



CENTER FOR
THE STUDY OF
DEMOCRACY

The Captured State

Energy Oligarchies and the Erosion of
Democratic Resilience in Latin America

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Latin America's vast energy and mining wealth has long shaped political power, fueling extractive institutions that convert natural resource revenues into political influence. In countries such as Mexico, Argentina, Bolivia, and Venezuela, weak governance, fiscal dependence, and opaque state ownership have enabled systemic corruption and state capture.

This report introduces the State Capture Assessment Diagnostics (SCAD) methodology to the region, uncovering how elites and foreign actors exploit extractive rents, politicized regulation, and state-owned enterprises. Through case studies of PEMEX (Mexico), YPF (Argentina), YPFB (Bolivia), and PDVSA (Venezuela), the analysis shows how state capture has evolved from discretionary licensing to the full co-option of national oil companies as tools of political finance and patronage.

Without transparent ownership, independent oversight, or clear fiscal boundaries, these enterprises have become conduits for corruption, fiscal instability, and foreign interference. The findings underscore that state capture in strategic sectors is not merely an economic issue, but a fundamental threat to democratic resilience. Breaking these networks through OECD-aligned governance, transparency, and sustainability reforms is essential to restoring institutional integrity and safeguarding democracy in Latin America.

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The Captured State: Energy Oligarchies and the Erosion of Democratic Resilience in Latin America builds upon the Center for the Study of Democracy's (CSD) decade-long research into state capture mechanisms worldwide.

This study marks the first application of the State Capture Assessment Diagnostics (SCAD) methodology in Latin America. SCAD translates the complex, often hidden phenomenon of state capture into a measurable set of institutional and sectoral vulnerabilities, combining empirical indicators with expert assessments to identify risks and inform targeted policy reforms.

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LIST OF ABBREVIATIONS

ARCA	Agencia de Recaudación y Control Aduanero (Argentina)
ALBA	Alianza Bolivariana para los Pueblos de Nuestra América (Bolivia)
ANH	Agencia Nacional de Hidrocarburos (Bolivia)
ASEA	Agencia de Seguridad, Energía y Ambiente (Mexico)
ASF	Auditoría Superior de la Federación (Mexico)
BCB	Banco Central de Bolivia
CFE	Comisión Federal de Electricidad (Mexico)
CNH	Comisión Nacional de Hidrocarburos (Mexico)
COFEMER	Comisión Federal de Mejora Regulatoria (Mexico)
COMIBOL	Corporación Minera de Bolivia
COSEEP	Coordinadora del Sector Energético (Bolivia)
CRE	Comisión Reguladora de Energía (Mexico)
EITI	Extractive Industries Transparency Initiative
ENARGAS	Ente Nacional Regulador del Gas (Argentina)
ENRE	Ente Nacional Regulador de la Electricidad (Argentina)
ESG	Environmental, Social and Governance
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IEA	International Energy Agency
IMF	International Monetary Fund
m³/d	Cubic meter per day
mmbbl	million barrels of oil
MoF	Ministry of Finance

OCP	Open Contracting Partnership
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PDVSA	Petróleos de Venezuela S.A.
PEMEX	Petróleos Mexicanos
PSO	Public Service Obligation
SEC	U.S. Securities and Exchange Commission
SENER	Secretaría de Energía (Mexico)
SHCP	Secretaría de Hacienda y Crédito Público (Mexico)
SOE	State-Owned Enterprise
Tcf	trillion cubic feet (≈ 28.3 billion m ³)
TI	Transparency International
UNASUR	Unión de Naciones Suramericanas
UNDP	United Nations Development Programme
USD	United States Dollar
YPF	Yacimientos Petrolíferos Fiscales (Argentina)
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos (Bolivia)
ZODI-P	Zona Operativa de Defensa Integral Petrolera (Venezuela)

EXECUTIVE SUMMARY

Over the past two decades, Latin America has experienced profound political and economic transformations shaped by the interaction between democratic aspirations and entrenched governance deficits. While most of the region's countries have sought to develop robust institutional frameworks and to embrace global integration, their natural resource wealth has often been exploited by foreign and local groups to create fertile ground for the emergence of systemic corruption and state capture. These complex networks of influence blur the boundaries between public and private interests, allowing both domestic elites and foreign actors access to shape public policy for private gain.

