual EITI work plan does not yet appear to be a key accountability document for the MSG vis-à-vis broader constituencies and the public.</p>	
<p>Public debate (Requirement #7.1)</p>	<p>Mexico EITI has undertaken only ad hoc and relatively infrequent communication efforts that have not yet enabled evidence-based public debate on extractive industry governance, despite objectives of the Mexico EITI work plan that seek to ensure EITI findings inform public debate on the extractive industries. The MSG's Outcomes & impact template provides a critical self-assessment of fledgling progress and significant outstanding work required in outreach and dissemination of EITI findings. The MSG notes that accessibility of EITI data remains a challenge, in part due to the Mexico EITI website being out of date. Many stakeholders from all constituencies expressed concern at the infrequency of updates and the low accessibility of information on the website, although government officials explained that this was due to weaknesses in the National Secretariat's capacities rather than a lack of willingness to maintain an updated website. Although the MSG highlights the government portal on budgetary transparency as a robust tool for public disclosure of government extractive revenue information, civil society's comments raised concerns over the need to improve the neutrality of language used on the portal related to the desirability of extractive projects. The MSG's submission for Validation also called for greater attention to the accessibility of EITI data by stakeholders at the subnational level.</p> <p>While the MSG's template notes the different indigenous languages of resource-rich communities, the Mexico EITI Reports</p>	<p>Partly met</p>

	<p>and other communication materials have only been published in Spanish to date. Several civil society stakeholders consulted deplored the lack of accessibility of EITI Reports to the general public and called for the development of summary materials to communicate EITI findings to the broader public. There is evidence of some use of EITI findings in academic reports on anti-corruption efforts in Mexico, although there is limited use of EITI findings by the various constituencies represented on the MSG, aside from civil society reports and cursory references to EITI implementation in reports from industry associations in both mining (CAMIMEX’s sustainability reports) and oil and gas (AMEXHI’s reports on industry engagement with host communities).</p> <p>While there is evidence of outreach and dissemination driven by CSOs, the pack of the MSG’s communications activities appears to have declined significantly since 2020. Many stakeholders consulted attributed this to a combination of financial constraints and the impact of the Covid-19 pandemic. The MSG has undertaken some outreach and dissemination activities although these have remained infrequent, with two outreach events in the (Yucatan and Coahuila) regions in 2018, one international civil society event in Colombia in 2019 and one workshop for civil society each in December 2020 and January 2021. The MSG organised a series of workshops aimed at awareness raising around beneficial ownership in mid-2020, with support from the Joint Mexican-German Fund and the Simone de Beauvoir Leadership Institute. Despite evidence of such subnational outreach, Mexico EITI does not appear to have considered undertaking a more systematic outreach and strategic communications campaign at the subnational level, despite calls from some stakeholders for outreach to state-level officials and local parliamentarians. Several stakeholders attributed the lack of effective EITI-related communications to the government’s relative disengagement since 2019, with the lack of senior government officials on the MSG seen as impacting media coverage of EITI activities.</p> <p>A comprehensive communications strategy has not been developed for Mexico EITI to date. The MSG’s submission for Validation calls for the identification of different target users’ information needs through the conduct of surveys and workshops. It does not appear that the MSG has taken gender considerations into account in planning or executing EITI events to date. Many stakeholders criticised the lack of awareness about EITI in Mexico, although MSG members consulted did not appear to consider this a key part of their responsibilities as members of Mexico EITI. The MSG’s submission for Validation includes calls from all constituencies on the MSG to enhance Mexico EITI’s proactive dissemination of findings from EITI implementation. Most stakeholders consulted did not consider that the objective of enabling evidence-based public debate on extractive industry</p>	
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	governance through active communication of relevant data to key stakeholders was still far from being fulfilled. The Secretariat's assessment is that Requirement 7.1 is partly met in Mexico.	
Data accessibility and open data (Requirement #7.2)	<p>Mexico EITI does not appear to have agreed or published an open data policy aligned with the EITI's openness policy. The MSG is transparent about the shortcomings of its open data efforts in the templates it submitted for this Validation, for instance by identifying the lack of updates to the Mexico EITI website as a key challenge. The MSG's Outcomes & impact template submitted for this Validation states categorically that <i>"to date there have been no additional efforts to improve the availability of data in open format"</i>. Data from EITI has been submitted to the International Secretariat in open format as Summary Data files for the 2016, 2017 and 2018 EITI Report, but it has only published the 2017 data in open format on its website, not 2018. Beyond this, some government data on the extractive industries, such as oil and gas license and contract data from CNH, is available in open format, although much extractive data remains either published in PDF or remains unpublished. In its comments to the draft assessment however, the MSG highlighted the publication of extensive oil and gas data in various formats (including .csv) on the websites of the Mexican Petroleum Fund and of the Ministry of Finance (SHCP). However, the Mexico EITI website has made some efforts to disclose specific data sets (such as extractive revenues) in open format, although the irregular website updates have meant that publications of open data have been ad hoc. The Secretariat's assessment is that Requirement 7.2 is partly met in Mexico in the period under review. The objective of enabling the broader use and analysis of information on the extractive industries, through the publication of information in open data and interoperable formats, is still far from being fulfilled.</p>	Partly met
Recommendations from EITI implementation (Requirement #7.3)	<p>The MSG has made some efforts to strengthen the impact of EITI implementation by acting upon lessons learnt, although this has only been achieved through ad hoc discussions of EITI recommendations at MSG and working group meetings rather than through a consistent mechanism for follow-up on EITI findings. The MSG does not appear to have a systematic approach to following up on recommendations from EITI reporting, which was confirmed by several stakeholders consulted. One government official explained that the MSG and its working groups had had so many issues to prioritise that it had not devoted sufficient attention to follow-up on recommendations.</p> <p>Evidence presented in the MSG's Outcome & impact template indicates that civil society appears to have been the primary driver of follow-up on EITI recommendations, publishing for instance detailed reports on beneficial ownership and socio-environmental impacts. Furthermore, the lessons learned from EITI highlighted in the MSG's template focus only on Pemex and the AMEXHI</p>	Partly met

	<p>association. Several civil society stakeholders noted that government agencies were not undertaking sufficient efforts to implement recommendations, including related to environmental reporting, beneficial ownership transparency and gender aspects of extractive industry governance.</p> <p>The 2021-2022 EITI work plan demonstrates that the MSG has planned activities to follow up on recommendations related to the environment and beneficial ownership, although it only includes a general activity related to follow-up on Validation corrective actions rather than detailed plans on following up on recommendations from EITI Reports. While most stakeholders did not express particular views on the issue, several CSOs consulted considered that the objective of ensuring that EITI implementation is a continuous learning process that contributes to policymaking was still far from being fulfilled. Review of MSG meeting minutes does not indicate frequent or regular discussion of recommendations from EITI Reports. The Secretariat's assessment is that Requirement 7.3 is partly met in Mexico.</p>	
<p>Review the outcomes and impact of EITI implementation (Requirement #7.4)</p>	<p>Mexico EITI only ever disclosed one annual review of outcomes and impact of implementation covering 2017, published in October 2018. There is no evidence in MSG or working group meeting minutes of the MSG considering other reviews of outcomes and impact of implementation. A government official explained that the MSG had not published an annual review of outcomes and impact from EITI since 2018 as it had prioritised frequent meetings to address issues that were considered to be 'minor' instead.</p> <p>The 2017 annual progress report (APR) documents the activities conducted during the first year of EITI implementation, after Mexico's accession to the EITI. While an overview of progress against each EITI Requirement is not provided, the report does describe activities related to specific aspects of the EITI Standard and progress against work plan objectives. No follow-up on EITI recommendations is included given that this report covered only the start-up phase of EITI reporting. Nonetheless, the report describes the strengths and opportunities of the EITI process, although it focuses on the initial outputs and outcomes of the EITI process rather than impact, given the early stages of implementation it covers. The report refers to the gender composition of the MSG but does not further describe plans for taking gender considerations into account. There is evidence that the 2017 annual progress report was developed in an inclusive manner by the MSG's working group, although it is unclear from documentation provided for this Validation whether the broader constituencies were given the opportunity to provide input in the review.</p>	<p>Partly met</p>

	<p>While discussions in the MSG's working groups (particularly Groups 1 and 2) have regularly considered progress and challenges in EITI implementation, these discussions of outcomes and impact have not been publicly documented. One document of MSG comments was published in June 2020, although it was entirely focused on the 2018 EITI Report. There have been efforts by civil society to publish analysis and opinion on advances and challenges in EITI implementation in Mexico, particularly focused on beneficial ownership transparency, environmental and social impacts as well as gender considerations. No more recent MSG review has been published since 2018. While the MSG includes cursory updates on its views on the outcomes and impacts of implementation to date in its Outcome & impact template, this is only available on a Google Drive rather than referenced on a public website. Several stakeholders consulted, particularly from civil society, considered that the objective of regular public monitoring and evaluation of EITI implementation with a view to ensuring the EITI's own public accountability was far from being fulfilled. The Secretariat's assessment is that Requirement 7.4 is partly met in Mexico.</p>	
New corrective actions and recommendations		
<ul style="list-style-type: none"> • In accordance with Requirement 1.5, Mexico should ensure that the annual EITI work plan is updated annually, reflecting the results of consultations with key stakeholders. The work plan should assess and outline plans to address any potential capacity constraints and should include clearly costed activities. • In accordance with Requirement 7.1, Mexico should ensure that EITI findings are widely accessible and distributed. Mexico should ensure that EITI information is comprehensible, including by ensuring that it is written in a clear, accessible style and in appropriate languages and consider access challenges and information needs of different genders and subgroups of citizens. Mexico should ensure that EITI-related outreach events, whether organised by government, civil society or companies, are undertaken to spread awareness of and facilitate dialogue about governance of extractive resources, building on EITI disclosures across the country in a socially inclusive manner. To strengthen implementation, Mexico is encouraged to produce brief summaries of EITI Reports, with clear and balanced analysis of the information, and to summarise and compare the share of each revenue stream to the total amount of revenue that accrues to each respective level of government. • In accordance with Requirement 7.2, Mexico should agree a clear open data policy on the access, release, and re-use of EITI data and make EITI data available in an open data format online, publicising its availability. Mexico EITI is encouraged to make systematically disclosed data machine readable and interoperable, and to code or tag EITI disclosures and other data files so that the information can be compared with other publicly available data. • In accordance with Requirement 7.3, Mexico is required to take steps to act upon lessons learnt from EITI implementation, to identify, investigate and address the causes of any information gaps and discrepancies, and to consider the recommendations resulting from EITI implementation. To strengthen implementation, Mexico could consider agreeing recommendations for strengthening government systems and natural resource governance in the context of EITI implementation. • In accordance with Requirement 7.4, Mexico should ensure that a review of the EITI's outcomes and impact is published annually. All stakeholders should be able to participate in reviewing the impact of EITI implementation. The annual review of EITI outcomes and impacts should include an assessment of progress towards meeting each EITI Requirement and a narrative account of efforts to strengthen the 		

impact of EITI implementation on natural resource governance, including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders.

3. Stakeholder engagement

This component assesses EITI Requirements 1.1 to 1.4, which relate to the participation of constituencies and multi-stakeholder oversight throughout the EITI process.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
<p>Government engagement (Requirement #1.1)</p>	<p>There were regular statements of commitment to the EITI from high-level government officials in the 2016-2018 period. While such statements have become far less frequent under the new administration since late 2018, President Andrés Manuel López Obrador highlighted Mexico's EITI implementation as an integral part of the government's transparency and anti-corruption efforts in his second State of the Union address in September 2020. The EITI was also highlighted in the incoming administration's first government report for 2018-2019.</p> <p>A senior government official has led implementation since 2016, although the position was transferred from the Under-Secretary of the Ministry of Finance to the Under-Secretary of Mines of the Ministry of Economy in 2017. The current EITI Champion is the Minister of Economy although there is no public evidence of a document appointing the official as EITI Champion. However, the institutional government host for the EITI Mexico secretariat has changed over the course of Mexico's implementation, with the Ministry of Energy hosting the secretariat before it was moved to the Ministry of Economy in 2019. Thus, the EITI Champion and the secretariat were in two different ministries in the 2017-2019 period. As part of the government's decentralisation efforts, the EITI Mexico secretariat was moved to the northern state of Chihuahua (1,500km from Mexico City) in 2019. In practice, the National Coordinator has effectively played the role of government lead in this period, with Director General of Mining Development replacing the Under-Secretary of Mines in 2019. Yet the current National Coordinator has been in an interim position since 2019 and this creates uncertainty over the depth of government commitment.</p> <p>The three main ministries engaged in EITI implementation have consistently been represented on the MSG with three full seats and three alternates since 2017, including the Ministries of Finance and Public Credit (SHCP), of Energy (SENER) and of the Economy. While other relevant government agencies such as the Ministry of the Environment and Natural Resources (SEMARNAT) and key regulatory agencies such as the Tax Authority (SAT) or</p>	<p>Mostly met</p>

	<p>the Hydrocarbons Commission (CNH) have not been represented on the MSG, the MSG invited SEMARNAT as a permanent observer at Technical Working Group meetings in 2020 while several government officials considered that the regulatory agencies were represented on the MSG through their parent ministries. Several CSOs consulted considered that it would be pertinent to include the National Institute for Transparency, Access to Information and Personal Data Protection (INAI) on the MSG given its responsibility for access to information issues as an autonomous government agency. While the seniority of government officials represented on the MSG has declined since 2019, with Director-General level officials or below attending meetings instead of Under-Secretaries as in the 2017-2018 period, this is at least partly due to restructuring of the Federal Government under the austerity programme, which eradicated the Under-Secretary of Mines position in the Ministry of Economy. Nonetheless, several civil society and industry stakeholders consulted expressed concern over the declining seniority of government officials engaged in the EITI and considered this to reflect declining government engagement. However, government attendance at MSG meetings appears to have remained consistent, albeit with a slight decline from an average of four government officials attending the MSG to three in 2021. Government attendance at Technical Working Group meetings have nearly always been at the level of Director-General. However, civil society stakeholders consulted did not consider that the constituency was treated as an equal partner on the MSG.</p> <p>However, there appear to have been other weaknesses in government engagement in EITI over the 2017-2021 period. While government attendance at MSG and TWG meetings appears to have been relatively consistent, there have been gaps in the government's submission of data, efforts to overcome legal barriers to implementation, and contribution to outreach. While all material government entities have consistently participated in EITI reporting, legal taxpayer confidentiality ('fiscal secrecy') constraints have hindered SAT's ability to disclose revenues from companies that did not sign confidentiality waivers. There is no evidence that SAT was involved in designing the waivers or following up with non-complying material companies. Likewise, the government does not yet appear to have considered the need for legal or regulatory reforms to facilitate disclosure of revenues, mining production or beneficial ownership data. Government funding for the national secretariat remains insufficient and below the level required to sustain operations. Rather, the three ministries represented on the MSG have sought to provide funding for EITI activities on an ad hoc basis. The Germany-Mexico Common Fund provided a total of EUR 604,414 through GIZ to EITI in the 2016-2019 period, although this funding expired in 2020. Many MSG members consulted noted the capacity constraints in the EITI Mexico secretariat and considered that these were due to funding constraints. Several stakeholders from different constituencies expressed significant concern over the medium-term sustainability of EITI implementation given these funding constraints. In terms of outreach, while there is evidence of senior government participation in outreach in the 2016-2018 period, there is little evidence of their engagement beyond attending trade events where EITI was mentioned since 2019. There is no evidence of government efforts to publish</p>	
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	<p>information on the EITI process or undertake outreach to relevant stakeholders. It does not appear that government officials consult each other on EITI-related issues outside of MSG and TWG meetings. The majority of stakeholders consulted did not consider that the objective of full, active and effective government lead for EITI implementation had yet been fulfilled. Thus, the Secretariat's assessment is that Requirement 1.1 is mostly met.</p>	
<p>Industry engagement (Requirement #1.2)</p>	<p>While there is evidence that the industry members on the MSG are fully, actively and effectively engaged in EITI implementation, there appear to be weaknesses in the broader industry constituency's engagement in EITI. Industry's representation on the MSG consists of the oil and gas SOE, Pemex, as well as the industry association for international oil and gas companies (AMEXHI) and for the mining sector (CAMIMEX). The AMEXHI counts 35 companies out of 111 oil and gas contract-holding companies as members, while CAMIMEX counts around 100 members out of thousands of mining companies although it estimates that its membership covers 85% of Mexico's total mining production by value. Thus, while the major extractive producers appear to be represented through the associations, this has not included representatives from key mining sub-sectors such as coal. Several civil society and development partner stakeholders consulted considered that the lack of direct company participation on the MSG diluted industry's engagement in the EITI given that association representatives were not considered to be "decision-makers" and called for direct extractive company representation on the MSG to ensure that the MSG could work through technical challenges to reporting. While stakeholders highlighted ad hoc outreach to companies that are not members of the associations in the early stages of implementation in 2017-2018, there is no evidence of sustained outreach to non-member companies since then. Several industry stakeholders consulted considered that it was only the government's responsibility to undertake outreach to companies that were not members of the two associations engaged in EITI. There appear to be consultations between companies on EITI through the two associations outside of MSG and TWG meetings. Minutes of MSG and TWG meetings indicate that the three industry MSG members and their alternates have consistently attended and engaged in meetings.</p> <p>However, several civil society and government stakeholders considered that industry's participation in EITI discussions was not matched by their provision of data for EITI reporting in practice. There have been gaps in industry participation in EITI reporting in the first three EITI Reports published to date (covering 2016-2018), with 13 oil and gas companies and five mining companies marked as non-reporting in the 2018 EITI Report. A minority of extractive companies operating in Mexico that are part of corporate groups domiciled in the European Union and Canada systematically disclose information on their payments to government, although the majority of extractive companies in Mexico do not. Given that EITI reporting has been presented as 'voluntary' for companies, this reporting rate over-estimates the level of companies' engagement given that a high number of companies appear to have declined to participate in EITI reporting and to sign taxpayer confidentiality waivers (see <i>Requirement 4.1</i>).</p>	<p>Mostly met</p>

	<p>There is no evidence of follow-up by companies to help overcome barriers to EITI reporting or implementation, for instance through a more sustainable approach to taxpayer confidentiality waivers (e.g., pluri-annual waivers for instance). There is some evidence of industry attendance at EITI outreach and dissemination activities driven by the three MSG members, particularly in the 2017-2019 period. While there is evidence of industry publications referring to the EITI process, such as CAMIMEX's annual reports and sustainability reports as well as AMEXHI's reports on industry engagement with host communities, there is only limited evidence of industry use of EITI data in public documents aside from reference to some specific EITI data in AMEXHI's Pulso Energético blog series. However, several industry stakeholders consulted explained that both Pemex and the industry associations used EITI data in their own communications activities with investors and companies.</p> <p>There appears to be generally an enabling environment for company participation in the EITI, although legal taxpayer confidentiality constraints have reduced the level of government revenue disclosures related to companies that do not waive their confidentiality rights. Several industry stakeholders consulted noted the need for legal reform to reduce barriers to companies' EITI reporting, particularly in the mining sector. There is no evidence of government follow-up with non-reporting companies to ensure that the taxpayer confidentiality waivers were an effective means of circumventing legal barriers to reporting. While AMEXHI appears to have followed up with non-reporting oil and gas companies, there does not appear to have been equivalent efforts in the mining sector. Likewise, several industry stakeholders explained that companies would be willing to disclose their social impact assessments as requested by civil society if the government disclosed these first, although this had not yet been done. Several CSOs consulted considered that companies often used the lack of legal requirements to explain their lack of EITI reporting of certain data and made allegations of collusion between government and industry on the MSG, with reference to the practice of 'revolving doors' where government officials took jobs in industry while maintaining their engagement in EITI (see <i>Requirement 1.4</i>). Several CSOs and development partners consulted did not consider that the government had made sufficient efforts to overcome legal barriers to EITI implementation, citing the example of 'fiscal secrecy' constraints and the lack of legal reforms to support beneficial ownership transparency. While industry and government stakeholders consulted broadly considered that the industry constituency was fully engaged in EITI implementation, none of the CSOs consulted considered that this was the case. The Secretariat's assessment is that Requirement 1.2 is mostly met.</p>	
<p>Civil society engagement (Requirement #1.3)</p>	<p>A detailed assessment of Requirement 1.3 is provided in Annex A. This assessment has identified breaches to the civil society protocol and significant limitations on civic space in Mexico generally, but did not identify a clear and direct link between those breaches and the engagement of civil society representatives in EITI processes, or other factors that limit the engagement of civil society representatives to engage in EITI processes. The overwhelming majority of civil society stakeholders consulted nevertheless believe that these breaches have an indirect impact on their engagement in</p>	<p>Mostly met</p>

