



Oversight strategy and challenges for Mexico's SOE

Bogotá, Septiembre 2011

Types of profit-making SOE



(general description)

SHCP

Non-equity SOE
(e.g. Pemex)



Governed **by Boards**



Focus on **strategy** and developing **priority sectors** and services (welfare)

> 112 USbIn

Majority Owned Equity
(e.g. Development Banks)



Governed by **Boards** that observe **minority rights**



Focus on **strategy** and **facilitating** market development

> 191 USbIn

Public Trust Funds
(e.g. Infrastructure Fund)



Governed by **Technical Committees**

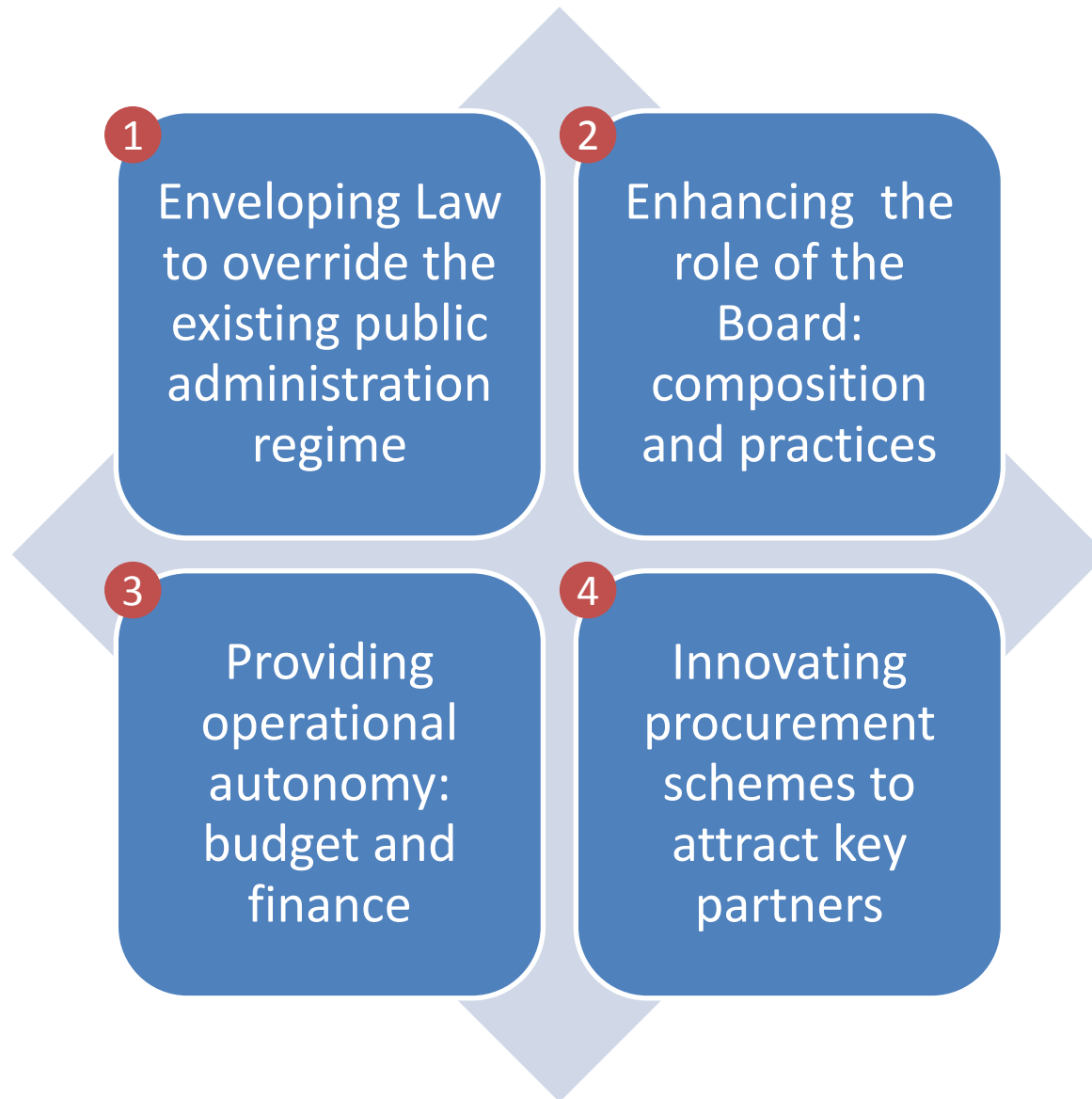


Focus on **procedures** to disburse credit, guarantees or non-refundable grants.

> 6 USbIn

- There is an established “pecking order” to determine applicable law:
 1. SOE own framework law
 2. Public Administration and SOE General Laws
 3. Commercial Company laws
- Most aspects of corporate governance, accountability and transparency are covered by the above mix.
- Unfortunately, the framework is complex and may generate rigidities.

4 steps towards corporatization made in 2008



1. **Moving from rules to incentives is hard:** who is the principal and who is the agent?
2. **Keeping the corporate form is hard:** there are other public policies embedded in balance sheet.
3. **Is Management empowered enough? Aligned enough?**
4. **New strategies are yet to be tested:** how long before we see the results?



Oversight strategy and challenges for Mexico's SOE

Bogotá, Septiembre 2011