The current assessment of state capture vulnerabilities in Latin America's extractive sectors reveals a pattern of institutional weakness and rent concentration. The study applies the **State Capture Assessment Diagnostics (SCAD)** methodology, adapted to the Latin American context, to examine the governance of the energy and mining sectors in **Mexico, Argentina, Bolivia, and Venezuela**. The findings point to entrenched mechanisms of elite control over state-owned enterprises (SOEs), regulatory institutions, and fiscal policy, which sustain discretionary governance and inhibit economic diversification.

Across the four countries, state capture operates through the **appropriation of public authority and economic rents** by narrow political and business coalitions. The capture of energy and mining value chains – from licensing and contracting to transport, refining, and retail – has produced governance patterns in which state resources are systematically channeled toward political financing and elite patronage. This configuration has been reinforced by the growing role of **foreign state-linked actors**, particularly from Russia and China, whose opaque investments and credit lines have further reduced transparency and accountability.

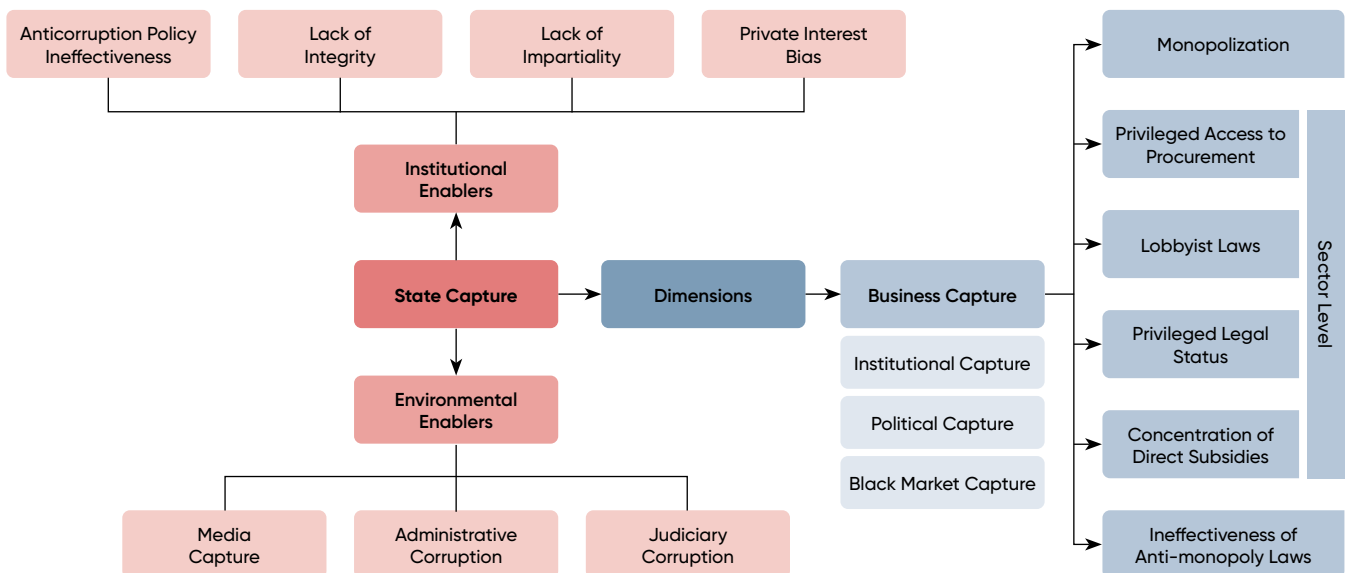
Structural Patterns of Capture

The comparative analysis identifies a **common institutional architecture of capture of state institutions** by vested private interests built around four interrelated features:

- 1. Concentrated ownership and political control of SOEs.** In all four countries, national hydrocarbons companies – **PEMEX** (Mexican Petroleum), **YPF** (Argentine State Oil Company), **YPFB** (Bolivian State Oil Company), and **PDVSA** (Venezuelan Petroleum Corporation) – serve as fiscal and political anchors of their respective regimes. Ownership arrangements lack clear separation between the state's role as shareholder, regulator, and policymaker, contravening OECD governance principles. Boards of directors' composition is dominated by political appointees, while strategic planning is subordinated to short-term budgetary needs.