	EITI. Nevertheless, civil society stakeholders consulted believe that the broader constraints on civic space had an indirect impact on their engagement in EITI. This, coupled with the gravity of civic space constraints in Mexico generally, results in a assessment of Requirement 1.3 as mostly met.	
Multi-stakeholder group (Requirement #1.4)	<p>The government has established a MSG to oversee implementation of the EITI since 2017, following appointments to the MSG from government in June 2015, from industry in September 2015 and from civil society in April 2016 as described in Mexico's EITI candidature application. There was a renewal of government MSG representation in 2019 following the change in administrations, while industry renewed its representation on an ad hoc basis following personnel changes in Pemex and the two associations. Available documentation and stakeholder consultations confirmed that the invitation to participate in the MSG was open and transparent. Appropriate stakeholders appear to be adequately represented on the MSG, although several stakeholders questioned the lack of direct MSG representation for key government entities such as the Tax Authority (SAT) and the Hydrocarbons Commission (CNH), even if their parent ministries are members of the MSG. It was noted that SEMARNAT had been invited to be a permanent observer at the MSG's TWG in 2020. One CSO called for representation on the MSG for INAI given its responsibilities for ensuring access to information. Several CSOs and development partners expressed concern at the lack of direct company representation on the MSG given their view that association representatives were not "decision-makers" that could move the process forward. The lack of MSG representation for companies not member of either association was also highlighted as a concern given the relatively narrow membership of the two associations. Both industry (through the two associations) and civil society have clear nominations procedures for their MSG representatives that appear to have been followed in practice in both the original appointments and the renewals. While the civil society constituency appears to take gender considerations into account in the nominations procedures, neither industry nor government nominations procedures reference gender. A legislative basis for EITI implementation has not been established to date (or planned).</p> <p>The MSG has clear Terms of Reference (ToR) that have been revised since their original approval in July 2017. The ToR cover all aspects of Requirement 1.4.b, including in codifying the capacities, roles and responsibilities of MSG members, including in outreach and dissemination, the MSG's internal governance, procedures and decision-making and includes reference to the adherence to the EITI Code of Conduct. The MSG does not operate a per diem policy or practice. In practice, the MSG has established five Technical Working Groups (TWG) that have met frequently in the period under review, dedicated to EITI reporting, to socio-environmental aspects of the extractive industries, to communications, to beneficial ownership and to gender. However, there appear to have been significant deviations from the MSG's ToR in practice over the 2017-2021 period based on available documentation and stakeholder consultations. While a review of MSG and TWG meeting minutes indicates that all MSG members appear to have the capacity to carry out their duties, several</p>	Mostly met

	<p>stakeholders from all constituencies noted the national secretariat's capacity constraints in supporting the MSG's work, which was broadly attributed to funding constraints. In practice, these weaknesses have led to insufficient advance notice of meetings and delays in circulation of meeting records to MSG members. It appears that the TWG have met far more often (at times several times a week) than the MSG to undertake most of the technical work, with some stakeholders consulted attributing the high pace of meetings was due to the need to compensate for insufficient secretarial support for the MSG. While the right of any MSG member to table issues for discussion is confirmed in the ToR, a government stakeholder explained that it was uncommon for MSG members to suggest additions to the agenda in practice.</p> <p>Review of MSG and TWG meeting minutes appears to indicate that the MSG's statutory decision-making has been adhered to in practice, in accordance with the ToR's qualified majority voting rules. However, several civil society MSG members consulted considered that the constituency was often over-ruled by the MSG. For instance, it was explained that the MSG decided not to publish government revenues disaggregated by project in the 2018 EITI Report despite civil society advocacy in favour of this granularity. Likewise, the first three EITI Reports did not include information on beneficial ownership or socio-environmental aspects of the extractive industries due to a MSG decision to omit this, despite strong lobbying from civil society. A final example highlighted consisted of a proposal by civil society MSG members to request the engagement of an external expert for this Validation, which had been discussed at a TWG meeting but not submitted as a recommendation to the MSG. The lack of timely record-keeping of MSG and TWG activities was cited as a significant challenge by several CSOs consulted, who considered that the lack of records meant that follow-up on previous MSG decisions was challenging. They considered that the MSG's conversations on beneficial ownership transparency kept returning to basic explanations of the reasons why such disclosures were required, rather than building on progress to date, given the lack of documented past MSG decisions.</p> <p>Several CSOs consulted considered that there was a practice of 'revolving doors' between the government and industry that led to alleged collusion between the two constituencies against civil society's interests. Three incidences of government employees joining private companies or associations while maintaining their engagement in the EITI were cited as examples of this phenomenon. They explained that they considered that the government always held pro-industry views on the MSG, which was attributed to collusion between government and industry. Government and industry stakeholders consulted denied that these instances had led to any collusion and explained this development by the fact that expertise in the EITI was not commonplace in the Mexican labour market. One stakeholder considered that there had also been a 'revolving door' in civil society when the consultant contracted to prepare the 2017-2019 Social and Environmental Report later joined the MSG as a civil society representative. Several CSOs noted that they had sent a letter to the MSG chair raising</p>	
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	<p>concerns over this practice, but that the MSG had not instituted any mechanism to avoid the perception of conflict of interest.</p> <p>While most stakeholders consulted considered that the MSG was an independent body, opinions were split on whether the MSG was exercising active and meaningful oversight of all aspects of EITI implementation that balances the three main constituencies' interests in a consensual manner. While several government and industry representatives considered that this objective had been achieved, none of the CSOs consulted considered that the MSG was effectively overseeing implementation and highlighted concerns over the lack of civility in discussions on the MSG and TWG. The Secretariat's view is that weaknesses in capacity linked to insufficient support from the national secretariat, combined with perceptions from at least one third of MSG members that the MSG did not balance the three constituencies' views in practice, mean that the objective has not yet been fulfilled. The weaknesses in MSG capacity and oversight in the period under review have caused gaps in EITI disclosures, for instance in adequately scoping transportations revenues or SOE quasi-fiscal expenditures (see <i>Requirements 4.4 and 6.2</i>). Thus, the Secretariat's assessment is that Requirement 1.4 is mostly met.</p>	
New corrective actions and recommendations		
<ul style="list-style-type: none"> • In accordance with Requirement 1.1.a, the government is required to issue an unequivocal public statement of its commitment to the EITI. In accordance with Requirement 1.1.c, the government must be fully, actively and effectively engaged in all aspects of EITI implementation, including in providing required data, taking actions to overcome barriers to implementation and securing adequate sources of funding for EITI implementation. • In accordance with Requirement 1.2.a, extractive companies must be fully, actively and effectively engaged in all aspects of EITI implementation, including in the provision of data and contributions to outreach and dissemination. In accordance with Requirement 1.2.b, the government must ensure that there is an enabling environment for company participation with regard to relevant laws, regulations, and administrative rules as well as actual practice in implementation of the EITI. • In accordance with Requirement 1.3, the Government of Mexico is required to ensure that there are no obstacles to civil society participation in the EITI process. The government must refrain from actions which result in narrowing or restricting public debate in relation to implementation of the EITI. Government officials and extractive companies engaged in the EITI are encouraged to express their support to civil society's freedom of expression and operation, also when engaging with local government officials. The government should undertake measures to prevent civil society actors from being harassed, intimidated, or persecuted for expressing views related to oil, gas or mining governance. In the event that civil society actors engaged in the EITI experience threats or harassment for expressing views about the extractive industries or engaging in other EITI-related activities, the government is expected to undertake measures to protect these actors and their freedom of expression. The government, in collaboration with the MSG, is encouraged to consider practical solutions for ensuring that civil society can engage in the EITI freely in all regions of the country. The MSG is encouraged to regularly monitor developments regarding civil society's ability to engage in the EITI. In accordance with the EITI protocol: Participation of civil society, civil society MSG members are encouraged to bring any ad hoc restrictions that could constitute a breach of the protocol to the attention of the MSG. The government, in collaboration with the MSG, should document the measures it undertakes to remove any obstacles to civil society participation in the EITI. • In accordance with Requirement 1.4.b, Mexico should ensure that any non-trivial deviations from the MSG's Terms of Reference are publicly codified to ensure transparency in the MSG's operations. In accordance 		

with Requirement 1.4.b.i, Mexico should ensure that the MSG as a whole has the capacity to carry out its duties. In accordance with Requirement 1.4.b.iv, Mexico should ensure that members of the MSG abide by the EITI Association Code of Conduct. In accordance with Requirement 1.4.b.vii, the EITI requires an inclusive decision-making process throughout implementation, with each constituency being treated as a partner. Any member of the multi-stakeholder group has the right to table an issue for discussion. In accordance with Requirement 1.4.b.viii, there should be sufficient advance notice of Mexico EITI meetings and timely circulation of documents prior to their debate and proposed adoption. In accordance with Requirement 1.4.b.ix, the MSG must keep written records of its discussions and decisions.

4. Transparency

This component assesses EITI Requirements 2 to 6, which are the requirements of the EITI Standard related to disclosure.

Overview of the extractive sector (Requirements 3.1, 6.3)

Overview of progress in the module

Information on the general overview of the extractive industries is systematically disclosed on government websites in Mexico, with EITI reporting providing a cursory overview of existing public sources of information rather than providing new disclosures. The Mexican Hydrocarbons Information Portal ([SIH](#)), maintained by the National Commission for Hydrocarbons (CNH), provides comprehensive information on the oil and gas sector. In the mining sector, the Geological Mining Service (SGM) maintains a Mining portal ([GeoInfoMex](#)), which provides comprehensive information on the mining sector. Detailed mining information can also be found in the [Statistical Yearbook of Mining](#) webpage that is updated by the Secretary of Economy. Stakeholders consulted did not express particular views on the availability of information on extractive activities other than considering that Mexico's EITI reporting added little value to government data that was already in the public domain prior to EITI implementation. One stakeholder considered that the EITI had not shed more light on the mining sector to ensure greater disclosures on a par with the oil and gas sector, despite civil society's expectations of this outcome from EITI. Nevertheless, the systematic disclosure of data on the extractive industries supports the Secretariat's assessment that Mexico has exceeded Requirement 3.1.

The government publishes a majority of the information required on the extractive industries' contribution to the economy through systematic disclosures on government portals, although EITI reporting has improved the granularity of some macro-economic data, such as the structure of employment in the extractive industries. Websites of the National Institute of Statistics, Geography and Informatics ([INEGI](#)) and the Ministry of Finance and Public Credit's [public finance and budget department](#) publish annual statistics on the contribution of the extractive industries to GDP, government revenues, exports and employment, although the data on government revenues does not account for all payments to government from the mining sector. Overviews of the location of the main extractive activities is available on the websites of [SGM](#) for mining and of [SIH](#) for oil and gas. Mexico's EITI reporting has provided more granular data on the extractive industries' contribution to government revenues, although the figures for the mining sector's contribution remain a relatively small share of total government revenues from mining (see *Requirement 4.1*). The 2018 EITI Report has added value by disclosing disaggregated extractive employment data, broken down by gender and by company, albeit not yet by occupation type. The employment data in the 2018 EITI Report is significantly lower than employment data on the INEGI portal, given that EITI reporting has only covered those material companies that participated in EITI reporting, not the total universe of companies in the sector. While the lack of information on informal extractive activities either on government websites or Mexico's EITI reporting is a concern, there is no evidence of credible third-party estimates that could have been referenced in EITI reporting. Stakeholders consulted did not express any particular views on whether the objective of public understanding of the extractive industries' contribution to the national economy had been fulfilled, aside from some industry and government stakeholders

who highlighted the value of centralising this information through the EITI Report. The Secretariat's assessment is that Requirement 6.3 is fully met in Mexico.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Exploration (Requirement #3.1)	The Secretariat's assessment is that Mexico has exceeded Requirement 3.1. Public access to an overview of the extractive sector in the country and its potential, including recent, ongoing, and planned significant exploration activities is provided through systematic disclosure in government websites and portals, including the GeoInfoMex and the Hydrocarbons Information System registers as well as the Statistical Yearbook of Mining. In the oil and gas sector, information on reserves and resources with significant economic potential are systematically disclosed online. The MX-EITI 2018 Report adds some value by summarizing how these sectors operate today and provides overall numbers of projects in 2018 for mining and hydrocarbons, with references to systematic disclosures on government websites.	Exceeded
Contribution of the extractive sector to the economy (Requirement #6.3)	The Secretariat's assessment is that Mexico has exceeded Requirement 6.3. The government discloses information on the contribution of the extractive industries to the economy through systematic disclosure as well as through EITI reporting. The mining, oil and gas sectors' contributions to the economy are provided in both absolute and relative terms, including to GDP, government revenues, exports and employment. While Mexico has not included references to estimates of informal extractive activities such as artisanal mining in its EITI reporting to date, it is unclear whether credible third-party estimates of such activities are available in Mexico. While the disparity between employment data provided in the EITI Report and through government systematic disclosures is a concern, the discrepancies appear due to the fact that the 2018 EITI Report provides employment only of extractive companies that are members of the two professional associations engaged in EITI implementation, not of all extractive companies operating in Mexico. Nonetheless, government systematic disclosures of employment data for the extractive industries are disaggregated by gender. An overview of the location of mining, oil and gas activities is available through government portals maintained by the Geological Survey (SGM) and the hydrocarbons regulator (CNH). There is evidence that the MSG has made efforts to exceed the requirement given the availability of extractive investment data on relevant government websites. There is evidence that Mexico has exceeded Requirement 6.3 given the systematic disclosures of economic data on the extractive industries through government portals, including gender-disaggregated employment data. The government's data portal provides information on employment in 'economic units' in the mining, oil and gas sectors of 10 staff or less, which can be considered a proxy for	Exceeded

	<p>small-scale and information activities in the mining sector, including data on gender, age, and education level. While the lack of complete data on the value of government extractive revenues in the mining sector, Mexico's EITI reporting has been transparent about the taxpayer confidentiality constraints and provided credible estimates of the value of government mining, oil and gas revenues in absolute and relative terms. The systematic disclosure of all information on the contribution of the extractive industries to the national economy aside from government mining revenues supports the Secretariat's assessment that Requirement 6.3 is exceeded.</p>	
New corrective actions and recommendations		
<ul style="list-style-type: none"> • To strengthen implementation, Mexico may wish to consider using EITI reporting to reference credible estimates of informal extractive activities in order to meet public demand for information on artisanal and small-scale mining in particular. 		

Legal environment and fiscal regime (Requirements 2.1, 2.4, 6.4)

Overview of progress in the module

Mexico has used its EITI reporting to provide an overview of federal laws pertaining to the legal framework of the mining and oil and gas sector. All laws and regulations concerning mining, oil, and gas sectors can be accessed through the Chamber of Deputies' Federal and State Laws [website](#). EITI reporting has added value to existing sources by describing the various responsibilities of different government entities with jurisdiction over extractive industry exploration, extraction and revenue collection. However, in light of civil society demands for more disclosures related to the socio-environmental impact of the extractive industries, there is scope for further improving systematic disclosures of the legal and fiscal frameworks with additional information on the implementation of laws and regulations in practice, as well as the requirements for public consultations in the process of awarding extractive rights. None of the stakeholders consulted expressed particular views on the availability of information on the statutory legal and fiscal frameworks for the extractive industries. In light of the extensive systematic disclosures of legal and fiscal information on government websites, the Secretariat's assessment is that Mexico has exceeded Requirement 2.1.

The government's policy in favour of full contract disclosure is legally codified through the Law on Transparency and Access to Public Information. There are however considerable differences in disclosure practices between the mining and hydrocarbons sectors. In oil and gas, Mexico's progress in contract disclosure is commendable and has proved an example of good practice for other EITI implementing countries.³ The Rondas [website](#) systematically discloses the full text of all oil and gas exploration and production contracts, allotments, and licenses, including annexes and amendments, with the exception of entitlements granted to Pemex (in Round 0), which appear to be disclosed on the Ministry of Energy's [Asignaciones](#) website, together with a [spreadsheet](#) of details on Pemex's 283 entitlements. Government stakeholders consulted

³ The CNH chairs the EITI's global Contract Transparency Network. See <https://eiti.org/contract-transparency-network>

confirmed that contracts and assignments were published in full, but that it remained unclear whether all Pemex entitlements had yet been publicly disclosed. However, in its comments on the draft assessment, the MSG confirmed that all of Pemex's entitlements had been published online. The MSG also explained that Pemex's entitlements could be amended upon request from Pemex, with such amendments reflected in the property title name (i.e. the addition of a 'M' to the title name, e.g., A-0001 – Abkatun Field -> A-0001-M – Abkatun Field -> A-0001-2M – Abkatun Field -> A-0001-3M – Abkatun Field -> A-0001-4M – Abkatun Field (current)). Both data portals significantly improve the accessibility of contracts and rights, publishing associated documents such as bid documents and procedures as well as license data with each contract, which can also be accessed through an interactive map. Thus, there do not appear to be any material gaps with regards to Requirement 2.4 in the oil and gas sector. Most stakeholders consulted commended the quality of disclosures of oil and gas contracts, albeit noting that the current government was in the process of reversing the energy reform and that further contract awards to foreign investors was highly unlikely. The [spreadsheet](#) on the Ministry of Energy's [Asignaciones](#) website indicates that several of Pemex's entitlements were amended (modified) in 2021, with the full text of the amendments seemingly available on the website although there has not yet been a systematic review by the MSG of the comprehensiveness of contractual document disclosure on the Asignaciones website (beyond the list of all contracts on the FMP website).

Mexico's mining sector has an old history, with licenses and concessions dating back to the 19th century. While the MSG claims that the [Platform for Transparency](#) provides the full text of some contracts in the mining sector, these contracts do not appear available in practice while the Department of Mining of the Ministry of Economy [website](#) does not disclose any contractual documents. An industry stakeholder consulted considered that mining contracts and licenses were not confidential and were available upon request from the Ministry of Economy's Mining Department, although the modalities for public access remain unclear. A government official noted that some mining licenses and contracts had been published in the past, but that this was no longer the case. There is no evidence that the MSG has prepared a list of all active contracts and licenses in the mining sector, indicating which are publicly accessible and which are not. It remains unclear from both the CartoMinMex mining cadastral [portal](#) whether any new mining licenses or contracts were awarded since the start of 2021, although stakeholder consultations confirmed that there had been a de facto moratorium on new mining license awards since 2019. It is however unclear whether any mining licenses or contracts have been amended since the start of 2021. Several government and industry officials consulted noted that the Mining Department was in the process of digitising all mining licenses and contracts, although the end-2022 timeframe for completion of this digitisation effort remained unclear due to financial constraints. Stakeholders consulted did not express any opinion on whether the objective of ensuring the public accessibility of all licenses and contracts underpinning extractive activities as a basis for the public's understanding of the contractual rights and obligations of companies operating in the country's extractive industries had been achieved. Despite commendable contract disclosure practices in the oil and gas sector, the lack of a comprehensive list of active licenses and contracts combined with weaknesses in disclosure in the mining sector support the Secretariat's assessment that Requirement 2.4 is mostly met.