2. **Regulatory subordination and executive discretion.** Regulatory bodies such as Mexico’s CNH (National Hydrocarbons Commission) and CRE (Energy Regulatory Commission), Argentina’s ENARGAS (National Gas Regulatory Entity) and ENRE (National Electricity Regulatory Entity), or Bolivia’s ANH (National Hydrocarbons Agency) exhibit limited autonomy and are frequently bypassed through exceptional decrees or presidential directives. The resulting uncertainty discourages investment and entrenches non-competitive practices leading to market domination or monopolies by state and politically favored actors.
3. **Fiscal dependence and rent misallocation.** Hydrocarbon revenues account for a significant share of public expenditure, creating incentives for discretionary extraction and off-budget financing. In Venezuela and Bolivia, oil and gas rents are directly channeled through extra-budgetary funds; in Mexico and Argentina, subsidies and energy price controls distort fiscal balance and perpetuate rent recycling through clientelist networks.
4. **State capture import.** Strategic partnerships with Russian and Chinese firms have introduced a new layer of dependence and state capture pressure, mirroring the state-controlled governance models of the two authoritarian giants. Opaque loan-for-oil agreements, joint ventures, and infrastructure projects replicate Moscow and Beijing state capture patterns internally in Latin America, reinforcing elite discretion and eroding national oversight.

State Capture Assessment Diagnostic Model



Source: CSD.

The results confirm that state capture in Latin America’s extractive sectors is **systemic rather than episodic**. Concentrated rents, politicized ownership, and weak institutional oversight have embedded capture as a mode of

governance. The region's composite SCAD Index average stands at 75%, reflecting a **high level of state capture risk**. Scores between 0-30% denote low risk, 30-50% medium, and values above 50% – high-risk “red zone” requiring urgent policy attention. The country-level results reveal the **intensification of capture pressure across the region**. Venezuela exhibits consolidated control of the state by political and military elites. Bolivia shows a hybrid form of capture under resource nationalism. Mexico and Argentina demonstrate stronger institutional resilience, yet similarly high pressure from state intervention.

Overall **capture pressure** (average score: 75%) remains high across the four countries, reflecting entrenched governance vulnerabilities in their extractive sectors. Among enablers, institutional factors (average 73%) reveal uneven safeguards, ranging from 50% in Argentina to 80% in Venezuela, driven by ineffective anticorruption policies and a lack of integrity and impartiality of public institutions. **Environmental enablers** score even higher (average 78%), highlighting systemic exposure to administrative corruption, and media capture linked to concentrated ownership. The SCAD model's greater emphasis on **business capture**, which in the region averages 39% (medium risk), is worst in Venezuela (50%) and Bolivia (45%).

Comparative SCAD Index Results

Type	Indicators	Mexico	Venezuela	Bolivia	Argentina	Total (average)
Enablers	Institutional enablers	68%	80%	70%	50%	73%
	Environmental enablers	71%	92%	82%	67%	
Dimensions	Business Capture	33%	50%	45%	28%	39%
SCAD Index (Capture Pressure)		70%	89%	80%	63%	75%

Source: CSD based on the SCAD Survey.

The SCAD assessment identifies four distinct capture regimes:

- **Systemic capture – Venezuela (89):** A consolidated form of capture in which political, fiscal, and corporate power fully converge. State-owned enterprises and public institutions operate as extensions of ruling coalitions, and rent distribution is used to sustain regime stability. Oversight mechanisms are dismantled, decision-making is opaque, and institutional autonomy is effectively eliminated.
- **Hybrid capture – Bolivia (80):** A mixed regime that combines elements of systemic and fragmented capture. Power is concentrated in the executive and state-owned enterprises through mechanisms such as nationalization and politicized redistribution, yet a limited degree of pluralism and external accountability remains.

- **Fragmented capture – Mexico (70):** A partially pluralistic configuration where capture is uneven or haphazard across institutions and sectors. Regulatory and judicial bodies may retain formal autonomy, but political interference, fiscal dependence, and selective law enforcement enable capture in specific high-rent or politically sensitive areas over extended periods of time.
- **Competitive capture – Argentina (63):** A decentralized form of capture characteristic of formally pluralistic systems. While democratic competition and institutional diversity persist, political and economic elites exploit federal or sectoral fragmentation to appropriate rents and influence policymaking. Capture is recurrent but dispersed, producing chronic instability, as practices are often challenged by competing interests or political opposition.

These typologies confirm that state capture in Latin America is deeply **institutionalized within the resource governance model**, rather than limited to corruption or occasional elite collusion.

Comparative Analysis

The comparative analysis of the four countries reveals that capture extends across all stages of the value chain.