The environmental impacts of the extractive industries are a topic of significant public interest in Mexico⁴ and a key priority for civil society's engagement in EITI implementation.⁵ One of the MSG's central commitments in joining the EITI was to improve transparency in the socio-environmental aspects of the extractive industries. There was consensus among stakeholders consulted that civil society had driven the MSG's discussions on environmental impacts of extractive activities but remained disappointed at the slow progress in disclosures in this area. While the 2018 EITI Report contained only cursory information on the environmental impacts of the extractive industries, the MSG published a [report](#) dedicated to socio-environmental aspects of the extractive industries over the 2017-2019 in September 2021. Most MSG members consulted conceded that the report had been long in gestation, although all civil society members consulted considered that this was due to delays on the part of government and industry despite the MSG's commitment. The 2017-2019 socio-environmental report provides an overview of the statutory legal and administrative framework for environmental management and monitoring of extractive investments. However, while the report attempted to document the practice of environmental management by extractive companies and government, relatively low response rates from companies meant that the overview of actual environmental impact assessments (EIAs) and the design and implementation of mitigation plans was only partial, not comprehensive. Despite these significant gaps, the report represents a first attempt at compiling references to publicly accessible documents related to environmental impact of extractive companies. All civil society stakeholders considered that the objective of assessing extractive companies' adherence to environmental obligations was still far from being achieved. Thus, the Secretariat's assessment is that Requirement 6.4, an encouraged aspect of the EITI Standard, remains not assessed given that further efforts would be required to exceed the requirement.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Legal framework and fiscal regime (Requirement #2.1)	The Secretariat's assessment is that Mexico has exceeded Requirement 2.1. The 2018 EITI Report describes the legal, environmental, and fiscal regime for mining, oil and gas, including the roles of government entities, the level of fiscal devolution and ongoing and planned reforms in the extractive sector as a whole. Relevant government websites provide the broader laws and regulations that are summarized in the MX-EITI 2018 Report, including updates on ongoing reforms in the extractive sector, the fiscal regime, fiscal devolution and the roles of government entities.	Exceeded
Contracts (Requirement #2.4)	The Secretariat's assessment is that Mexico has mostly met Requirement 2.4. Mexico EITI has documented relevant government policy for the mining and hydrocarbon sectors and mapped out	Mostly met

⁴ See for instance <https://www.reuters.com/article/mexico-environment-mining-idAFL1N20C1H9> ; <https://dialogochino.net/en/extractive-industries/33491-mexicos-lithium-discovery-is-a-double-edged-sword/> ; <https://www.mining-technology.com/news/fortuna-silver-mine-permit/>

⁵ See for instance reports on the Transparencia Extractivas website: <https://transparenciaextractivas.org/publicaciones/>

	<p>relevant laws and regulations. All contracts and licenses in the oil and gas sector, including both exploration and production licenses as well as annexes and amendments, have been systematically disclosed on the Rondas website. Entitlements granted to Pemex have also been disclosed on the Ministry of Energy website. However, all licenses and contracts in the mining sector (particularly those awarded or amended in 2021) have not all been comprehensively disclosed to date and the MSG has not explained the reasons for the lack of comprehensive disclosure of mining contracts and licenses in accordance with government policy. The MSG does not yet appear to have prepared a comprehensive list of all active contracts and licenses in the mining, oil and gas sector, clearly indicating which have been published and which have not, with clear links to published documents. It is unclear whether any new mining, oil and gas contracts or licenses have been awarded or amended since the start of 2021 and where these documents are publicly disclosed, where applicable. In its comments on the draft assessment, the MSG noted that the FMP website provided a list of all registered oil and gas contracts. While the FMP list did not provide links to the full text of each contract, these were comprehensively published on the Rondas Mexico website. While Mexico has made exemplary progress on contract disclosure in the oil and gas sector, this level of transparency has yet to be replicated in the mining sector.</p>	
<p>Environmental impact (Requirement #6.4)</p>	<p>The Secretariat’s assessment is that Mexico has made some efforts to disclose information on the environmental impact of the extractive industries. However, Mexico has not yet addressed all aspects of this encouraged provision of the EITI Standard and thus has not yet exceeded Requirement 6.4. Therefore, Requirement 6.4 is marked as not assessed. Mexico EITI’s Social and Environment Report covering 2017-2019 provides some basis for stakeholders to assess the adequacy of the regulatory framework and monitoring efforts to manage the environmental impact of extractive industries, although weaknesses in company participation in reporting raise concerns over the comprehensiveness of disclosures. Therefore, while Mexico has made some effort to ensure that its EITI reporting provides an overview of relevant legal provisions and administrative rules related to environmental management and monitoring of extractive investments in the country, it has not yet used EITI reporting to provide an annual diagnostic of practices in this regard. Information on regular environmental monitoring procedures, administrative and sanctioning processes of governments, as well as environmental liabilities, environmental rehabilitation and remediation programmes has only partly been disclosed publicly.</p>	<p>Not assessed</p>
<p>New corrective actions and recommendations</p>		
<ul style="list-style-type: none"> • In accordance with Requirement 2.4.c.ii, Mexico should ensure that any new mining, oil and gas licenses and contracts granted or amended after 1 January 2021 are comprehensively disclosed to the public, including any annexes and amendments, in accordance with Requirement 2.4.a. Mexico is required to publish a list of all active contracts and licenses in both the mining and petroleum sectors, indicating 		

which are publicly available and which are not (including annexes, amendments and riders), with specific links to each published document. Where there are claims that all contracts under these regimes have standard stipulations as mandated by law and that there are no deviations from such provisions, the onus is on Mexico to substantiate such claims. In accordance with Requirement 2.4.c.iii, Mexico should publish an explanation for any deviations between disclosure practices and legislative or government policy requirements concerning the disclosure of contracts and licenses, particularly in the mining sector.

- To strengthen implementation in accordance with Requirement 6.4, Mexico is encouraged to use its EITI reporting to provide an overview of relevant legal provisions and administrative rules as well as actual practice related to environmental management and monitoring of extractive investments in the country. This could include information on environmental impact assessments, certification schemes, licences and rights granted to oil, gas and mining companies, as well as information on the roles and responsibilities of relevant government agencies in implementing the rules and regulations. It could further include information on any reforms that are planned or underway. Mexico's EITI reporting could provide information on regular environmental monitoring procedures, administrative and sanctioning processes of governments, as well as environmental liabilities, environmental rehabilitation and remediation programmes.

Licenses and property rights (Requirements 2.2, 2.3)

Overview of progress in the module

Mexico's mining industry has traditionally been driven by the private sector, with licenses dating back to the 19th century. Its oil and gas industry on the other hand has historically been dominated by the state-owned giant Pemex, until the energy reforms of 2014 that led to the award of the first oil and gas blocks to private investors through six bid rounds in 2015-2018. Prior to these awards in 2014, a total of 489 fields were granted as 'entitlements' to Pemex in a process known as 'Round 0'. Given the recent liberalisation of the oil and gas sector, the level of disclosures on licensing activities and license information is higher in oil and gas than in the mining sector. Several stakeholders from both government and civil society noted that one of the motivations for Mexico joining the EITI was to improve transparency in the mining sector, particularly in licensing, to match disclosures in the oil and gas sector.

In oil and gas, Mexico systematically discloses information on the license award and transfer procedures through the Rondas website. This covers the specific technical and financial criteria assessed, including bid criteria and their weightings for the different licensing rounds. There are however inconsistencies between systematically-disclosed data and Mexico's 2018 EITI Report, with the latter stating that there were no new oil and gas rights awards or transfers in 2018, publicly available evidence suggests that Bid Rounds 2.4 and 3.1 concluded in early 2018.⁶ In its comments on the draft assessment, the MSG clarified that Bids [2.4](#) and [3.1](#) took place in January and March 2018 with 19 and 16 contracts awarded respectively, noting the availability of evidence of this on the websites of the [Mexican Petroleum Fund](#) and [Rondas Mexico](#). There is no evidence that the MSG has agreed a procedure for reviewing contract awards and transfers in 2018 with a view to identifying non-trivial deviations from statutory procedures. Nonetheless, the Rondas website is an example of best practice in the systematic disclosure of information on the

⁶ <https://rondasmexico.gob.mx/eng/rounds/round-2/cnh-r02-l042017/monitoring-and-transparency/>

award process, with information on the bid criteria, full list of bidders and an overview of the process followed for selecting winning bids. However, there is insufficient information on the bid evaluation committee's deliberation to be able to assess the existence of any non-trivial deviations in the awards of contracts in 2018. Likewise, there is little information in the public domain on the actual practice of government approval for transfers of participating interests in oil and gas blocks. Thus, Mexico has used EITI reporting to map systematic disclosures of information on the licensing process, but not yet to review licensing practices nor to undertake an assessment of the efficiency of licensing practices.

In the mining sector, disclosures related to licensing are less developed. While Mexico's EITI reporting has provided an overview of the statutory procedures for mining license awards on a 'first come first served' basis, albeit without clarity on the specific technical and financial criteria assessed, it has not yet clarified the statutory procedure for transferring mining licenses. However, the Ministry of Economy's Department of Mines [website](#) systematically discloses information on the statutory mining license award procedure, including the technical and financial criteria assessed. The 2018 EITI Report confirms the lack of new mining license awards in 2018 due to a de facto moratorium on new licensing activity, and notes several mining license transfers even if the full list of mining license transfers is not public. The CartoMinMex portal and the National Transparency Platform website do not appear to provide such a comprehensive list in one place and require searches for individual licenses. There is no evidence that the MSG has reviewed the practice of mining license transfers in 2018 to assess the existence of non-trivial deviations from statutory procedures. While industry stakeholders consulted considered that licensing procedures for extractive rights had sufficiently been clarified through systematic disclosures and EITI reporting, most civil society stakeholders consulted considered that Mexico was still far from achieving the objective of identifying and addressing possible weaknesses in the extractive licensing process was still far from being fulfilled, particularly in the mining sector. Several such stakeholders alleged significant deviations from statutory procedures in the practice of licensing, particularly related to social and environmental aspects of the approval process. Thus, the Secretariat's assessment is that Requirement 2.2 is partly met despite the significant level of systematic disclosures on licensing in the oil and gas sector.

There is a greater level of transparency in license information in both the mining and petroleum sectors. In the oil and gas sector, the Rondas [website](#) and the Asignaciones [website](#) provide data on all oil and gas rights including contracts, entitlements, and shared participation agreements. The Asignaciones website displays information on government entitlements, awarded to Pemex during Round 0, through either a keyword search or through a clickable map while the Rondas website provides detailed information on contracts and shared participation agreements between Pemex and international oil companies, with all required information including coordinates of each contract area. The Rondas and Asignaciones websites appear to comprehensively list all oil and gas contracts, assignments and entitlements irrespective of any materiality thresholds. Thus, all information listed under Requirement 2.3.b appears to be publicly accessible for all oil and gas rights in Mexico.

In the mining sector, two government registers – the National Platform for Transparency [register](#) and the CartoMinMex [portal](#) – provide data on mining concessions and licenses. The National Platform for Transparency displays a list of concession titles per year from 2015 onward with all reference data linking back to the CartoMinMex portal. In CartoMinMex, it is possible to find the

names of license-holders, license coordinates, and dates of application and award. While dates of expiry are not explicitly noted, several stakeholders consulted argued that it was possible to calculate the dates of expiry for all mining licenses based on their validity. However, the CartoMinMex portal does not appear to specify the commodity(ies) covered by each mining license. However, in its comments on the draft assessment, the MSG explained that Mexican laws and regulations did not differentiate the granting of mineral and mining rights by commodity type and that licenses covered all mineral commodities located in the area. Stakeholders consulted did not express any opinion on whether the broader objective of ensuring the public accessibility of comprehensive information on property rights related to extractive deposits and projects had been fulfilled. Given the existence of several gaps in license data in the mining sector, an area of significant public interest, the Secretariat's assessment is that Requirement 2.3 is mostly met.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Contract and license allocations (Requirement #2.2)	<p>The Secretariat's assessment is that Mexico has mostly met Requirement 2.2. Mexico systematically discloses some information on the award of mining concessions and oil and gas licenses and contracts. However, while the 2018 EITI Report identifies the awards of mining licenses in 2018, it does not identify the number of license transfers. In oil and gas, the MSG states that there were no new license or contract awards or transfers in 2018, although third-party sources indicate that several dozen new oil blocks were awarded to international oil companies in 2018 through the conclusion of Bid Rounds 2.4 and 3.1 and there appear to have been some transfers of participating interests in oil and gas blocks. In its comments on the draft assessment, the MSG confirmed that there were no new awards of oil and gas licenses and contracts in 2018 aside from those through Bid Rounds 2.4 and 3.1. While Mexico's EITI reporting has described the statutory procedure for awarding licenses and contracts in the mining, oil and gas sectors, with technical and financial criteria systematically disclosed on government websites, it has not described the process for transferring licenses or contracts (or participating interests therein), including criteria assessed. Nonetheless, information on the statutory procedure for transferring oil and gas contracts (or participating interests therein) is publicly disclosed through the official gazette. In its comments on the draft assessment, the MSG explained that the general process for transferring participating interests in oil and gas contracts was described in the "Guidelines establishing the requirements and procedure for entering into alliances or associations in which the transfer of corporate and management control or control of operations is carried out" issued by the CNH, although they noted that a detailed overview of the statutory transfer procedure was not available to the public. Yet the MSG noted that the CNH's decisions regarding approvals of transfers were recorded in the</p>	Mostly met

	<p>CNH Governing Council's resolutions published in its public registry. The MSG does not appear to have undertaken a review of non-trivial deviations from statutory procedure in license and contracts awards and transfers in either mining or oil and gas. In its comments on the draft assessment, the MSG highlighted that six oil and gas contracts had had modifications approved by the CNH in 2018, providing specific references to the relevant resolutions published on the official gazette website. Oil and gas licenses and contracts can be awarded through competitive tender, with information on the bid criteria and full list of bidders for each awarded block systematically disclosed on the Rondas website. The MSG has not yet used EITI reporting to provide a diagnostic of the efficiency of the licensing and contracting procedures in either mining or oil and gas.</p> <p>The Secretariat's assessment that Requirement 2.2 is mostly met strikes a balance between robust systematic disclosures of license awards and transfers in the oil and gas sector on the one hand and weaker relevant systematic disclosures in the mining sector.</p>	
<p>Register of licenses (Requirement #2.3)</p>	<p>The Secretariat's assessment is that Mexico has mostly met Requirement 2.3. In mining, there are two registers that provide public access to mining concessions and licenses. In oil and gas, the Rondas website and the Asignaciones website (through the Ministry of Energy) provide public access to oil and gas allotments, associations, and contracts. The registers appear to provide a comprehensive list of entitlements, concessions, associations, and contracts active in the mining, oil and gas sectors, irrespective of the materiality of payments to government associated with each license. Indeed, the coverage of 34,757 mining licenses and concessions in the CartoMinMex portal appears to cover all active mining licenses, irrespective of the materiality of payments associated with each license. While the date of award for Pemex's entitlements is not explicitly provided on the Asignaciones, stakeholder consultations clarified that all such awards took place on 13 August 2014 through Round 0. The date on which Pemex requested all of these entitlements was 21 March 2014, as confirmed in a press release published on the Ministry of Energy website and in the full text of the entitlements. While most information listed under Requirement 2.3.b is publicly accessible, there are some gaps in information on mining licenses and contracts. In mining, the dates of expiry of each license do not appear publicly disclosed.</p>	<p>Mostly met</p>
<p>New corrective actions and recommendations</p>		
<ul style="list-style-type: none"> In accordance with Requirement 2.2, Mexico should ensure that information on mining, oil and gas license transfers is publicly disclosed, including the identity of licenses transferred and the process for transferring licenses, including technical and financial criteria assessed. In accordance with Requirement 2.2.a.iv, Mexico is required to ensure public disclosure of its assessment of any material deviations from the applicable legal and regulatory framework governing license transfers and awards in license awards and transfers in the period under review by EITI reporting. 		

- In accordance with Requirement 2.3, Mexico should ensure that dates of application and of expiry of each extractive license and contract are public disclosed and accessible for each active license and contract in the mining, oil and gas sector.

Beneficial ownership (Requirement 2.5)

Overview of progress in the module

Adherence to Requirement 2.5 on beneficial ownership is assessed in Validation as of 1 January 2020 as per the framework agreed by the Board in June 2019.⁷ The assessment consists of a technical assessment focusing on initial criteria and an assessment of effectiveness.

Technical assessment

The technical assessment is included in the Transparency template, in the tab on Requirement 2.5. It demonstrates that Mexico has not yet established a legal or regulatory framework for collecting and disclosing beneficial ownership information. It is unlikely that relevant regulations will be fully implemented by January 2022.

In place of a clear government policy on beneficial ownership, Mexico EITI has highlighted for this Validation the government's commitment at the 2016 UK Anti-Corruption Summit as a government policy on the public disclosure of beneficial owners of extractive companies. However, Mexico's fourth OGP National Action Plan includes government commitments to establish a public beneficial ownership register covering extractive companies by 2023.⁸ The MSG has only belatedly agreed a definition of beneficial ownership in September 2021 that includes thresholds for public disclosure, while 'politically exposed person' is defined in Mexican legislation. However, the MSG does not appear to have undertaken any efforts to collect and disclose beneficial ownership information as this data has not been included in the reporting templates for the three EITI Reports to date. There appears to have been some government efforts to collect beneficial ownership information through the oil and gas bid rounds based on stakeholder consultations, but this data has not been publicly disclosed. No attempt to collect beneficial ownership data from companies holding or applying for mining licenses appears to have been undertaken to date. Several CSOs consulted expressed significant concern at the lack of beneficial ownership data collection through EITI reporting to date and blamed the IA's opinion that these disclosures were not required by the EITI Standard, a view supported by government and industry members of the MSG. There is no evidence that the MSG has reviewed and assessed the comprehensiveness and reliability of beneficial ownership data collected by the government to date. Likewise, there appears to be no publicly available list of extractive companies that are wholly owned subsidiaries of publicly listed companies, with links to their stock exchange filings. Finally, information on legal owners (shareholders) of all extractive companies does not appear to be consistently publicly accessible.

⁷ <https://eiti.org/document/assessing-implementation-of-eitis-beneficial-ownership-requirement>.

⁸ https://www.opengovpartnership.org/wp-content/uploads/2019/12/Mexico_Action-Plan_2019-2021_EN.pdf

Assessment of effectiveness

Through EITI implementation, Mexico has agreed and published a beneficial ownership roadmap that covers steps to establish an enabling regulatory framework and ensure consistent collection and disclosure of beneficial ownership data. The MSG's submission for Validation acknowledges that further legal reforms are required to ensure public disclosure of beneficial ownership information. There have been several discussions of beneficial ownership on the MSG over the 2017-2021 period, with the issue identified as a priority for civil society's engagement in EITI. The MSG committed to prioritise work in this area at the time of Mexico's joining the EITI. Despite the lack of public assessment by the MSG of beneficial ownership disclosures to date or of extractive companies considered 'high risk', there have been third-party assessments of the legal and regulatory environment for beneficial ownership disclosure. The Financial Action Task Force's (FATF) fourth mutual evaluation report of Mexico in 2018 resulted in a finding of partial compliance, given the lack of comprehensive requirements to identify and verify beneficial owners.⁹ While some stakeholders consulted noted that a bill to strengthen Mexico's anti-money laundering legislation was currently under review in Congress, it did not include provisions for the public disclosure of such data. A government official noted that there were currently no plans for the government to propose legislation requiring the public disclosure of beneficial ownership information on extractive companies. However, a development partner noted efforts by the Ministry of Public Administration to introduce public beneficial ownership disclosures from all companies awarded government contracts, although it was unclear whether this ambitious proposal would be taken forward.

Despite consensus among stakeholders consulted over the lack of an enabling legal and regulatory environment for beneficial ownership disclosures, there were radically different views on the practical factors constraining such disclosures. Several industry stakeholders consulted highlighted concerns over personal safety and compliance with privacy and data protection laws at the federal level, noting the high incidence of violence in Mexico. These concerns were echoed by some government officials consulted. Several industry stakeholders called for government action to introduce legal and regulatory requirements for beneficial ownership disclosure, noting that companies would comply with all applicable legal requirements. There appeared to be greater interest for beneficial ownership disclosure on the part of the oil and gas industry than in mining. Consultations noted that there had been early work conducted by stakeholders such as AMEXHI and CNH on the development of a beneficial ownership database, with CNH expressing interest in hosting the register, yet it was noted that this work had not been successful due to a perceived disengagement from government representatives, particularly on clarifying legal privacy constraints on disclosure.