- **Upstream**, opaque contracting and discretionary licensing enable political financing.
- **Midstream**, military or politically connected intermediaries control transport and logistics, particularly in Venezuela and Bolivia.
- **Downstream**, pricing distortions and retail monopolies channel rents toward local elites, while underinvestment erodes service quality.

Mining, especially in the **lithium and gold segments**, mirrors these patterns. Strategic minerals have become new vehicles for political financing, and the proliferation of opaque partnerships with foreign SOEs reproducing vulnerabilities seen in hydrocarbons.

State-owned enterprises and the control over extractive industries and natural resources form the core interest in the countries state capture patterns:

- **Venezuela** represents an advanced form of **systemic capture**, in which PDVSA functions as the regime's principal financial arm. The collapse of corporate governance, coupled with the militarization of oil logistics and the Anti-Blockade Law,¹ has dismantled all mechanisms of accountability. Both the hydrocarbons and mining sectors operate under discretionary

¹ The Anti-Blockade Law (Ley Antibloqueo), adopted in 2020 by Venezuela's pro-government Constituent National Assembly, grants the executive broad powers to manage and privatize state assets in secrecy, effectively dismantling constitutional checks and balances by bypassing legislative oversight and shielding transactions from public scrutiny.

presidential control, with revenues diverted through parallel structures and foreign intermediaries.

- **Bolivia** exhibits a **hybrid capture** under state-led populism. The nationalization of YPFB and COMIBOL concentrated rents within the executive, sustaining redistribution and political loyalty but weakening institutional oversight. Lithium industrialization projects with Chinese and Russian companies replicate opaque contracting practices seen in hydrocarbons, embedding long-term dependencies.
- **Mexico** presents **fragmented capture** within a formal democratic framework. PEMEX and CFE remain fiscally indispensable yet structurally politicized. The reversal of the 2013–2014 energy reforms re-centralized state control and curtailed regulatory independence. While corporate disclosure exists, board independence and fiscal discipline remain weak, and subsidy-driven pricing distorts market signals.
- **Argentina** demonstrates **competitive capture** sustained by fiscal federalism. YPF's dual ownership structure, with 51% of shares held by the state (split between the federal government and oil-producing provinces) and the remaining 49% publicly traded on stock exchanges, provides partial transparency through market listing. Yet provincial discretion over oil and mining royalties fosters clientelist networks. The absence of a unified ownership policy and frequent policy reversals undermine strategic coherence and long-term investment planning.

Governance of State-Owned Enterprises

This report applies the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* to assess the corporate governance of state-owned enterprises (SOEs) across the four countries. The evaluation focuses on key dimensions such as the transparency of the ownership, the level of autonomy of the governing board and the accountability, disclosure and transparency of its decision-making, as well as the structure of the company's stakeholder relations. Each dimension is assessed using a qualitative scale that reflects the degree of alignment with OECD standards: Very Weak (0–20%), Weak (21–40%), Partial (41–60%), Moderate (61–80%), and Strong (81–100%). The application reveals a gradient of governance maturity consistent with the broader assessment of the quality of institutional governance.

- **YPF (Argentina)** shows **partial to moderate alignment** with OECD principles through audited reporting, independent committees, and ESG integration, but lacks a unified ownership policy and clear separation between commercial and policy mandates.
- **PEMEX (Mexico)** and **YPFB (Bolivia)** display **weak alignment**, operating under fragmented oversight and pervasive political interference. Fiscal objectives outweigh strategic management, while audit and risk-control mechanisms remain subordinate to ministerial directives.

- **PDVSA (Venezuela)** stands as **non-aligned**, governed by discretionary presidential decrees and shielded by the Anti-Blockade Law. The company has not published audited financial statements since 2016, and its board is composed almost entirely of military personnel and executive loyalists.

Institutional alignment with OECD standards across all four countries averages **36% (Weak)**, underscoring the structural absence of unified ownership policies, independent boards, and transparent fiscal-commercial boundaries. Overall, governance alignment follows a north–south institutional gradient: **YPF (partial/moderate) → PEMEX (weak) → YPFB (weak) → PDVSA (very weak)**. The results show that only YPF partially aligns with OECD standards, benefitting from stock market listing and audit transparency. PEMEX and YPFB exhibit politically dominated boards, fragmented oversight, and fiscal-driven mandates. PDVSA is entirely non-compliant, having ceased publishing audited accounts since 2016.