All civil society stakeholders consulted expressed significant frustration and disappointment over the slow pace of reform and disclosure of beneficial owners. There was a common perception that industry and government representatives on the MSG had sought to renege on commitments to prioritise this work when Mexico joined the EITI. None of the CSOs consulted considered that the argument over personal safety was legitimate, emphasising the public interest in such information. Several civil society and development partner stakeholders consulted considered that the MSG's debate on beneficial ownership transparency was

⁹ See <https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/MER-Mexico-2018.pdf> and <https://www.fatf-gafi.org/media/fatf/content/images/FUR-Mexico-2021.pdf>

somewhat circular, given that it was still debating whether disclosure was a good idea rather than seeking ways to make practical progress. Stakeholders explained that while the MSG had recently approved a definition of beneficial owner, it had yet to agree on the specific data points or quality assurances that would be requested of companies. Several CSOs considered that the slow pace of beneficial ownership disclosures was a reflection of weak government engagement in EITI. Concurrently, civil society stakeholders also called for greater awareness raising and capacity building both on the types of beneficial ownership information to disclose and on how to use such data once disclosed. Most stakeholders consulted conceded that the objective of enabling the public to know who ultimately owns and controls the companies operating in the country's extractive industries was still far from being fulfilled, given the absence of legal or regulatory reforms to support the public disclosure of beneficial ownership data. Thus, the Secretariat's assessment is that Phase 1 of the Validation framework for Requirement 2.5 is partly met.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Beneficial ownership (Requirement #2.5)	The Secretariat's assessment is that Mexico has partly met Requirement 2.5. Mexico's MSG has recently agreed upon a definition of beneficial ownership that includes thresholds for public disclosure. A legal definition of 'politically exposed person' is publicly available. There does not appear to be a legal or regulatory framework for the collection and disclosure of beneficial ownership information from extractive companies. While Mexico's EITI reporting has not included requests for beneficial ownership data, it appears that such data was requested of companies bidding for oil and gas contracts, although the beneficial ownership information on companies bidding for recent oil and gas contracts does not appear to be publicly accessible. More broadly, there does not appear to have yet been an attempt to collect beneficial ownership data from all companies holding or applying for mining or hydrocarbons licenses and contracts since January 2020 in a consistent manner. There is no indication that the MSG has yet undertaken and published a review of the comprehensiveness and reliability of beneficial ownership disclosures to date. It appears unlikely that beneficial ownership information of all extractive companies will be consistently requested and disclosed from January 2022. Equally, information on legal ownership of extractive companies does not appear to be publicly accessible in Mexico.	Partly met
New corrective actions and recommendations		
<ul style="list-style-type: none"> In accordance with Requirement 2.5 and the Board-agreed framework for assessing progress, Mexico is required to disclose the beneficial owners of all companies holding or applying for extractive licenses by 31 December 2021. To achieve this target, Mexico should undertake the following measures: 		

- Mexico should request all companies holding oil, gas and mining licenses to disclose beneficial ownership information and provide adequate assurances for data reliability. The government is encouraged to establish a public register of beneficial owners.
- Mexico should require all applicants of oil, gas and mining licenses to disclose their beneficial owners at the application stage. An assessment of the comprehensiveness and reliability of this information should be undertaken by the MSG.
- Mexico is encouraged to agree priorities for beneficial ownership disclosures and, based on these priorities, plan efforts to obtain this data. For example, Mexico may prioritise disclosures by certain types of companies, companies holding a certain type of license or producing a certain commodity due to risks related to corruption, tax evasion or circumventing provisions for local participation. These priorities should guide outreach efforts to companies and provide them guidance.
- It is recommended that Mexico considers using the EITI's model beneficial ownership declaration form¹⁰ to ensure that disclosures are published in open data format, comparable and easy to analyse.
- Mexico may wish to expand beneficial ownership disclosures to other segments of the upstream extractive value chain, for instance through collection and disclosure of beneficial ownership information from extractive-sector service providers, to enable monitoring of adherence to local content provisions and to manage corruption and tax evasion risks.

State participation (Requirements 2.6, 4.2, 4.5, 6.2)

Overview of progress in the module

The state actively participates in both the mining and petroleum sectors. In oil and gas, the state's 100% equity ownership of *Petróleos Mexicanos* (Pemex) gives it a commanding interest in a sector that was entirely state-owned and operated until 2015 with the energy reforms. In mining, the state holds a 100% interest in the Mexican Geological Survey (SGM) and a 51% interest in salt mining company *Exportadora de Sal S.A. de C.V.* (ESSA). While Mexico's EITI reporting has consistently identified Pemex as a material SOE, the three EITI Reports to date have excluded the two mining SOEs from the scope of reporting given that the revenues they collected and transferred to government were not considered material, even if the actual value of these payments has not been disclosed by Mexico EITI. The SGM's role appears to be that of a conventional geological survey rather than taking active participations in mining companies or projects. With regards to ESSA however, a review of the SOE's financial statements does indicate the existence of payments to government that could be categorised as material, given the lack of clear materiality threshold set by the MSG for the selection of companies to report (see *Requirement 4.1*). Thus, the lack of coverage of ESSA in Mexico's EITI reporting is problematic given the lack of clear basis for the MSG's exclusion of the SOE from the scope of reconciliation. Stakeholder consultations did not reveal significant interest in the two mining SOEs compared to the public interest in Pemex's operations. The IA explained that the two mining SOEs had been highlighted to the MSG, which had responded that it was not "worth" covering them.

Information about state participation varies between the petroleum and mining sectors. In mining, Mexico's EITI reporting has not comprehensively described the rules and practices related to SOEs' financial relations with government. While the SGM and ESSA websites provide some additional information on the companies' operations, they do not clarify the statutory

¹⁰ <https://eiti.org/document/tools-to-include-beneficial-ownership-information-in-eiti-reporting>

financial relations between the SOEs and the state. Nonetheless, the audited financial statements of both companies are systematically disclosed on their respective websites on an annual basis, which provides a basis for reviewing the practice of their financial relations, if not the statutory rules. There are significantly more public disclosures on Pemex's financial relations with the state in the oil and gas sector than in mining. Mexico's EITI reporting has focused on referencing systematic disclosures on Pemex's financial management, rather than providing an analysis of the rules and practices of the SOE's financial relations with government. While the rules related to Pemex's financial relations are codified in the Petroleum Law and the *Petróleos Mexicanos* Law, the practices of Pemex's financial relations are adequately described in the SOE's audited financial statements and filing to stock exchanges, which are republished on the Pemex [website](#) as noted in the MSG's comments on the draft assessment. However, while Pemex's financial statements provide a list of subsidiaries and joint ventures in which the SOE holds equity interests, as well as the terms attached to that equity, they do not cover affiliate companies in which Pemex holds equity given that these entities are not consolidated in the SOE's balance sheet. A government official explained that the equity in affiliate companies was held on purely commercial terms, as full equity. While Pemex and many of its subsidiaries are incorporated as public enterprises ("state-owned productive entities") under Mexican law and thus governed by provisions of the Law on *Petróleos Mexicanos*, several companies in which Pemex holds equity are incorporated as commercial companies and thus are not governed by the same rules. In its comments on the draft assessment, the MSG highlighted the publication of Pemex's audited financial statements and filings to various securities regulators. It also noted that its subsidiaries were incorporated under private law, implying that its interests consist of full-paid equity.

While Mexico's EITI reporting and Pemex's financial statements confirm the lack of (explicit) sovereign guarantee on Pemex's financing and the lack of loans and guarantees from Pemex to any upstream extractive companies, it remains unclear whether any loans or loan guarantees from the government to any other extractive companies were outstanding in 2018. In its comments on the draft assessment, the MSG noted that Pemex acted on its own behalf and not on behalf of the government, implying that it did not benefit from any sovereign guarantee on any of its financing or projects.

Nonetheless, Pemex's website provides systematic disclosures of other information encouraged by Requirement 2.6.b-c, including [financial reports](#) (including audited financial statements), [corporate governance](#), [ethics and transparency](#), [statistics](#), [debt](#) and [procurement](#). The MSG also highlighted the monthly publication of budget data on the Pemex [website](#) in its comments on the draft assessment. Indeed, the SOE's publication of all procurement contracts is an example of best practice internationally. Many stakeholders consulted from different constituencies considered that Pemex's level of disclosures was exemplary, although some called for the publication of disaggregated financial statements for each affiliate company. One stakeholder noted that Pemex appeared to benefit from a de facto sovereign guarantee even if it was not explicit, since the government had re-invested in the company several times over the years. A civil society stakeholder noted that, while Pemex insisted that its disclosures through the National Transparency Platform were sufficient, the company's disclosures were not sufficiently accessible. Given the gaps in coverage of SOEs in the mining sector, it cannot yet be concluded that the objective of a public understanding of whether SOEs' management is undertaken in

accordance with the relevant regulatory framework has yet been fulfilled. Thus, the Secretariat's assessment is that Requirement 2.6 is mostly met.

There are significant in-kind revenues accruing to government in the oil and gas sector, although none in mining. The government, through Pemex, markets and sells its production entitlements by contracting agents on three-year contracts for marketing crude oil, while the natural gas is sold to the state-owned electricity utility CFenergia. The marketing agent for the crude oil exports in 2018 was commodity trader Trafigura, as confirmed in the 2018 EITI Report and public sources.¹¹ There does not appear to be additional public information on the marketing agent selection process, aside from a brief description in the 2018 EITI Report. However, in its comments on the draft assessment, the MSG noted that the marketing agent selection process was carried out through a tender process by CNH, with references to the publication of information on the tender such as bid criteria on the COMPRANET website ([here](#) and [here](#)). The comments also referenced a presentation on the bidding process on the Mexican Petroleum Fund [website](#) and the sales contracts published on the official gazette website for both [crude oil](#) and [natural gas](#). These are examples of best practices in commodity sales disclosures internationally. Mexico's EITI reporting has mapped pre-existing systematic disclosures by government, including the Banco Mexico's Economic Information System and Mexican Petroleum Fund's disclosures of monthly crude oil export volumes and values (e.g. [September 2021](#)). Pemex's website provide the same type of monthly disaggregation of both domestic consumption and exports. Stakeholders consulted did not highlight any particular use cases of this oil and gas sales data, but considered that the flow of oil and gas funds to Pemex and the Treasury was broadly transparent. In its comments on the draft assessment, the MSG highlighted the monthly publication of oil and gas sales proceeds to the Mexican Petroleum Fund on the FMP [website](#), in monthly aggregates. As an EITI Supporting Company, Trafigura publishes annual data on its payments to government. The company's 2019 Responsibility Report discloses its 2018 purchases from PMI Trading, Pemex's wholly owned marketing and trading subsidiary, although these purchases are not disaggregated by individual cargo.¹² Neither Trafigura's nor Pemex's disclosures provide oil sales data disaggregated by individual buyer, given that Trafigura acts as a marketing agent rather than the buyer of the state's in-kind revenues. Thus, while publications of the sales of the state's in-kind revenues are de facto disaggregated by buyer for natural gas, they are not yet sufficiently disaggregated for crude oil. Stakeholders consulted did not express any particular views on the level of disaggregation of published oil sales data nor on whether the objective of transparency in the sale of in-kind oil and gas revenues had been fulfilled. In its comments on the draft assessment, the MSG highlighted the publication of crude oil export data on the Pemex [website](#), aggregated as the MSG argues that information on its subsidiaries is considered a trade secret. The MSG's comments also referred to disclosures on the Petroleum Fund's Petroleum Revenue Administration [portal](#). The Secretariat's assessment is that Requirement 4.2 is mostly met.

Mexico's EITI reporting to date has not comprehensively disclosed and reconciled transactions involving SOEs. Given the MSG's decision to exclude the two mining SOEs (SGM and ESSA) from the scope of reconciliation, none of the SOEs' payments to government (or revenues collected from upstream mining companies on behalf of the state) are disclosed in the 2018 EITI Report.

¹¹ <https://www.naturalgasintel.com/mexico-selects-trafigura-cfenergia-for-oil-natgas-psa-marketing-contracts/>

¹² <https://www.trafigura.com/media/2577/trafigura-2019-responsibility-report.pdf>

While the report only confirms the lack of dividends by Pemex to the state in 2018, it does not comment on nor disclose any payments by extractive companies to Pemex. Pemex's audited financial statements disclose the dividend payments by subsidiaries and affiliates to Pemex on an accrual accounting basis, although not disaggregated by (upstream) company and revenue stream in accordance with Requirement 4.7. Stakeholders consulted did not express any particular views on whether the objective of traceability of payments and transfers involving SOEs had been fulfilled. The Secretariat's assessment is that Requirement 4.5 is mostly met given the lack of comprehensive review by the MSG of transactions involving SOEs in the mining and petroleum sectors despite the existence of audited financial statements in the public domain.

The national oil company Pemex undertakes expenditures outside of the scope of its commercial operations, although Mexico EITI does not yet appear to have undertaken a comprehensive review to identify potential quasi-fiscal expenditures for EITI reporting. The approach adopted for the 2018 EITI Report consisted of asking Pemex to report any such expenditures, with none disclosed. Rather, Pemex has reported undertaking significant social expenditures that it categorises as 'voluntary' (see *Requirement 6.1*). This includes one type of expenditures that could potentially meet the IMF's definition of quasi-fiscal expenditures, namely donations of fuel and asphalt to certain state and municipal governments. While these could be considered as forms of subsidies outside of the conventional budgetary process, they are categorised as voluntary social expenditures in the MSG's submission for this Validation. Mexico's EITI reporting has not disclosed these expenditures, yet Pemex's sustainability reports and audited financial statements provide the value of these expenditures in aggregate. Pemex's [2018 financial statements](#) provide the value of fuel and asphalt donations to subnational governments in aggregate (as MXN 1.3bn, or around USD 60m), but not disaggregated by each of the 12 beneficiary state governments. A government official explained that this information had not been requested in preparing previous EITI Reports but that it would be disclosed in the 2019 EITI Report, even if Pemex did not categorise these 'donations' as quasi-fiscal. None of the stakeholders consulted expressed an opinion on whether these Pemex expenditures were quasi-fiscal, although some called for greater MSG focus on the issue. Consultations highlighted other forms of expenditures by Pemex that could potentially be considered quasi-fiscal. For instance, from 2019 onwards, Pemex's fertiliser subsidiary has participated in the Federal Government's Sembrando Vida programme to provide fertilizers to small agriculture producers. Some stakeholders consulted noted Pemex's large health expenditures for its workforce as well as its contribution in personnel to mega-projects such as the Dos Bocas refinery, even if the funding for mega-projects themselves was from the Federal Government budget. There was interest in this issue on the part of some civil society stakeholders consulted, although they did not consider that the objective of matching the transparency of the budget in disclosures of quasi-fiscal expenditures had yet been fulfilled. In its comments on the draft assessment, the MSG noted that the MSG had not extensively discussed quasi-fiscal expenditures. Despite Pemex's aggregate disclosures on its fuel and asphalt donations to state governments, the Secretariat's assessment is that Requirement 6.2 is partly met given the lack of MSG attention to this issue.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
State participation (Requirement #2.6)	<p>The Secretariat's assessment is that Mexico has mostly met Requirement 2.6. The 2018 Report has adequately explained the role of the SOE in the oil and gas sector, Pemex. Pemex systematically discloses significant amounts of financial and governance information given the multiple jurisdictions in which it has publicly listed securities. Pemex's financing is determined by congressional approval as part of the budget every year, which ensures a level of transparency in the statutory entitlements of Pemex in terms of both state and third-party funding. Statutory rules covering Pemex's retained earnings, reinvestment, and third-party financing are also contained in the Petroleum Law. The practice of Pemex's financial relations with the state are systematically disclosed through Pemex group's statutory filings to various financial exchanges, given the public listing of its securities in different jurisdictions (Mexico, US, Luxembourg). The financial statements describe Pemex's interests in subsidiaries and joint ventures, including the terms attached to this equity, they do not cover affiliate companies in which Pemex holds interests. Pemex's consolidated financial statement contains information about loans from the Mexican government to Pemex and Pemex indicates that it does not provide loans or loan guarantees to extractive companies and projects. However, it is less clear where to find information on loans and loan guarantees from the state to any other extractive companies and projects. In mining, the MSG does not appear to consider the two SOEs in the mining sector as material, albeit without justifying this with data. While the first is the Geological Survey (SGM), which might be excluded based on materiality considerations, the second is a commercial salt company, a joint venture between the state and Mitsubishi. This company is likely to give rise to material payments to government, although the MSG does not appear to have considered this in the scope of EITI reporting. Therefore, while the broader objective of Requirement 2.6 appears to have been fulfilled in the oil and gas sector, it does not yet appear to have been addressed in the mining sector.</p>	Mostly met
Sale of the state's in-kind revenues (Requirement #4.2)	<p>The Secretariat's assessment is that Mexico has mostly met Requirement 4.2. The state is entitled to in-kind revenues in the oil and gas sector, not in mining. The two in-kind revenues collected by government consist of 'base royalty' and 'additional royalty'. The state appoints a marketing agent to commercialise in-kind revenues on its behalf, namely Trafigura for crude oil and CFEnergía for natural gas in 2018. Information on sales of the state's in-kind revenues is systematically disclosed through the Economic Information System on the Banxico website, albeit only in aggregate per month, not disaggregated by revenue stream, producing company/project or buyer. The Pemex website discloses information on crude oil sales volumes and values on a monthly basis, albeit not disaggregated by individual buyer. The 2018 EITI Report discloses</p>	Mostly met

	<p>information on the volumes of in-kind revenues collected by the state in 2018, albeit only disaggregate by company and project, not by revenue stream. The EITI Report does not appear to provide the volumes of the state's in-kind revenues that were sold in 2018, nor the value of the proceeds of those sales disaggregated by individual buying company. Trafigura's 2019 Responsibility Report provides the aggregate volumes and values of the company's purchases of crude oil from Pemex's subsidiary PMI Trading, it does not disclose the value of Trafigura's sales of crude oil on behalf of the government. A cursory overview of additional information on the process for commercialising the state's in-kind revenues is provided in the EITI Report, albeit without a detailed description of the process for selection of marketing agents or buyers nor details of the sales contracts. While Trafigura's reports disclose the volumes of crude oil purchased from the state in Mexico, disaggregated by cargo, it does not provide the values of these purchases.</p>	
<p>Transactions related to state-owned enterprises (Requirement #4.5)</p>	<p>The Secretariat's assessment is that Mexico has mostly met Requirement 4.5. In mining, the 2018 EITI Report only states that the MSG considered the two SOEs to be non-material, albeit without justification with reference to the value of transactions involving these SOEs in 2018. In oil and gas, the 2018 EITI Report only confirms the lack of dividend payments by Pemex to the state in 2018 but does not clarify whether any other transaction involving Pemex (such as subsidiary dividend payments to the group or federal government transfers to Pemex) were deemed material in 2018. While the audited financial statements of Pemex provide data the SOE's payments to government and revenues from other companies (subsidiaries, joint ventures, affiliates, other companies), it is unclear from Mexico EITI documents whether the information in the financial statements is comprehensive of all transactions involving the SOE, e.g., including any payments from affiliates engaged in the upstream extractive industries. The lack of explicit MSG review of transactions related to SOEs through EITI reporting is problematic.</p>	<p>Mostly met</p>
<p>Quasi-fiscal expenditures (Requirement #6.2)</p>	<p>The Secretariat's assessment is that Requirement 6.2 is partly met. While the 2018 EITI Report references Pemex's assurances that the SOE did not undertake any quasi-fiscal expenditures, there is evidence of at least two types of Pemex expenditures in the period under review that could be categorised as quasi-fiscal expenditures although only one of these types appears to have been applicable in 2018 (the other commencing in 2019). Pemex appears to provide sales and donations of subsidised fuel and asphalt to state and municipal governments annually, without compensation from the Federal Government or other government agencies. The total value of these donations is provided as Ps 1.3 billion in 2018 according to Pemex's 2018 audited financial statements. Given the lack of evidence of a distinct materiality threshold set by the MSG for disclosure of quasi-fiscal expenditures, these fuel and asphalt donations appear to consist of material quasi-fiscal expenditures in 2018. While Pemex's systematic disclosures provide the aggregate value of such donations in 2018, it does not provide the value of quasi-fiscal expenditures by beneficiary. Of concern for future EITI reporting, there is no evidence that the MSG has considered Pemex's participation in the</p>	<p>Partly met</p>

	Federal Government's Sembrando Vida programme to provide fertilizers to small agriculture producers from 2019 onwards, which could constitute forms of quasi-fiscal expenditures.	
New corrective actions and recommendations		
<ul style="list-style-type: none"> • In accordance with Requirement 2.6.a.ii, Mexico should ensure public disclosures from the government and material SOEs of their level of ownership in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period. This information should include details regarding the terms attached to their equity stake, including their level of responsibility for covering expenses at various phases of the project cycle, e.g., full-paid equity, free equity or carried interest. Where there have been changes in the level of government and SOE(s) ownership during the EITI reporting period, the government and SOE(s) are expected to disclose the terms of the transaction, including details regarding valuation and revenues. Where the government or SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these transactions should be disclosed, including loan tenor and terms (i.e., repayment schedule and interest rate). To strengthen implementation, Mexico could consider using its EITI reporting as a diagnostic of SOEs' practices in operating and capital expenditure management, procurement, subcontracting and corporate governance. • In accordance with Requirement 4.2.a-d, Mexico should ensure reliable public disclosure by the government and Pemex of the volumes of in-kind oil and gas revenues received and sold by the state (or third parties appointed to sell on their behalf), the revenues received from the sales, and the revenues transferred to the state from the proceeds of oil and gas sold. The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams in accordance with Requirement 4.7. Mexico EITI, in consultation with buying companies, is expected to consider whether disclosures should be broken down by individual sale, type of product and price. To strengthen implementation in accordance with Requirement 4.2.b, Mexico is encouraged to disclose a description of the process for selecting the buying companies, the technical and financial criteria used to make the selection, the list of selected buying companies, any material deviations from the applicable legal and regulatory framework governing the selection of buying companies, and the related sales agreements. In accordance with Requirement 4.2.c, companies buying oil and gas resources from the state, including SOEs (or third parties appointed to sell on their behalf), are encouraged to disclose volumes received from the state or SOE or its marketing agent and payments made for the purchase of oil and gas resources. • In accordance with Requirement 4.5, Mexico should ensure that the EITI reporting process comprehensively addresses the role of SOEs, including comprehensive and reliable disclosures of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs. • In accordance with Requirement 6.2, Mexico should review all types of spending by material SOEs with a view identifying expenditures that could be categorised as quasi-fiscal. Mexico EITI is required to develop a reporting process for SOEs' quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures. Quasi-fiscal expenditures include arrangements whereby SOEs undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process. Mexico EITI is encouraged to take the IMF's definition of quasi-fiscal expenditures into account when considering whether expenditures are considered quasi-fiscal. 		

Production and exports (Requirements 3.2, 3.3)

in Mexico as confirmed in the MSG's submission for this Validation. The MSG's comments on the draft assessment highlighted the publication of oil and gas export data in a different section of the Pemex [website](#). Thus, total export volumes do not appear to be publicly accessible for Mexico's total oil and gas production in 2018. In mining, the SGM's Statistical Yearbook for Mining (e.g., the [2019 yearbook](#)) discloses export volumes and values for Mexico's main mineral commodity exports, although this appears to exclude mineral commodities that were not produced by companies in the scope of EITI reporting, such as some construction materials. Thus, it appears that the export volumes of certain exported mineral commodities are not publicly accessible. Mexico's EITI reporting has added some value by disclosing the regions of destination for Mexico's extractive commodity exports in 2018 disaggregated by commodity. However, the MSG does not yet appear to have used EITI reporting to disaggregate extractive commodity export data by region, company or project, nor to document the sources and the methods for calculating export volumes and values. Stakeholders consulted did not express any particular views about whether the objective of public understanding of extractive commodities' export levels and the valuation of extractive commodity exports had yet been fulfilled. Given gaps in export data for oil and gas exports by other entities than Pemex and the gaps in coverage of certain extractive commodity exports, the Secretariat's assessment is that Requirement 3.3 is mostly met.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Production (Requirement #3.2)	The Secretariat's assessment is that Mexico has fully met Requirement 3.2. In the oil and gas sector, production volumes are systematically disclosed online to levels of disaggregation encouraged by the EITI Standard. While specific oil and gas production values are not systematically disclosed, the benchmark prices of oil and gas published allow for estimates of production values to be calculated based on official government data. In the mining sector, production volumes and values are systematically disclosed online, albeit not yet disaggregated to levels encouraged by the EITI Standard.	Fully met
Exports (Requirement #3.3)	The Secretariat's assessment is that Mexico has mostly met Requirement 3.3. In the oil and gas sector, export volumes and value are systematically disclosed, albeit not disaggregated by API grade of type of gas nor by region, company, or project. However, the MSG's claim that oil and gas export data provided covers only Pemex exports is concerning. In the mining sector, export values are systematically disclosed by commodity, if not by region, company, or project, while export volumes for mineral commodities are available through the Statistical Yearbook of Mining with the destination country listed, if not the purchasing company or project.	Mostly met
New corrective actions and recommendations		

- To strengthen implementation, Mexico is encouraged to ensure systematic public disclosures of production volumes and values for each extractive commodity produced in the year under review and may wish to consider the extent to which such disclosures could be disaggregated by region, company or project. Mexico may wish to use its EITI reporting to document the sources and the methods for calculating extractive commodity production volumes and values.
- In accordance with Requirement 3.3, Mexico should ensure public disclosures of timely extractive commodity export data, including export volumes and the value by commodity. To strengthen implementation, this data could be further disaggregated by region, company or project, and include sources and the methods for calculating export volumes and values. Mexico is encouraged to consider the extent to which this export data could be systematically disclosed on government and company portals.

Revenue collection (Requirements 4.1, 4.3, 4.4, 4.7, 4.8, 4.9)

Overview of progress in the module

The Federal Government collects significant revenues from the extractive industries, equivalent to around 28% of total Federal Government revenues in 2018. There are two main Federal Government revenue collecting entities in Mexico's extractive industries – the Mexican Petroleum Fund (FMP - *Fondo Mexicano del Petróleo*) and the Tax Authority (SAT – *Servicio de Administración Tributaria*) – although the Ministry of Finance and Public Credit (SHCP – *Secretaría de Hacienda y Crédito Público*) collects the state's dividends from its participation in extractive companies (e.g., Pemex, ESSA). With most oil and gas revenues levied by the FMP, systematic disclosures of government revenues from the petroleum sector are far greater than in the mining sector, given legal requirements for the publication of the fund's quarterly and annual financial reports as well as its audited financial statements. The CNH's SIH [portal](#) provides access to monthly government oil and gas revenues per project, disaggregated by revenue stream and sourced from FMP data. In mining however, SAT's disclosures of government revenues are highly constrained by confidentiality provisions of the tax code, known as 'fiscal secrecy' provisions in Mexico, which do not allow SAT to disclose any taxpayer information without explicit consent from the concerned taxpayer. Consultations revealed significant public interest in data on the government's revenues from the extractive industries, the mining sector in particular. Several CSOs consulted considered that project-level information on the government's revenues from specific mines was crucial for the public's understanding of the economic contributions and socio-environmental impacts of specific mining projects.

Mexico's EITI reporting has attempted to reconcile the main extractive company payments with government receipts, with three reconciliation exercises published to date covering 2016, 2017 and 2018. The MSG has not set quantitative materiality thresholds (i.e., the selection of revenue streams for reconciliation based on their share of total government revenues) for selecting either revenue streams or companies for reconciliation. While most revenue streams listed in Requirement 4.1.c were included, some revenue streams listed in the mining sector (such as dividends) were excluded without justification. Of greater concern, the selection of material extractive companies does not appear to ensure that all companies making material payments to government were included in the scope of reporting. In practice, Mexico EITI appears to have attempted to include the largest oil and gas companies including both members of the industry association AMEXHI (including Pemex) and others in the scope of reconciliation, and to target

only those mining companies that were members of the industry association CAMIMEX, not other major companies such as in the coal sector. The IA explained that the MSG had selected oil and gas companies with more than 100,000 barrels per day oil production even if this had not been explicitly stated in the EITI Report. In mining, the IA explained that the MSG had focused on precious metals and iron ore but not coal given that the MSG had not undertaken outreach to coal companies. Stakeholder consultations confirmed that reporting had been left up to the discretion of companies who wished to participate. The IA explained that the selection of material companies for reconciliation had been set by the MSG prior to its appointment and that it had not provided input to this process.

The 2018 EITI Report lists 15 companies in the oil and gas sector and 15 in mining as the companies included in the scope of reconciliation, although other companies listed as not reporting elsewhere in the report include other companies that were not listed as material companies.¹⁶ The rate of submissions of reporting templates by both companies and government entities is not entirely clear from the report, although it appears that 13 material oil and gas companies and five material mining companies did not submit reporting templates. MSG members consulted could not clarify the inconsistencies in lists of material companies in the 2018 EITI Report but emphasised that the AMEXHI and CAMIMEX associations had played a role in following up with non-reporting companies, which explained why only association members appear to have reported. There is no evidence of government follow-up with non-reporting entities to encourage their participation in EITI reporting. Several stakeholders consulted considered that Pemex's participation in EITI reporting was sufficient to ensure comprehensive coverage of the oil and gas sector, while many others highlighted the FMP's role in systematic disclosures of oil and gas payments to government. Other stakeholders consulted highlighted the lack of reporting by some oil and gas companies that made material payments to government, such as Petrolera Cárdenas Mora. However, the relative disengagement of the mining sector beyond CAMIMEX's membership was also highlighted as a cause for concern by many in terms of the coverage of government mining revenues. While the 2018 EITI Report only provides a final reconciliation coverage of 15% of SAT's tax collections from mining companies, the aggregate final reconciliation coverage can be calculated as around 28% of total government extractive revenues in 2019 based on the EITI summary data submitted by the MSG for this Validation¹⁷, lower than the estimated 91% coverage indicated by the MSG.¹⁸ The 2018 EITI Report does not contain a statement by the IA on the comprehensiveness and reliability of the reconciled financial data on company payments and government revenues in the extractive industries. Stakeholders consulted did not express any particular views on whether the EITI had yet led to comprehensive disclosures of company payments and government revenues from oil, gas and mining as the

¹⁶ The 2018 EITI Report lists 15 material oil and gas companies (ENI, Fieldwood, Shell, ExxonMobil, Petrobal, BP, PEMEX, BHP, Total, Repsol, Wintershall DEA, Equinor, Jaguar, Chevron and Lukoil) and 15 material mining companies (Grupo México, Fresnillo PLC, Peñoles, New Mont Gold Corp, Frisco, Torex, Agnico Eagle, Plata Panamericana, Alamos Gold, Lea Gold, Peña Colorada, Argonaut Gold, Carrizal Mining, Ternium Las Encinas and Baramin), but lists another 12 oil and gas companies (Operadora de Campos DWF, Petrolera Cárdenas Mora, DS Servicios Petroleros, S.A de C.V., D&S Petroleum, Servicios Múltiples de Burgos, Petrofac, Premier Oil Exploration and Production Mexico, SEP Block 30, PC Carigali México, Ophir Mexico Operations, PTTEP and QPI Mexico) and two mining companies (First Majestic and Greatpanther) that are marked as not having reported, implying that they were requested to do so despite not being listed as part of the material companies in the 2018 EITI Report.

¹⁷ The 28% final reconciliation coverage is calculated based on the value of company payments disclosed in the Transparency template (tab "#4.1 – Companies") by the value of total government extractive revenues disclosed in the section on the extractive industries' contribution to government revenues (tab "#6.3").

¹⁸ The 91% final reconciliation coverage is calculated based on the value of company payments disclosed in the Transparency template (tab "#4.1 – Companies") by the value of government revenues (tab "#4.1 – Government"), with the latter representing the value of extractive revenues disclosed by government for EITI reporting purposes.

basis for a detailed public understanding of the contribution of the extractive industries to government revenues. Time constraints in producing the 2018 EITI Report appear to have exacerbated significant weaknesses in EITI reporting by companies, which have consequently hindered the government's ability to disclose extractive revenues. Thus, the Secretariat's assessment is that Requirement 4.1 is partly met.

The 2018 EITI Report states that there are no barter arrangements or infrastructure provisions to extractive agreements active in 2018, although the basis for the MSG's assessment remains unclear aside from a cursory discussion of the MSG simply confirming the lack of such arrangements. The Secretariat's assessment is that, while further public clarifications could clarify its non applicability, Requirement 4.3 is partly met. Likewise, it remains unclear whether the state, via Pemex, collects any (material) revenues from the transportation of crude oil or natural gas for third parties. The 2018 EITI Report states that there were no transportation revenues in the mining, oil and gas sectors in 2018, without providing a basis for this assessment. Pemex operates an extensive domestic pipeline network for both crude oil and natural gas. One government official consulted noted that there were only a handful of producing oil and gas fields operated by private operators in 2018, although this had since grown. Government officials consulted confirmed that Pemex's wholly owned subsidiary Pemex Logistica operated the pipeline network as a public enterprise. While the SOE occasionally provided services to third-parties, stakeholders explained that its role was primarily to provide services to the Pemex Group. Officials explained that any contract involving Pemex Logistica was public by law and should be accessible through the National Transparency Platform. In its comments on the draft assessment, the MSG noted the lack of previous discussion of transportation revenues and highlighted the availability of information on Pemex Logistica's operations in its [audited financial statements](#). It also noted the launch in September 2018 of a tender (published in the official gazette [website](#)) for the contracting of storage capacity for petroleum products to a third party, although this would not constitute a form of government revenues from the transportation of upstream extractive commodities. While it is possible that there are no government or SOE revenues from the transportation of oil and gas that the MSG considers material, the lack of evidence of MSG discussion of the issue is a concern. Thus, the Secretariat's assessment is that Requirement 4.4 is partly met.

Mexico's EITI disclosures of company payments and government revenues in the three EITI Reports published to date have been disaggregated by company and government entity for all reconciled financial data. However, reconciled financial data is only presented broken down by revenue stream for oil and gas, not consistently for mining revenues. Rather, mining revenues are disclosed by type of mining revenue (e.g., 'Mining law revenues'), rather than by individual revenue stream. The reconciled government revenues are disclosed on a per-project level for oil and gas in the 2018 EITI Report, but not for mining. The FMP and SIH websites provide information on oil and gas companies' payments to government, disaggregated by individual project. While the MSG's Technical Working Group discussed the viability of disclosing revenues on a per-project basis at its 19 December 2019 meeting, it was concluded that it was not possible for companies to disclose such disaggregated information, although the reasons for this lack of disaggregation were not recorded in the meeting minutes. Several CSOs consulted expressed particular frustration about the lack of project-level disaggregation of mining revenues in the EITI Reports published to date, arguing that the reporting templates did request for project-level reporting but that the IA's non-disclosure agreement with reporting companies had meant

that project-level revenue data had not been disclosed for mining in the 2018 EITI Report. Several CSOs highlighted the public interest in project-level company payment data to ensure public understanding of the economic contributions of specific mines in relation to their socio-environmental impacts. The Secretariat's assessment is that Requirement 4.7 is mostly met.

Mexico has ensured timely EITI reporting in accordance with Requirement 4.8, with the 2016 EITI Report published in November 2018 and the 2017 and 2018 EITI Reports published in May 2020. The MSG has consistently approved the reporting period under review, with payments and revenues reported on a cash accounting basis. Several stakeholders consulted from all constituencies expressed disappointment at the timeliness of Mexico's EITI reporting to date and called for EITI disclosures in a timelier manner to improve their relevance for public debate and policy making. A government official highlighted the MSG's plans to improve on the timeliness of EITI reporting, although other stakeholders expressed concern that financial constraints could hinder production of timelier EITI Reports. Some stakeholders considered that the objective of sufficiently timely EITI disclosures to be relevant to inform public debate and policymaking had not yet been fulfilled, although others considered that transparency in mining revenues in particular was still helpful to inform debate on an issue of significant public interest. The Secretariat's assessment is that Requirement 4.8 is fully met.

Mexico EITI has sought to build on government and extractive companies' routine audit and assurance practices to ensure the reliability of reconciled financial data in the EITI Reports published to date. The MSG has adopted a conventional approach to EITI reconciliation. These procedures appear to have generally been followed in practice, with the MSG approving reporting templates in January 2020, although EITI reporting has not included a clear statement from the IA on both the comprehensiveness and reliability of reconciled financial data to date. The 2018 EITI Report provides a cursory description of audit and assurance procedures for both government and extractive companies, although it only confirms the completion of the Superior Auditor of the Federation's (ASF – *Auditoría Superior de la Federación*) audit of public accounts for 2018, not that all extractive companies included in the scope of reporting had completed an audit for 2018. While the ASF's 2018 audit report is publicly accessible, extractive companies' audited financial statements do not appear to be systematically disclosed with the exception of the three SOEs in the mining and petroleum sectors (see *Requirement 2.6*). While the 2018 EITI Report describes the quality assurances agreed by the MSG for EITI reporting, it does not list the companies that did not comply with this requirement, nor the value of their payments to government. The IA confirmed that the quality assurances for EITI reporting had been agreed between the MSG and IA but noted that some key reporting entities like SAT had not been involved in the discussion. The IA could not explain the lack of a clear statement on the comprehensiveness of reconciled financial data in the 2018 EITI Report, while maintaining the view that the reconciled financial data appeared to be reliable. Stakeholders consulted did not express any particular views on whether the objective of contributing to strengthening routine government and company audit and assurance systems and practices had been fulfilled. The absence of detailed public documentation of extractive companies' audit and assurance practices, combined with a lack of clarity over adherence to quality assurances for EITI reporting and the lack of a clear statement by the IA about the comprehensiveness of reconciled financial data in EITI Reports is a significant concern. Thus, the Secretariat's assessment is that Requirement 4.9 is partly met.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Comprehensive disclosure of taxes and revenues (Requirement #4.1)	<p>The Secretariat's assessment is that Mexico has partly met Requirement 4.1. The MSG's decisions on materiality thresholds and scope of EITI reporting remain unclear for 2018. The selection of material revenue streams for reconciliation does not appear to have been based on the government's full unilateral disclosure of revenues and several revenue streams listed under Requirement 4.1.c do not appear to have been included in the scope of reconciliation. In its comments on the draft assessment, the MSG noted that a total of USD 681m in signature bonus payments were received by government in 2018 (including USD 525m from Bid Round 2.4, USD 124m from Bid Round 3.1, USD 2m from Bid Round 2.3 and USD 30.8m from the Ogarrio partnership concluded in 2017). This raises significant concerns over the omission of signature bonus from the scope of reconciliation. Nonetheless, material revenue streams are identified and described in the 2018 EITI Report. The selection of material companies for reporting appears to have been based on their share of total production, although this does not provide sufficient assurances that all extractive companies making material payments to government in 2018 were included in the scope of reconciliation. Several companies appear to have refused to report, although the 2018 EITI Report only provides the names of non-reporting companies, not the value of each non-reporting company's payments to government. The significant final unreconciled discrepancies in both mining as well as oil and gas are a concern and raise questions about the comprehensiveness and reliability of reconciled financial data. The 2018 EITI Report does not appear to include a statement by the IA related to the comprehensiveness of the reconciled financial data. The government's full unilateral disclosure of total extractive revenues is provided, albeit only in aggregate, not disaggregated by individual revenue stream. The 2018 EITI Report provides the target for reconciliation in mining but does not provide the final reconciliation coverage for both mining and oil and gas. The report states that extractive companies' audited financial statements are publicly accessible but does not provide further guidance on accessing them.</p>	Partly met
Infrastructure provisions and barter arrangements (Requirement #4.3)	<p>The Secretariat's assessment is that Requirement 4.3 is partly met in Mexico. While the 2018 EITI Report states that there are no infrastructure provisions and barter arrangements in the mining, oil and gas sectors in 2018, the basis for the MSG's assessment is unclear from publicly accessible Mexico EITI documents. It remains unclear whether the MSG and IA have reviewed relevant agreements and revenue flows as a basis for assessing the applicability of Requirement 4.3.</p>	Partly met
Transportation revenues (Requirement #4.4)	<p>The Secretariat's assessment is that Requirement 4.4 is partly met in Mexico. While the 2018 EITI Report states that there are no transportation revenues in the mining, oil and gas sectors in 2018, the basis for the MSG's assessment is unclear from publicly accessible Mexico EITI</p>	Partly met

	documents. It remains unclear whether the revenues from the third-party use of transport infrastructure for oil and gas collected by Pemex Logistica constitute forms of transportation revenues in accordance with Requirement 4.4 and whether these were considered material in 2018. Nonetheless, it is important to note the systematic disclosures by Pemex Logistica in Pemex's annual financial statements, which provide some information on transport revenues collected from third parties by Pemex Logistica. While there is evidence of the MSG discussing transportation revenues in general terms in preparation of the two EITI Reports published to date, the MSG appears to have omitted Pemex Logistica from the scope of EITI reporting without a clear justification based on the materiality of the transport revenues it collects.	
Level of disaggregation (Requirement #4.7)	The Secretariat's assessment is that Mexico has mostly met Requirement 4.7. The 2018 EITI Report presents reconciled financial data disaggregated by company, government entity and revenue stream for oil and gas, but only by company and government entity (not revenue stream) in mining. There is no evidence in the public domain of the MSG's documentation of a definition of the term project, a list of legal agreements that constitute a project, or of the specific revenue streams that are levied on a per-project basis. Although oil and gas revenues are disclosed on a per-project basis, aside from revenues involving Pemex, none of the mining revenues have been disclosed by project to date.	Mostly met
Data timeliness (Requirement #4.8)	The Secretariat's assessment is that Requirement 4.8 is fully met in Mexico. Mexico EITI financial data has been published in a sufficiently timely manner and the MSG has approved the period for reporting, although more information on the MSG's plans to improve the timeliness of reporting would be welcome.	Fully met
Data quality and assurance (Requirement #4.9)	The Secretariat's assessment is that Mexico has partly met Requirement 4.9. The MSG agreed an approach to disclosure of payments and revenues that is aligned with the standard Terms of Reference for Independent Administrators approved by the EITI Board. While the MSG and IA do not appear to have undertaken a review of government and company audit and assurance practices in 2018 as a basis for agreeing quality assurances for EITI reporting, the quality assurances for EITI are described in the 2018 EITI Report, consisting of a simple management attestation for each reporting entities' templates. Several reporting entities appear to not have provided the required quality assurances, although the 2018 EITI Report does not list the non-complying government agencies or companies, nor provide an assessment of the materiality of payments from each of the non-complying entities. Of greatest concern, the 2018 EITI Report does not include a statement from the IA related to the comprehensiveness of reconciled financial data, although it does include a statement that the reconciled financial data is considered reliable. Nonetheless, all non-financial information in the 2018 EITI Report appears to be clearly sourced.	Partly met
New corrective actions and recommendations		

- In accordance with Requirement 4.1.a, Mexico should ensure that its materiality decisions related to selecting companies and revenue streams for reconciliation are clearly documented and followed in practice. In accordance with Requirement 4.1.c, the MSG should ensure that the materiality of payments from each non-reporting entity and the nature of discrepancies are clearly assessed to inform an IA's overall assessment of the comprehensiveness of reconciliation. In accordance with Requirement 4.1.d, unless there are significant practical barriers, the government is additionally required to provide full disclosure of material revenues from non-material companies, disaggregated by revenue stream. Mexico EITI may wish to build on existing systematic disclosures of oil and gas revenues to tailor EITI reporting to focus on the disaggregation and accessibility of government revenues and company payments in both mining and petroleum.
- In accordance with Requirement 4.3, Mexico is required to consider whether there are any agreements or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. Where the MSG concludes that these agreements are material, the MSG is required to ensure that EITI implementation addresses these agreements and disclosures provide a level of detail and disaggregation commensurate with the other payments and revenue streams. Mexico EITI is encouraged to reconsider the existence of barter agreements and infrastructure provisions on an annual basis.
- In accordance with Requirement 4.4, Mexico should ensure public disclosure of the revenues from the transportation of oil and gas by Pemex from services to this parties, where these are considered material by the MSG. Mexico EITI is encouraged to reconsider the existence of any such transport revenues on an annual basis.
- In accordance with Requirement 4.7, Mexico should ensure that public disclosures of company payments and government revenues from the extractive industries are disaggregated by government entity, by revenue stream, by company and, where applicable, by project for all extractive revenues considered material for EITI reporting. To strengthen implementation, Mexico EITI is urged to document which forms of legal agreements constitute a project, in accordance with the definition in Requirement 4.7, and which legal agreements are substantially interconnected or overarching. Mexico EITI is also encouraged to document which revenue streams are imposed or levied at the level of the legal agreements, not at a company level.
- To strengthen implementation, Mexico is encouraged to consider innovative approaches to EITI reporting that build on government and company systematic disclosures with a view to improving the timeliness of EITI disclosures as a precondition for stimulating public debate and policymaking.
- In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:
 - examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provides a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ their professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.
 - ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
 - ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested

information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

Revenue management (Requirements 5.1, 5.3)

Overview of progress in the module

Mexico operates a single Treasury account system for collecting revenues, although oil and gas revenues are first paid to the Mexican Petroleum Fund (FMP) before being drawn down by the Federal Government budget and allocated to eight different funds with different mandates and functions. Most government mining revenues are recorded in the national budget, although mining companies' contributions to the Fund for Sustainable Regional Development of Mining States and Municipalities (*Fondo para el Desarrollo Regional Sustentable de Estados y Municipios Mineros*) do not appear to be recorded in the Federal Government budget. Mexico's 2018 EITI Report describes the mandates of the nine different government funds and implies that revenues transferred to these funds are not recorded in the national budget. This is confirmed in various IMF Article IV consultations on Mexico.¹⁹ With regards to oil and gas revenues transferred directly to the FMP and the other seven oil and gas funds, the FMP [website](#) provides the fund's quarterly and annual financial reports, which disclose the revenues collected by the FMP and the transfers to the seven different funds. Several stakeholders consulted explained that the revenues accruing to the eight different oil and gas funds were publicly disclosed through the FMP website, but that expenditures and transfers associated with each fund were not disclosed. In mining however, there do not appear to be any publicly accessible financial reports on the management of revenues transferred to the Fund for Sustainable Regional Development of Mining States and Municipalities for 2018, even if financial reports covering previous years up to and including 2017 are accessible on general government [website](#). However, the 2018 EITI Report confirms the value of revenues transferred to the mining fund in 2018, while information on the fund's statutory management is systematically disclosed on government websites. Several stakeholders consulted highlighted the mining fund's change of names and revisions to the beneficiaries of the fund's transfers in 2019, following government reforms that redirected the mining fund's transfers to the Ministry of Education (see *Requirement 5.2*). None of the stakeholders consulted expressed particular views on whether the objective of ensuring the traceability of extractive revenues to the national budget and ensuring the same level of transparency and accountability for extractive revenues that are not recorded in the national budget had yet been fulfilled. However, several CSOs expressed concern over the mining fund's change of mandate in 2019. The Secretariat's assessment is that Requirement 5.1 is fully met.

Mexico has used its EITI reporting to provide a general overview of revenue management and expenditures, focusing on earmarked extractive revenues and the Federal Government's budget and audit processes. Mexico's three EITI Reports to date have primarily referenced sources of

¹⁹ See for instance <https://www.imf.org/-/media/Files/Publications/CR/2018/cr18289.ashx>

government systematic disclosures on these areas, rather than providing additional analysis or documentation. However, Mexico EITI implementation has yet to comprehensively disclose timely information to further public understanding and debate around issues of revenue sustainability and resource dependence. Yet the Ministry of Finance and Public Credit's [website](#) provides additional information on Federal Government budget forecasts and fiscal revenue projections, albeit not specifically for the extractive industries. Several industry representatives consulted called for Mexico EITI to focus increasingly on the government's use of extractive revenues, rather than only focusing on the revenue collection aspects of tax administration. Several CSOs consulted called for the EITI to focus more on issues related to the energy transition, including fiscal revenue projections given evolving commodity markets. Stakeholder consultations did not reveal any opinions that the objective of strengthening public oversight of the use of extractives revenues to fund specific public expenditures and the assumptions underlying the budget process had yet been fulfilled. The Secretariat's assessment is that Requirement 5.3 remains not assessed given that considerable aspects of this encouraged aspect of the EITI Standard have yet to be addressed despite significant industry and civil society interest in these types of disclosures.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Distribution of extractive industry revenues (Requirement #5.1)	<p>The Secretariat's assessment is that Mexico has fully met Requirement 5.1. There are a total of nine government funds to which specific extractive revenues are earmarked and transferred, prior to being recorded in the national budget. These consist of eight funds for oil and gas revenues and one fund for mining revenues. The 2018 EITI Report and public documents such as financial reports describe the management of funds received by the Mexican Petroleum Fund and its transfers to seven other oil and gas funds, while the 2018 EITI Report and systematic disclosures describe the legal provisions governing the statutory management of the mining fund and the value of aggregate revenues transferred to the mining fund in 2018. The Secretariat understands that the mining fund was responsible for subnational transfers in 2018 (prior to a change in mandate in 2019), meaning that the gaps related to disclosures by the mining fund are covered with regards to subnational transfers (see Requirement 5.2). There appears to be sufficient transparency on the revenues accruing to the nine funds in the extractive industries, even if financial reports for the mining fund do not appear accessible for 2018 (although they are for previous years). There is no evidence that the MSG has referenced national revenue classifications in its EITI disclosures to date.</p>	Fully met
Revenue management and expenditures (Requirement #5.3)	<p>The Secretariat's assessment is that Mexico has made some progress in disclosing revenue management and expenditure information. However, Mexico has not yet addressed all aspects of this encouraged provision of the EITI Standard and thus has not yet exceeded Requirement 5.3. Therefore, Requirement 5.3 is marked as not assessed. The 2018 EITI Report and</p>	Not assessed

	government portals such as the Secretary of Finance and Public Credit's website provide information on earmarked extractive revenues, the federal government's budget and audit procedures as well as some information on projections and assumptions underpinning the budget. However, financial reports describing the management of extractive revenues by certain government funds do not appear publicly disclosed, nor descriptions of the methods for ensuring accountability and efficiency in the use of earmarked funds.	
New corrective actions and recommendations		
<ul style="list-style-type: none"> • To strengthen implementation, Mexico is encouraged to use its EITI reporting to document the availability of public information on the management of extractive funds not recorded in the national budget, with links provided to relevant financial reports as applicable. Mexico may wish to use its EITI reporting to document the national revenue classification system, with reference to international revenue classification systems. • To strengthen implementation, Mexico is encouraged to ensure public disclosure of any extractive revenues that are earmarked to specific programs, uses or geographical zones within the country, as well as of audit reports and disclosures related to revenue sustainability, including production projections and the proportion of future fiscal revenues expected to come from the extractive sector. 		

Subnational contribution (Requirements 4.6, 5.2, 6.1)

Overview of progress in the module

There is significant fiscal devolution of extractive revenues in Mexico, which is a federal republic comprising 31 states and Mexico City (the Federal District). State governments and municipalities have revenue-raising powers and are entitled to a share of the Federal Government's revenues from the extractive industries. There are also legal requirements for companies to undertake social expenditures in the oil and gas sector, although not in mining, although companies in both sectors are required by law to make payments to government related to the environment.

Mexico's EITI reporting has to date explicitly excluded all extractive companies' direct payments to subnational governments (states and municipalities) from the scope of disclosures. The 2018 EITI Report simply states that extractive companies do not make any direct payments to subnational governments. Minutes of MSG and Technical Working Group meetings do not reflect a detailed MSG discussion of the types of revenues levied from extractive companies by subnational governments. The IA clarified the meaning of the 2018 EITI Report's reference to indicate that there are no extractive-specific revenues levied by subnational governments. However, consultations confirmed that state and municipal governments levied other types of taxes and revenues on companies that were not specific to the extractive industries. While some state governments levied taxes on some forms of mining, this was restricted to quarrying for construction materials, which was not an activity undertaken by material companies included in the scope of reporting in Mexico's three EITI Reports to date. One stakeholder explained that information on state governments' revenues were publicly available in aggregate, but not broken down by individual company or sector of activity (e.g., extractive industries). The stakeholder explained that the MSG had decided to exclude direct subnational payments from the scope of

reporting because it was not considered to be “worth the effort” to collect data from such a large number of subnational government entities. Thus, the objective of strengthening public oversight of subnational governments’ management of their internally generated revenues from the extractive industries appears still far from being fulfilled. The Secretariat’s assessment is that Requirement 4.6 is partly met.

There were two mechanisms for subnational transfers of government revenues in oil and gas and one mechanism in mining that were effective in 2018. In oil and gas, the 2018 EITI Report confirms that subnational transfers from the Hydrocarbon Extraction Fund to nine state governments and from the Petroleum Fund to five municipalities adjacent to the coast of areas where crude oil is exported were material. The Ministry of Finance and Public Credit’s website publishes reports on ‘Shares Paid to Federal Entities’ annually, by recipient state and municipal government, which was republished in the 2018 EITI Report. However, there is no evidence that the MSG, or a government entity, has published an assessment of any deviations between executed subnational transfers to each beneficiary and the value of transfers according to the revenue-sharing formula. In mining, the level of disclosures of subnational transfers is weaker than in oil and gas. State and municipal governments are entitled to a share of Federal Government mining revenues. These transfers were managed through the Fund for Sustainable Regional Development of Mining States and Municipalities (*Fondo para el Desarrollo Regional Sustentable de Estados y Municipios Mineros*), established in 2013 to manage transfers to subnational governments in both mining and non-mining areas. While modifications to the Federal Income Law in 2019 reallocated 85% of the fund’s revenues to the Ministry of Education, effectively ending subnational transfers of mining revenues²⁰, these subnational transfers were effective in 2018. Yet the 2018 EITI Report does not disclose the value of these mining subnational transfers. The Mining Fund’s brief reports on subnational transfers to states and municipalities are available on the government’s general [website](#) for the period 2014-2017, but not for 2018. Moreover, there is no evidence that the MSG has reviewed calculations of mining subnational transfers according to the revenue-sharing formula to identify any discrepancies with the value of executed subnational transfers. Stakeholders consulted did not express any views on whether the objective of enabling stakeholders at the local level to assess whether the transfer and management of subnational transfers of extractive revenues are in line with statutory entitlements had yet been fulfilled, despite significant public interest in this information, particularly in mining. The Secretariat’s assessment is that Requirement 5.2 is mostly met.

There is considerable public interest in social and environmental aspects of the extractive industries in Mexico. The MSG committed to undertaking work on disclosures of social and environmental management as a pre-condition for civil society’s engagement in EITI at the start of Mexico’s implementation. The MSG has established a dedicated Technical Working Group on the issue, which has met regularly. While not in mining, there are provisions for mandatory social expenditures in the oil and gas sector, in contradiction to the MSG’s submission for this Validation and EITI Reports published to date. In oil and gas, Article 121 of the Hydrocarbons Law requires applicants to submit a Social Impact Assessment, that must include commitments to social impact mitigation and social management plans, including expenditures. There are no such provisions in the Mining Law. The CNH’s Rondas [website](#) provides access to all contract documents including social impact assessments for contracts awarded through the three main

²⁰https://resourcegovernance.org/sites/default/files/documents/2021_resource_governance_index_mexico_mining.pdf

bid rounds (e.g., Block [CNH-R01-L01/2014](#), under ‘contract areas’). However, the values of social expenditure commitments in the social impact assessments appears to be redacted in the published versions. Stakeholders consulted who had reviewed relevant documents consulted confirmed that, even when mining companies did undertake social impact assessments, they rarely included social expenditure commitments. There is no systematic disclosure of oil and gas companies’ mandatory social expenditures and Mexico’s three EITI Reports published to date did not disclose this data. In addition, the Fund for Federal and Municipal Entities Producing Hydrocarbons, one of the eight special-purpose oil and gas funds operated by the FMP, funds social expenditures for government entities in areas hosting oil and gas activities, but only discloses its aggregate revenue inflows and does not publish reports on its expenditures or beneficiaries. Following extensive advocacy from civil society, the MSG contracted a consultant to prepare a report on social and environmental aspects of the extractive industries covering 2017-2019, which was published in September 2021. This report provides links to disclosed social impact assessments but does not disclose detailed information on companies’ social expenditures. Rather, the MSG’s submission to this Validation only references Pemex’s social expenditure disclosures, categorised as ‘voluntary’. Several civil society stakeholders called for the disclosure of Pemex’s social contributions through the community and environment support programme PACMA (*Programa de Apoyo a la Comunidad y Medio Ambiente*). In its comments on the draft assessment, the MSG noted that PACMA was a contractually mandated form of social expenditures required of some companies parties to production sharing contracts (PSCs) and that the arrangements were between oil and gas companies and their vendors. In mining, while Mexico’s EITI reporting has disclosed links to the sustainability reports of various mining companies and the association CAMIMEX, it has yet to disclose any information on voluntary social expenditures undertaken by mining companies. Many civil society stakeholders consulted expressed considerable frustration at the lack of sufficient EITI disclosures on social expenditures and programmes and lamented the lack of engagement of mining companies, which had only reported through CAMIMEX with gaps and after the deadline. Industry stakeholders consulted considered that companies already disclosed social expenditures through their sustainability reports.

Despite significant civil society interest, the 2017-2019 Social and Environment Report only discloses some extractive companies’ payments to government related to the environment. Neither of the three EITI Reports published to date described the environmental payments to government required of companies. One stakeholder explained that the MSG had not initially considered environmental fees such as EIA processing fees as ‘relevant’, even though industry MSG members had initially favoured their inclusion to demonstrate their economic contribution. The dedicated 2017-2019 report provides seven of 20 solicited companies’ unilateral disclosures of their environmental payments to government, albeit only disaggregated by company, not by revenue stream. Given that mining companies reported after the deadline, their submissions are only included in annex without being consolidated or analysed, with information from nine of 31 solicited companies that did not include information on environmental payments. Given the lack of clear materiality threshold for selecting revenue streams (see *Requirement 4.1*), all environmental payments to government can be considered material. The 2017-2019 report does provide information on other aspects of environmental management and monitoring (see *Requirement 6.4*), albeit not of extractive companies’ environmental expenditures such as contributions to environmental rehabilitation funds. An industry representative explained that

there were several types of environmental payments to government (e.g., related to water use and wastewater management) in the mining sector, as well as requirements to contribute to environmental rehabilitation funds. While industry stakeholders consulted considered that the 2017-2019 report had been an achievement in transparency in environmental aspects of extractives, all civil society stakeholders consulted expressed significant frustration at the weaknesses in EITI reporting on these issues of stated priority for the constituency. Several CSOs consulted considered that the slow pace of progress was grounds for the constituency withdrawing from EITI implementation. The Secretariat's assessment is that the objective of enabling public understanding of extractive companies' social and environmental contributions and providing a basis for assessing extractive companies' compliance with their legal and contractual obligations to undertake social and environmental expenditures is still far from being fulfilled. Thus, the assessment is that Requirement 6.1 is partly met.

Progress by requirement and corrective actions

The detailed assessment of progress in addressing each EITI Requirement or corrective action is available from the data collection templates referenced in the annex to this report.

EITI Requirement	Summary of progress in addressing the EITI Requirement	Assessment
Subnational payments (Requirement #4.6)	The Secretariat's assessment is that Mexico has partly met Requirement 4.6. While the 2018 EITI Report states categorically that extractive companies do not make any direct payments to subnational governments in Mexico, the basis for the MSG's assessment remains unclear based on publicly available documents. It remains unclear whether mining, oil and gas companies were required to make any payments to subnational governments (e.g., state governments) in 2018.	Partly met
Subnational transfers (Requirement #5.2)	The Secretariat's assessment is that Mexico has mostly met Requirement 5.2. Mexico EITI has demonstrated that subnational transfers of extractive revenues operate in the oil and gas sector but has not described statutory subnational revenue sharing mechanisms in the mining sector despite evidence that the Fund for Sustainable Regional Development of States and Municipalities (Mining Fund) was operational in 2018. The 2018 EITI Report and public documents provide the general revenue-sharing formulas for the two types of subnational transfers in oil and gas (from the Hydrocarbon Extraction Fund and from the Mexican Petroleum Fund), albeit without the formula's variables that would allow for calculations of notional subnational transfers. While the value of subnational transfers of oil and gas revenues in 2018 are provided by individual subnational government beneficiary, there is no evidence that the MSG has assessed discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity. There is no information in the 2018 EITI Report on the value of subnational transfers of mining revenues in 2018.	Mostly met
Social and environmental	The Secretariat's assessment is that Mexico has partly met Requirement 6.1. With regards to social expenditures, although the 2018 EITI Report and MSG submission for Validation reflect the MSG's view that there are no social	Partly met

<p>expenditures (Requirement #6.1)</p>	<p>expenditures mandated by law or by contract from oil and gas companies, the Hydrocarbons Law includes provisions requiring oil and gas rights-holders to complete a Social Impact Assessment and commit to a Social Management Plan inclusive of social expenditures. There is no evidence that such mandatory social expenditures by oil and gas companies are publicly disclosed, either in the 2018 EITI Report, the Mexico EITI's 2017-2019 Social and Environmental Report or in other public documents. As explained in more detail in the MSG's Transparency template, for those Social Impact Assessments that do outline expenditures, these values are redacted. Mexico EITI references Pemex's systematic disclosures of social expenditures it categorises as 'voluntary' in its annual Sustainability Report, although these are not disaggregated to levels in accordance with Requirement 6.1.a. The Fund for Federal and Municipal Entities Producing Hydrocarbons (pp. 161-162) is assigned revenues meant to be used for social improvement. While overall collected revenues are recorded in the MX-EITI 2018 Report, it is not clear which companies contributed to these funds. Likewise, there are no disaggregated expenditures recorded indicating how revenues located in this fund were used in practice. There do not appear to be any mandatory social expenditures in the mining sector and the MSG does not appear to have worked on disclosures of voluntary social expenditures by mining companies to date. The MX-EITI 2018 Report describes the Fund for Regional Sustainable Development for Mining States and Municipalities (pp. 159-161) and lists total values of revenues collected in the fund. However, as the Social and Environmental Report confirms, it is not possible to trace where these revenues were derived from nor is it possible to trace expenditure of these revenues in disaggregated form.</p> <p>With regards to environmental payments to government, while there is no information on this type of payment in the 2018 EITI Report, Mexico EITI's 2017-2019 Social and Environmental Report provide some information on extractive companies' environmental payments to government, although the comprehensiveness of such disclosures is in doubt. While the MSG's additional report provides disclosures of seven out of 20 oil and gas companies' environmental payments to government, it provides references to reports on environmental payments of only a minority of mining companies (nine of 31) that are members of CAMIMEX given delays in the association members' reporting. There is no evidence of outreach to extractive companies that are not members of either AMEXHI or CAMIMEX. While the MSG has undertaken significant efforts in scoping environmental payments by extractive companies, most stakeholders consulted did not consider the disclosures of these environmental payments to be close to comprehensive to date.</p>	
New corrective actions and recommendations		
<ul style="list-style-type: none"> • In accordance with Requirement 4.6, Mexico should ensure that company payments to subnational government entities and the receipt of these payments are disclosed, where such payments are considered material. • In accordance with Requirement 5.2, Mexico should ensure public disclosure of all subnational transfers of extractive revenues, including all extractive revenues regardless of the materiality of companies from which the revenues are collected. These disclosures should include the transfer amount calculated in accordance with the relevant revenue-sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity entitled to receive subnational transfers of extractive revenues in the year(s) under review. 		

- In accordance with Requirement 6.1, Mexico should ensure public disclosures of all social expenditures by extractive companies mandated by law, regulation or contract, where such payments are material. Mexico should ensure public disclosures of all payments by extractive companies to the government related to the environment mandated by law, regulation or contract, where such payments are material. To strengthen implementation in light of significant public interest, Mexico is encouraged to consider ensuring public disclosure of discretionary social and environmental expenditures and transfers by extractive companies, where material.

Background

Overview of the extractive industries

An overview of the extractive industries is accessible on the [country page](#) of the EITI website for Mexico.

History of EITI implementation

The history of implementation is accessible on the [country page](#) of the EITI website for Mexico.

Explanation of the Validation process

An overview of the Validation process is available on the EITI website.²¹ The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, while the more detailed [Validation procedure](#) include a standardised procedure for undertaking Validation by the EITI International Secretariat.

The International Secretariat's country implementation support team include Esteban Manteca and Francisco Paris, while the Validation team was comprised of Alex Gordy, Riley Zecca and Christopher Wilson.

Confidentiality

The detailed data collection and assessment templates are publicly accessible, on the Mexico EITI website ([‘Stakeholder engagement’](#), [‘Transparency’](#), [‘Outcomes & impact’](#)).

The practice in attribution of stakeholder comments in EITI Validation reports is by constituency, without naming the stakeholder or its organisation. Where requested, the confidentiality of stakeholders' identities is respected, and comments are not attributed by constituency.

Timeline of Validation

The Validation of Mexico commenced on 1 October 2021. A public call for stakeholder views was issued on 1 September 2021. Stakeholder consultations were held virtually on 25 October – 5 November 2021. The draft Validation report was finalised on 3 January 2022. Following

²¹ See <https://eiti.org/validation>

comments from the MSG on 24 February 2022, the Validation report was finalised for consideration by the EITI Board.

Resources

- Validation data collection file – [Stakeholder engagement](#)
- Validation data collection file – [Transparency](#)
- Validation data collection file – [Outcomes and impact](#)

Annex A: Assessment of Requirement 1.3 on civil society engagement

Summary

This assessment has identified breaches to the civil society protocol and significant limitations on civic space in Mexico generally, but did not identify a clear and direct link between those breaches and the engagement of civil society representatives in EITI processes, or other factors that limit the engagement of civil society representatives to engage in EITI processes. The overwhelming majority of civil society stakeholders consulted nevertheless believe that these breaches have an indirect impact on their engagement in EITI. This, coupled with the gravity of civic space constraints in Mexico generally, result in a assessment of Requirement 1.3 as mostly met.

There are several significant limitations on civic space and the activities of civil society in Mexico. These include widespread violence, murder and intimidation of activities and human rights defenders, government surveillance of civil society actors, and public stigmatization of civil society by high-ranking public officials. International advocacy organizations have labelled Mexico one of the most dangerous countries in the world for journalists, and described widespread media self-censorship created through a climate of violence and intimidation. These constitute breaches to the Civil Society Protocol.

The seriousness of these breaches to the Civil Society Protocol is assessed by considering the link between those breaches and the engagement of civil society representatives in EITI processes, as defined in the methodology section. This is considered in relation to issues of expression, operation, association, engagement, and access to decision-making:

In regard to **expression**, this assessment found no evidence that the general climate of violence and stigmatization had a chilling effect on EITI stakeholders, which inhibited them from participating in EITI processes. Though some stakeholders describe discomfort in dealing with government counterparts in the MSG, there is in fact ample evidence that civil society actively criticizes EITI processes and issues related to extractive governance, and values the MSG as a forum in which to do so.

In regard to **operation**, there are a number of legislative and administrative issues that inhibit civil society operations generally, including regulatory hurdles for CSOs to access funding and preserve their tax-exempt status. None of these appear to directly affect civil society representatives engaged in EITI processes. Though some civil society organizations engaged in EITI had been subjected to government surveillance, these factors did not inhibit their ability to engage in EITI processes.

In regard to **association**, consultations have highlighted restrictions and interference with protests conducted by regional activist and civil society organizations not engaged in EITI processes. Consultations have also highlighted how limited financial resources inhibit civil society representatives engaged with the EITI from engaging with other regional

activist and civil society organizations. There is no evidence, however, that this is the result of an active restriction on the part of government or other actors.

In regard to **engagement**, despite concern regarding access to financial resources and revolving doors between government and industry constituencies on the MSG, evidence suggests that civil society has been able to actively participate in EITI processes and to influence EITI's activities and agenda in Mexico.

In regard to **access to public decision-making**, this assessment identified several shortcomings to public participation in resource governance and decision-making, but that civil society is nevertheless able to use the EITI process to promote public debate and to engage in activities and debates about natural resource governance.

Details regarding each of these assessments are presented below, following a brief description of the assessment methodology.

Methodology

Due to concerns expressed by stakeholders related to the enabling environment for civil society engagement in the EITI, the International Secretariat's Validation team has conducted a detailed assessment of Mexico's adherence to the EITI Protocol: Participation of civil society.²²

The assessment follows the Validation Guide, which defines guiding questions and related evidence that should be considered in cases where there are concerns about potential breaches of the civil society protocol.²³ For contextual purposes, the Validation provides an overview of the broader enabling environment for civil society participation in country's extractive sector. The assessment seeks to establish whether legal or practical restrictions related to the broader enabling environment have in practice restricted civil society engagement in the EITI in the period under review. It focuses on the areas where there are concerns regarding adherence with the civil society protocol.

A call for stakeholder views on progress in EITI implementation was launched on 1 September 2021, in accordance with the Validation procedure. Civil society responses to that call included reference to a survey conducted by the civil society constituency, though this Validation did not find information regarding who responded to the survey, or if the survey was conducted according to any structured methodology. This assessment draws on information provided in responses to the call for views, information in the Stakeholder Engagement template, and stakeholder consultations.

This assessment aims to establish whether the serious limitations to civic space described above constitute breaches or serious breaches to the Civil Society Protocol, insofar as they limit civil society's ability to engage in EITI processes. To do so, this assessment adheres to the following **definitions** provided by the Civil Society Protocol: **Civil society representatives** are understood to include civil society representatives who are substantively involved in the EITI process, including

²² <https://eiti.org/document/eiti-protocol-participation-of-civil-society>.

²³ <https://eiti.org/document/2021-eiti-validation-guide>.

but not limited to members of the multi-stakeholder group. **EITI process** are understood to include activities related to preparing for EITI sign-up; MSG meetings; CSO constituency side-meetings on EITI, including interactions with MSG representatives; producing EITI Reports; producing materials or conducting analysis on EITI Reports; expressing views related to EITI activities; and expressing views related to natural resource governance.

Overview of broader environment for civil society engagement

In general, civil society in Mexico is robust and diverse. There were an estimated 60,000 registered civil society organisations (CSOs) in Mexico in 2019, of which around 43,000 were non-governmental organisations, excluding trade unions, religious and political organisations.²⁴ There are also a large number of social movements that are not registered as CSOs, including movements focused on land rights and the environment. A group of 23 CSOs form the constituency, a 'broad group' (*grupo amplio* – GA) of Civil Society for the Transparency of Extractive Industries in Mexico ([Transparencia Extractivas](#)), of which six represent it on the MSG as the Group of Representatives and Alternates (GRS). All organisations are represented in Mexico City, with networks of partners around the country.

The legal framework, including the constitution, guarantees freedom of expression, assembly and operation.²⁵ However, the period under review in this Validation (October 2017 to October 2021) has seen a marked decline in civic space in Mexico. This is captured by stakeholders' comments, the civil society survey ahead of Validation and indicators such as reports from Freedom House²⁶, Civicus²⁷, Human Rights Watch²⁸, Amnesty International²⁹, the UN High Commissioner for Human Rights³⁰ and the US Department of State.³¹ Freedom of media, of expression and of operation appear to have been curbed in recent years by both regulatory obstacles to funding, allegations of unlawful government monitoring and credible threats of violence.

Murders and forced disappearances³², coupled with slow government action to investigate complaints and allegations of government monitoring of CSOs' communications, appear to have created an environment of fear among actors critical of the government and extractive operations. Violence and murder of human rights defenders are not a new phenomenon in Mexico, including extrajudicial killings by military and police.³³ This has been acknowledged by some government officials³⁴, and the practice appears to have become more common in recent years. The number of recorded murders of environmental rights defenders has accelerated in the past two decades, with the number rising from 5.3 a year in the 2006-2012 period to 10.5 in

²⁴ According to the federal CSO register (*Registro Federal de las Organizaciones de la Sociedad Civil – RFOSC*): <https://www.fhi360.org/sites/default/files/media/documents/csosi-mexico-2019-report.pdf>

²⁵ <https://www.icnl.org/resources/civic-freedom-monitor/mexico>

²⁶ <https://freedomhouse.org/country/mexico/freedom-world/2021>

²⁷ <https://monitor.civicus.org/country/mexico/>

²⁸ <https://www.hrw.org/americas/mexico>

²⁹ <https://www.amnesty.org/en/location/americas/north-america/mexico/report-mexico/>

³⁰ <https://www.ohchr.org/EN/Countries/LACRegion/Pages/MXIndex.aspx>

³¹ <https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/mexico/>

³² <https://www.civicus.org/images/AgainstAllOdds%20-%20PWYPCivicus%20reportoncivicspace%281%29.pdf>

³³ <https://www.hrw.org/world-report/2021/country-chapters/mexico>

³⁴ See for instance <https://twitter.com/eipdh/status/1453028490475880451?s=21>

2012-2018 and 9 in 2018-2020.³⁵ According to Global Witness, in 2020 Mexico was the second deadliest country for environmental and land defenders, who were in many cases working on mining issues.³⁶ The Mexican Center for Environmental Law (CEMDA) has published reports covering 2014-2021 on violence against environmental rights defenders who oppose extractive projects, highlighting the context of social polarization and criminalization around the extractive industries.³⁷ Data from the federal statistics agency indicates that around 94% of crimes are either unreported or un-investigated³⁸, which led to the UN Human Rights Council expressing concern over impunity in extra-judicial killings in November 2019.³⁹ The government's expansion of the role of the armed forces to law and customs enforcement, to run social programs, and to build and operate megaprojects has caused concern of civil society, given allegations of their criminal involvement in some cases.⁴⁰ Stakeholder consultations focused particularly on the case of Amilcingo activist and journalist Samir Flores who was murdered in February 2019 allegedly for his opposition to the construction of a gas pipeline and gas power plant, the Proyecto Integral Morelos (PIM).

There are credible allegations of unlawful government monitoring of CSOs and the media. Press reports of government surveillance of activists opposing infrastructure and energy projects, using Israeli company NSO's software⁴¹, led to civil society withdrawing from the Open Government Partnership's tripartite secretariat in 2017 for two years⁴², with complaints to the Attorney General not resulting in a judicial process with credible results.⁴³ The surveillance in 2017 had concerned some civil society stakeholders on the MSG. Recent leaks of surveillance data appear to indicate that the practice continues⁴⁴, although individuals aligned with President Lopez Obrador appear to have been targeted as well.⁴⁵

High-level government officials have publicly criticised human rights defenders and opponents to infrastructure projects such as the Mayan Train and energy projects such as the Dos Bocas Refinery and the gas-to-power Proyecto Integral Morelos (PIM).⁴⁶ Since 2019, President Lopez Obrador has accused various environmental group, media organisations and civil society groups of being politically motivated fronts for conservative groups funded by foreign companies⁴⁷, including one CSO, the Mexican Center for Environmental Law (CEMDA), that was a member of the civil society constituency engaging in EITI until 2020.

In September 2020, a group of 650 journalists and academics sent an open letter to President Andres Manuel Lopez Obrador accusing him of actions harmful to freedom of expression,

³⁵https://mia.semarnat.gob.mx:8443/dialogosAmbientales/documentos/DialogosAmbientales_Anio1_no1.pdf

³⁶ The 30 lethal attacks recorded that year marked a 67% increase on 2019, with half of these targeting indigenous communities: <https://www.globalwitness.org/en/campaigns/environmental-activists/last-line-defence/>

³⁷ <https://www.cemda.org.mx/publicaciones-y-estudios-del-cemda/>

³⁸ <https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/mexico/>

³⁹ <https://www.hrw.org/world-report/2021/country-chapters/mexico>

⁴⁰ <https://www.hrw.org/world-report/2021/country-chapters/mexico>

⁴¹ <https://www.reuters.com/article/mexico-tech-surveillance-idUSL8N2PD6BQ>

⁴² <https://articulo19.org/que-debido-a-la-vigilancia-la-sociedad-civil-deja-el-tripartito-que-crea-el-organismo-encargado-de-regular-el-gobierno-en-mexico/>, <https://www.economista.com.mx/opinion/Alo-presidente-Pena-20170625-0001.html> and https://www.opengovpartnership.org/wp-content/uploads/2001/01/ONRWG_OGP-Mexico-Two-Steps-Forward.pdf

⁴³ <https://www.opengovpartnership.org/stories/faces-of-open-government-juan-manuel-casanueva/>

⁴⁴ <https://www.occrp.org/en/the-pegasus-project/israeli-made-spyware-used-to-monitor-journalists-and-activists-worldwide>

⁴⁵ <https://www.theguardian.com/news/2021/jul/19/fifty-people-close-mexico-president-amlo-among-potential-targets-nso-clients>

⁴⁶ <https://www.efinanciero.com.mx/nacional/fundaciones-kellogg-y-rockefeller-senaladas-por-el-gobierno-de-financiar-a-opositores-al-tren-maya/>

⁴⁷ <https://www.forbes.com/sites/nathanielparishflannery/2021/04/19/is-president-lopez-obrador-destroying-mexico/?sh=6956a2a650ab>

including public statements undermining the media, permitting an environment conducive to censorship, administrative sanctions and misuse of the law to intimidate the press.⁴⁸ The majority of civil society stakeholders consulted considered that these pronouncements by senior government officials were perceived as intimidating.

In recent years, Mexico has introduced a series of legal and regulatory reforms that affect the environment for civil society participation. The 2017 Interior Security Law expanded the military's role in responding to civilian protests, investigating crimes, and gathering intelligence.⁴⁹ In October 2020, the government de-funded the Protection Mechanism for Human Rights Defenders and Journalists, a mechanism created in 2012 to protect activists. Finally, civil society actors note that they have been targeted by a series of tax reforms and enforcement that through audits, financial oversight, and a public stigmatisation of foreign funding by the highest levels of government.

The constraints on civic space appear to have increased in the 2017-2021 period. Mexico has remained one of the deadliest country countries for journalists in this period according to the Committee to Project Journalists.⁵⁰ The Freedom in the World report found that self-censorship by media organisations had increased in 2020, particularly with regards to stories on organised crime and government corruption.⁵¹ Civil society stakeholders argue that violence, including extra-judicial killings, by state and non-state actors has had a chilling effect on human rights defenders and activists.⁵²

Several stakeholders consulted from all constituencies noted that the two-year delay between the government's formal commitment to EITI in 2015 and Mexico's EITI candidature application in 2017 were linked to extensive discussions between civil society about their engagement in EITI, given civil society concerns about the country's human rights situation and concerns over the nature of the government's commitment. Civil society's written input to this Validation argues that the constituency considers that it enjoys basic freedoms to fulfil its role within the current scope of Mexico's EITI implementation, but that this has tended to focus on participation of civil society based in Mexico City only rather than in extractive regions. The constituency's submission also highlights the broader environment of violence and allegations of state surveillance that the constituency argues affects its freedoms in relation to the EITI. Stakeholder consultations highlighted that civil society based in the capital, which tended to engage on EITI were not the ones facing attacks, but their partners at the grassroots did.

Expression

Freedom of expression is guaranteed in the Mexican constitution (Articles 6 and 7). According to the US State Department's 2020 report on human rights, the government generally upholds these guarantees.⁵³ However, there are serious concerns about how these guarantees are upheld in practice, particularly at the subnational level.⁵⁴ According to Freedom House, the

⁴⁸ <https://www.amnesty.org/en/location/americas/north-america/mexico/report-mexico/>

⁴⁹ <https://www.globalwitness.org/en/blog/escazu-environmentaldefenders-cemda/>

⁵⁰ <https://cpj.org/americas/mexico/>

⁵¹ <https://freedomhouse.org/country/mexico/freedom-world/2021>

⁵² See reports above on Freedom in the World, Amnesty International, Global Witness.

⁵³ <https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/mexico/>

⁵⁴ <https://monitor.civicus.org/country/mexico/>

country's freedom of the press is considered 'not free' while overall freedom is deemed 'partly free', with restrictions on political and civic expression in some regions and deadly confrontations with protesters.⁵⁵

While these concerns are significant, the situation regarding the civic space for civil society organizations involved in the EITI has been more favourable. Civil society's written submission for this Validation emphasised that the constituency had relative freedom to express views amongst the constituency as well as in MSG and working group meetings. There is evidence of civil society public expression critical of the government on natural resource governance and EITI more specifically, including reports on the adverse environmental impacts of mining projects⁵⁶, Transparencia Mexicana's report on corruption risks in mining licensing⁵⁷ and the constituency's report on extending EITI coverage to the environmental aspects of the extractive industries.⁵⁸

However, civil society's input to this Validation argues that broader civic space has been shrinking, with resulting constraints on the space for civil society to engage in EITI. In particular, civil society highlights that the highest levels of government have publicly stigmatized human rights defenders and environmental activists.⁵⁹ Civil society submissions for this Validation reference a survey in which 85.7% of respondents considered that the environment in Mexico was not conducive to freedom of expression, though the Validation found no information about who responded to this survey, the degree to which this is representative, or whether the survey adhered to any methodological standards. Civil society on the MSG have raised concerns about allegedly threatening comments from the mining industry in the press⁶⁰ on several occasions. Civil society's submission ahead of Validation indicates that some CSOs engaged in EITI have been publicly discredited for their human rights work, their expression of opposition to some of the administration's mega-projects and with regards to the origin of their funding, including from the Office of the President and the Ministry of Communications and Transportation. The input to this Validation highlighted that the departure from the broad group of civil society of representatives from CEMDA in 2021 coincided with these verbal attacks, although it acknowledges that these were not cited as reasons for the representatives' departures. Civil society engaged in the EITI have called on the government to carry out an independent investigation into allegations of state surveillance and to sanction this type of activity.⁶¹

Stakeholder consultations and available documentation appear to indicate that there are no topics within the EITI Standard on which civil society are restricted from expressing their views. However, in an environment where the highest levels of government have stigmatised CSOs opposing extractive projects and allegedly engaged in unlawful surveillance, some civil society activists substantially engaged in the EITI have felt intimidated by threats from elected officials targeting other organisations operating at the grassroots level. The UN OHCHR's third universal periodic review of Mexico in 2019 confirmed the insufficient government protection and

⁵⁵ <https://freedomhouse.org/country/mexico/freedom-world/2021>

⁵⁶ <https://poderlatam.org/project/campana-rio-sonora/> and <https://poderlatam.org/project/ixtaca/>

⁵⁷ <https://www.tm.org.mx/riesgosconcesionesmineras/>

⁵⁸ <https://fundar.org.mx/informe-sombra-eiti-mexico-avances-y-desafios-en-la-transparencia-socioambiental/>

⁵⁹ <https://www.amnesty.org/en/location/americas/north-america/mexico/report-mexico/> and

<https://freedomhouse.org/country/mexico/freedom-world/2021>

⁶⁰ Civil society has for instance criticized the content of this article: <https://www.bnamericas.com/es/noticias/mineras-mexicanas-analizan-retrasos-en-permisos-y-hostilidad-de-ong>

⁶¹ <https://www.tm.org.mx/wp-content/uploads/2017/07/Comunicado-Organizaciones-Sociedad-Civil-EITI-M%C3%A9xico-espionaje.pdf>

investigation of threats to environmental activists opposing extractive projects.⁶² Yet the minutes of the MSG's second meeting in July 2017 record views from Benjamin Cokélet, head of the CSO PODER, that the EITI provided an open space for free debate on the extractive industries.⁶³ Civil society and media representatives consulted confirmed that there were sensitive topics related to the extractive sector, such as the linkages between organised crime and the extractive industries that did not tend to be discussed at MSG meetings. While most stakeholders consulted did not consider that CSOs engaged in EITI implementation exercised self-censorship, some CSOs consulted noted that they sometimes refrained from raising certain topics at MSG meetings, even if such issues ended up being brought up nonetheless. Several CSOs noted that it was uncomfortable to work with government and industry counterparts when they considered that they bore responsibility for attacks on CSOs at the subnational level. None of the stakeholders from other constituencies consulted considered that civil society practiced self-censorship in their engagement in EITI, although many conceded that civil society was disappointed about the slow rate of progress in areas of priority for the constituency, such as socio-environmental impacts, beneficial ownership and gender.

Validation was not able to identify cases where a journalist or a media organisation faced reprisals following coverage of a topic related to the EITI Standard. Consultations, including with CSOs whose members had been victims of violence and killings, documented acts of intimidation by government officials and reprisals for expression by unidentified actors, although none of the reported cases involved CSOs engaged in EITI implementation. However, the Secretariat recognises that the chilling effect of the killings of journalists and environmental defenders combined with concerns over unlawful state surveillance is difficult to measure. It is also challenging to establish whether reprisals are feared from the part of government or non-governmental actors such as companies or organised crime syndicates.

Operation

There do not appear to be any obstacles that would limit the establishment of CSOs participating in the EITI with regards to relevant laws, regulations, and administrative rules⁶⁴, although several reforms in the 2019-2021 period have created regulatory challenges for their continued operation. NGOs are regulated by the Federal Law for the Promotion of Activities Undertaken by Civil Society Organizations.⁶⁵ NGOs are required to register in the federal registry of organizations (RFOSC) to qualify for federal funding, although this is a simple process.⁶⁶ The 2004 Law does not restrain the type of areas and activities covered by the organization other than any that violates the Constitution. The majority of CSOs incorporate as civil associations (*asociación civil*), a straightforward process according to international NGOs⁶⁷, and none of the CSOs engaged in EITI implementation appear to have faced challenges with their registration. Civil society's submissions for this Validation have not highlighted any government-imposed constraints on

⁶² <https://www.ohchr.org/EN/HRBodies/UPR/Pages/MXindex.aspx>

⁶³ <https://www.dropbox.com/sh/9rapsiuwk2ls5r1/AACaRQSMeaYLaPwYo6ZEaWKKa?dl=0&preview=3.1.-+Acta+de+la+Segunda+Reuni%C3%B3n+del+GMN.pdf>

⁶⁴ See for instance the NGO 'Convergence of Civil Organizations' manual on rules related to civil society organizations: <http://indesol.gob.mx/cedoc/pdf/1.%20SOCIEDAD%20CIVIL/MARCO%20LEGAL%20DE%20OSC's/Manual%20del%20Marco%20Normativo%20para%20las%20organizaciones%20de%20la%20Sociedad%20Civil%20Conociendo%20nuestros%20derechos%20y%20obligaciones.pdf>

⁶⁵ <https://www.cof.org/content/nonprofit-law-mexico>

⁶⁶ <https://www.fhi360.org/sites/default/files/media/documents/csosi-mexico-2019-report.pdf>

⁶⁷ <https://www.fhi360.org/sites/default/files/media/documents/csosi-mexico-2019-report.pdf>

their ability to register and operate in relation to EITI. A majority (71%) of CSOs polled as part of civil society’s submission to this Validation considered that they had freedom of operation in relation to all aspects of EITI implementation.

There are no statutory restrictions on sources of funding, both internal and foreign. However, civil society input to this Validation highlighted funding constraints that hinder the EITI-related CSOs to meaningfully engage organisations at the grassroots level. A number of regulatory reforms impacting civil society’s funding and high-level government officials’ public statements stigmatising foreign funding appear to have contributed to CSOs’ funding challenges. The amendments to the Income Tax and Value Added Tax (VAT) Acts as well as new regulations issued by the Tax Authority (SAT) in 2019 and 2020 restricted tax-exempt status from organisations that receive more than half of their income from activities not related to their stated objectives, as well as for organisations with directors that also hold a position in another organisation whose authorisation was withdrawn.⁶⁸ This led to a jump in the number of CSOs losing their tax exempt status, from around a dozen in the 2014-2017 period to 116 in 2019.⁶⁹ Meanwhile, President López Obrador has ceased all Federal Government funding for CSOs since 2019, an adverse development highlighted by many stakeholders consulted. Several civil society reports have also highlighted the growing recourse to extensive audits based on broad interpretations of fiscal rules that have resulted in fines and sanctions considered disproportionate to the financial strength of the organisations involved.⁷⁰ There is no evidence of any CSOs engaged in EITI having undergone a tax audit in the 2017-2021 period, although several CSOs consulted expressed concern over the potential impact of such prolonged audits on smaller organisations engaged in EITI in future. Consultations confirmed that larger anti-corruption organisations such as Mexicanos Contra la Corrupción y la Impunidad had faced tax audits in 2020 but noted that these organisations were not engaged in EITI.

Civil society consulted highlighted growing public hostility to foreign funding of CSOs by government that they considered stigmatised the funding of CSOs, including those engaged in EITI implementation. President López Obrador has publicly criticised CSOs focused on anti-corruption for receiving money from international donors⁷¹ and sent a diplomatic note to the United States complaining about the US Embassy’s funding of NGOs such as ‘Mexicans against Corruption and Impunity (MCCI)’, an organisation branded as “coup leader” and “oppositionist”.⁷² Civil society representatives consulted confirmed that the President had not singled out funding of CSOs working on EITI, but noted some industry MSG members’ calls for public disclosure of EITI-related CSOs’ funding sources in 2021 as a means of delegitimising their activities. Several MSG members also recalled acrimonious debates on the MSG over CSOs’ concerns over funding constraints in 2019, when senior government officials were reported to have made statements critical of CSOs. Calls for disclosure of CSOs’ funding sources were interpreted as being motivated by a desire to intimidate CSOs engaged in EITI according to civil society MSG members consulted. Many civil society stakeholders considered that the cumulative effect of public stigmatization of foreign funding amidst a context of violence and extra-judicial killings had

⁶⁸ <https://www.economista.com.mx/politica/Organizaciones-de-la-sociedad-civil-y-Gobierno-una-relacion-disfuncional-20201108-0001.html>

⁶⁹ <https://www.fhi360.org/sites/default/files/media/documents/csosi-mexico-2019-report.pdf>

⁷⁰ <https://www.fhi360.org/sites/default/files/media/documents/csosi-mexico-2019-report.pdf>

⁷¹ <https://www.elfinanciero.com.mx/nacional/2021/08/15/amlo-critica-a-asociaciones-civiles-que-reciben-dinero-de-eu/> and <https://polemon.mx/estas-son-las-ongs-anti-tren-maya-financiadas-desde-el-extranjero/>

⁷² <https://www.elfinanciero.com.mx/nacional/2021/08/15/amlo-critica-a-asociaciones-civiles-que-reciben-dinero-de-eu/>

impacted CSOs, although stakeholders from other constituencies did not consider that these pronouncements had impacted civil society's ability to operate in relation to the EITI.

There is no evidence that CSOs substantially engaged in the EITI have faced challenges in access to foreign funding to date, which was confirmed in stakeholder consultations. Several CSOs involved in EITI such as Fundar and Transparencia Mexicana receive funds from foreign donors. While one CSO consulted alleged that the government had lobbied companies to cease funding for the Fundar, an organisation engaged in EITI, in 2019, these alleged attempts to constrain the NGO's funding were unsuccessful according to consultations. However, the end of funding for CSOs engaged in EITI from the Germany-Mexico Common Fund in 2020 has meant that financial resources available for civil society's engagement in EITI have declined in the past two years. This has created challenges to engage CSOs at the subnational level in EITI implementation, with a small majority (57%) of CSOs polled ahead of Validation considering that the participation of subnational CSOs in EITI was not feasible given resource constraints. Many stakeholders consulted from various constituencies expressed concern over the future prospects for adequate funding of CSOs engaged in EITI.

The majority of CSOs consulted expressed concern over the potential for surveillance of their communications, although they noted challenges in proving such surveillance. Several MSG members highlighted that the 2017 surveillance of CSOs engaged in OGP implied that it was likely that CSOs engaged in EITI were also affected by such practices, as highlighted in a PODER press release in 2017.⁷³ The overlap of CSOs engaged in both OGP and EITI was also noted, with evidence suggesting that members of organisations such as Transparencia Mexicana had faced surveillance. Members of the MSG from other constituencies acknowledged the surveillance scandal but did not consider that CSOs engaged in EITI had been affected by such practices, which was considered to have targeted both civil society activists as well as the political opposition to the then President of Mexico. The Secretariat acknowledges the challenges of proving state surveillance in the absence of legal proceedings, although it appears reasonable for CSOs engaged in the EITI to have concerns about the integrity of their communications in a context of high-level government statements critical of civil society.

Association

Constitutional guarantees of freedom of assembly and association are largely upheld and protests are frequent according to international NGOs.⁷⁴ Yet organisations like Civicus highlight practical constraints in practice related to freedom of assembly in recent years, under the 2017 Interior Security Law through the use of excessive force against protesters, state surveillance and suspension of phone services in regions where protests take place.⁷⁵ Several grassroots organisations consulted, which were not engaged in EITI, highlighted instances of disruption of their protests at the site of planned mines and mega-projects, including through intimidation by local government officials, as well as verbal harassment of activists at public hearings. However, civil society representatives consulted did not highlight any instance in the 2017-2021 period

⁷³ <https://poderlatam.org/2017/07/organizaciones-de-la-sociedad-civil-por-la-transparencia-de-las-industrias-extractivas-senalan-su-preocupacion-por-contexto-de-espionaje-y-violacion-a-derechos-humanos-en-mexico/>

⁷⁴ <https://freedomhouse.org/country/mexico/freedom-world/2021>

⁷⁵ <https://monitor.civicus.org/country/mexico/>

where civil society's EITI outreach and dissemination events were disrupted by government actors.

Civil society representatives in the MSG are not restricted from engaging with other CSOs that are not part of the MSG, including seeking their input for MSG discussions and in outreach and dissemination of EITI findings. Civil society's input to this Validation states that CSOs are generally able to freely associate in relation to their EITI engagement. The 20-member GA facilitates communication among civil society on EITI-related matters and meets regularly to discuss EITI objectives, contributions to the work plan and approval of EITI documents. The CSOs involved in the EITI covered a wide range of organizations, including several umbrella organizations engaged in the process.

However, civil society has highlighted the impact of funding and logistical constraints on their ability to meaningfully engage CSOs at the grassroots level in EITI implementation. Highlighting that the majority of CSOs engaged in EITI are based in Mexico City, they noted that the constituency's objective of a broad-based civil society participation in the EITI was still far from being achieved. Thus, civil society's attempts to hold subnational assemblies on the EITI and establish coordination systems with subnational CSOs were constrained by the end of the Germany-Mexico Common Fund's support for the constituency in 2019. Efforts to engage subnational CSOs such as Friends of the San Rodrigo de Piedras Negras River, Coahuila, or the Santo Tomás Ecological Association in the state of Tabasco in the MSG's work faced technical constraints, with new online MSG participation channels developed during the Covid-19 pandemic posing connectivity challenges for subnational participants. Many stakeholders consulted from all constituencies hailed the GA's outreach attempts to grassroots organisations as a key strength of the early stages of Mexico's EITI implementation, but most noted that this outreach had not successfully moved from awareness raising to extending EITI engagement to subnational CSOs due to funding constraints. Some CSOs consulted considered that it was possible that grassroots organisations had not wished to participate in the EITI due to concerns over drawing attention to their activities, although no specific instances were cited to support this allegation. Most CSOs consulted emphasised the need to attract new CSOs to the EITI, such as women's organisations, environmental groups and social movements. Yet some CSOs consulted considered that the GA leaders sought excessive control over the constituency's membership, for instance by requiring that none of the directors of member organisations have any link to the extractive industries, which served to limit the constituency's scope.

There is evidence of extensive outreach efforts by the civil society constituency as evidenced on the [Transparencia Extractivas](#) website, albeit primarily in the 2017-2019 period. Stakeholders explained that there had been a slow-down in outreach from 2020 onwards due to funding constraints and the impact of the Covid-19 pandemic. However, many stakeholders consulted outside the GA noted that they had not been contacted about the EITI prior to the Validation consultations, although they had regular informal contact with CSOs such as Fundar and PODER that were engaged in EITI implementation.

Engagement

Civil society actively participates in MSG meetings, technical working groups and EITI outreach. Members of the GA, including Fundar, Poder and Transparencia Mexicana, use EITI data for

analysis and advocacy, while organising their own EITI-related outreach and dissemination activities. MSG meeting minutes demonstrate that civil society is able to express its views freely at MSG meetings. While civil society's submission to this Validation criticised the slow progress in achieving some of the constituency's objectives for EITI implementation, including transparency in socio-environmental information, beneficial ownership and data on gender in the extractive industries, stakeholders consulted confirmed that civil society had been a driving force for moving these work streams forward on the MSG. However, several CSOs consulted expressed concern over the sustainability of civil society engagement in EITI, given the pressure on MSG members to demonstrate results for the resources they devoted to the EITI. Available evidence suggests that civil society has adequate technical capacity to engage in the EITI, but that the lack of funding since 2020 has impacted the constituency's ability to collaborate on EITI with CSOs at the subnational level. Further information about civil society engagement is available in the Stakeholder engagement file (see *Resources*).

The structure of civil society engagement in EITI appears to have gone through three phases over the 2017-2021 period. Initially, international CSOs like *Transparencia Mexicana* and *Oxfam* as well as larger national organisations like *Fundar* and *PODER* drove the early stages of implementation until 2018. In 2019-2020, the international CSOs stepped back from MSG membership to allow other organisations a seat. Since 2021 however, the international CSOs returned to the MSG, which several CSOs consulted deplored as a reflection of the constituency's technical and financial capacity constraints. There is evidence of only one CSO withdrawing from the constituency, when *CEMDA* withdrew from the GA in 2019, although the reasons for this decision remain unclear based on stakeholder consultations. Some CSOs considered that the withdrawal was due to concerns over the perceived lack of results from EITI.

Available evidence indicates that civil society has been able to influence the EITI's agenda, with many examples of civil society's work on priority issues on the [Extractive Transparency](#) website.⁷⁶ Minutes of MSG meetings indicate that civil society has been a driver of key MSG workstreams such as the study on socio-environmental impacts of the extractive industries. However, civil society's input to this Validation highlighted the constituency's proposals on the MSG that have gone unheeded, including the need for updates to the Mexico EITI website and the proposal to request an external expert on civil society engagement in Validation. Civil society stakeholders consulted did not consider that the constituency was treated as an equal partner on the MSG. Civil society has expressed concern over the alleged practice of 'revolving doors' on the MSG, where government representative joined industry while remaining engaged in EITI, citing its concern over three former government officials joining companies while retaining their MSG positions in a letter to the Mexico EITI Technical Secretariat in October 2020. Several CSOs consulted considered that the 'revolving door' practice meant that government and industry colluded to block civil society's efforts on the MSG, although this allegation was disputed by representatives of other constituencies. (see *Requirement 1.4*).

Access to public decision-making

⁷⁶ See for instance: <https://transparenciaextractivas.org/apuntes-para-la-divulgacion-de-beneficiarios-reales-de-las-empresas-extractivas-en-mexico/> , <https://transparenciaextractivas.org/beneficiarios-reales/> , <https://transparenciaextractivas.org/informe-sombra-eiti-mexico/> , <https://transparenciaextractivas.org/comunicadosypronunciamentos/> .

Civil society is leveraging EITI data for analysis and advocacy related to extractive sector governance. For example, organisations such as Fundar, PODER, Oxfam and Transparencia Mexicana have published reports drawing on EITI findings and data related to proposals for strengthening transparency on environmental aspects of the extractive industries, diagnostics of EITI implementation in Mexico and beneficial ownership.⁷⁷

Civil society representatives consulted noted that the EITI was not actively used by the government as a platform for seeking stakeholder views on planned reforms related to the extractive sector. While it appears that civil society is able to freely conduct advocacy towards Congress, civil society's opinion poll conducted ahead of Validation found that a majority (86%) of respondents did not consider that they could participate effectively in decision-making on extractive industry transparency and governance. Consulted civil society stakeholders noted that access to information and decision-making was more challenging at the local level.

Stakeholders also noted shortcomings in the implementation of policies related to community consultations on extractive projects, for instance noting the lack of implementation of procedures for free, prior and informed consent⁷⁸ around extractive projects such as the integrated gas-to-power Morelos project (PIM). Civil society stakeholders consulted considered that the public did not receive sufficient advance information to be able to meaningfully participate in public hearings related to extractive projects, given that information published online by the Ministry of Environment was not easily searchable or accessible. Several CSOs noted that NGOs were not always invited to public hearings and tended to feel disenfranchised at such events given the use of highly technical language.

Overall, however, civil society appears to be able to use the EITI process to promote public debate and to engage in activities and debates about natural resource governance, despite concerns over weaknesses in implementation of other statutory mechanisms for civil society input to extractive industry decision-making.

Assessment

Civil society is actively engaged in the EITI, organised through the broad group (GA) of 23 civil society organisations participating in the EITI. There is evidence that civil society representatives participate actively and are able to influence MSG activities and agendas, though consultations suggest that there have been some instances in which civil society has struggled to influence the scope of the EITI. The constituency's outreach efforts towards grassroots and community based CSOs have been successful in raising awareness of EITI, but not in significantly broadening the constituency's membership. Funding constraints since 2020 have impacted the constituency's capacity to engage in EITI.

The enabling environment for civil society participation in the EITI in Mexico appears to have deteriorated since 2019. Data from the period under review demonstrates that overall civic space has declined in Mexico. High-level government public pronouncements hostile to CSOs focused on environmental issues, anti-corruption and human rights and new regulations related to NGOs' tax-exempt status, amidst rising incidents of violence, intimidation and harassment of activists opposing extractive mega-projects, have been interpreted by civil society stakeholders

⁷⁷ See <https://transparenciaextractivas.org/publicaciones/>

⁷⁸ <https://ccsi.columbia.edu/content/government-briefing-incorporating-free-prior-and-informed-consent-fpic-investment-approval>

engaged in the EITI as efforts to silence critical civil society voices. There is only anecdotal evidence that broader constraints on civic space have potentially limited civil society participation in the EITI, as the effects of these constraints are most acutely experienced by civil society organizations not engaged in the EITI, and often operating at the sub-national level. Ironically, more significant civil society engagement and outreach to regional counterparts might have increased the scope of civil society engagement, thereby establishing a more direct link between civic space constraints and EITI processes, and thus potentially altering the consequences of this assessment.

Despite the lack of a direct link between civic space constraints and EITI processes, those constraints are considered material for civil society representatives engaged in the EITI. These constraints define the context in which they operate, and the objective of ensuring an enabling environment for civil society engagement in the EITI cannot therefore yet be considered fulfilled. The Secretariat's assessment is that Requirement 1.3 is mostly met.

In accordance with Requirement 1.3, the Government of Mexico is required to ensure that there are no obstacles to civil society participation in the EITI process. The government must refrain from actions which result in narrowing or restricting public debate in relation to implementation of the EITI. Government officials and extractive companies engaged in the EITI are encouraged to express their support to civil society's freedom of expression and operation, also when engaging with local government officials. The government should undertake measures to prevent civil society actors from being harassed, intimidated, or persecuted for expressing views related to oil, gas or mining governance. In the event that civil society actors engaged in the EITI experience threats or harassment for expressing views about the extractive industries or engaging in other EITI-related activities, the government is expected to undertake measures to protect these actors and their freedom of expression. The government, in collaboration with the MSG, is encouraged to consider practical solutions for ensuring that civil society can engage in the EITI freely in all regions of the country. The MSG is encouraged to regularly monitor developments regarding civil society's ability to engage in the EITI. In accordance with the EITI protocol: Participation of civil society, civil society MSG members are encouraged to bring any ad hoc restrictions that could constitute a breach of the protocol to the attention of the MSG. The government, in collaboration with the MSG, should document the measures it undertakes to remove any obstacles to civil society participation in the EITI.