Institutional Governance and SOE Alignment

OECD Principle	PEMEX	YPFB	PDVSA	YPF
I. Rationales for State Ownership	Weak 30%	Weak 35%	Very Weak 10%	Partial 50%
II. State's Role as Owner	Weak 37%	Weak 36%	Very Weak 10%	Partial 55%
III. SOEs in the Marketplace	Weak 30%	Weak 30%	Very Weak 10%	Moderate 61%
IV. Equitable Treatment of Shareholders	N/A	N/A	N/A	Moderate 63%
V. Disclosure and Accountability	Weak 45%	Weak 38%	Very Weak 10%	Moderate 67%
VI. Board Composition	Weak 34%	Weak 28%	Very Weak 10%	Moderate 63%
VII. Sustainability	Partial 49%	Weak 30%	Very Weak 10%	Moderate 66%
Average	Weak 38%	Weak 33%	Very Weak 10%	Moderate 61%

Source: CSD based on OECD Guidelines on Corporate Governance of State-Owned Enterprises.

Fortifying Market Freedom and Democratic Governance

The comparative findings confirm that state capture in Latin America's energy and mining sectors is both a **governance and a geopolitical challenge**. The concentration of rents in politicized SOEs undermines democratic resilience, distorts markets, and exposes countries to external influence. Applying the OECD and SCAD frameworks reveals that improving corporate governance is not a technocratic exercise but a prerequisite for rebuilding institutional trust and fiscal sustainability. **Dismantling the state capture networks in**

the energy and extractive sectors will require not only formal transparency reforms but the re-definition of ownership, accountability, and sovereignty in the governance of Latin America's strategic resources.

To reverse this trajectory, reform efforts must address two interlinked challenges: restoring institutional checks and balances at the **systemic level** and improving corporate governance and market integrity at the **sectoral level**. Reducing state capture and strengthening governance requires comprehensive reforms to ensure transparency, accountability, and the rule of law. Recommended measures include:

- **International and regional action:** Incorporate state capture diagnostics into multilateral assessments; monitor opaque foreign investments and credit arrangements; support civil society and media oversight to strengthen democratic resilience.
- **Checks and balances in policymaking:** Empower parliaments, supreme audit institutions, and independent courts to oversee strategic decisions, public investments, sovereign debt, and major infrastructure projects.
- **Anti-corruption enforcement:** Ensure autonomous anti-corruption prosecutors and financial intelligence units have investigative powers for high-level capture cases, with support from regional and international bodies.
- **Civil society and media oversight:** Fund independent watchdogs, investigative journalism, and civic data platforms; enforce access-to-information laws with meaningful sanctions for non-compliance.
- **Professional civil service:** Promote merit-based recruitment, depoliticized appointments, and performance-driven advancement in ministries, regulators, and SOEs.
- **Transparency and integrity:** Implement binding frameworks for open data across extractive industries, covering licensing, contracts, payments, and beneficial ownership, integrated into national budgets and Extractive Industries Transparency Initiative (EITI) reporting.
- **Regulatory independence:** Strengthen legal and financial autonomy of regulatory bodies; ensure transparent, merit-based leadership appointments; grant audit and anti-corruption institutions full access to SOE transactions.
- **Unified state ownership policies:** Clarify objectives, performance expectations, and governance structures for SOEs, separating ownership from regulatory functions.
- **Open contracting and fiscal transparency:** Mandate competitive procurement and full disclosure of contracts, licenses, and beneficial ownership, aligned with EITI and Open Contracting Partnership standards.

- **Depoliticized board appointments:** Ensure SOE and regulatory boards are professionally appointed, with mandatory independent committees for audit, risk, and nominations.
- **Energy sector reforms:** enforce competitive neutrality and fiscal discipline; enhance midstream/downstream governance through transparent tariffs, open infrastructure access, and public reporting; integrate environmental and social risk management into mandates and incentives.

INTRODUCTION

Latin America's political and economic development has been marked by cycles of reform and regression, in which successive governments have pledged to modernize state institutions and promote transparency while continuing to rely on highly concentrated, rent-generating sectors such as notably hydrocarbons and mining, to sustain public revenues. This structural dependence has created **enduring incentives for the fusion of political and economic power**, giving rise to systemic forms of capture that extend far beyond individual acts of corruption.

This state capture in Latin America has evolved beyond the conventional understanding of corruption as isolated transactions. It represents a **systemic phenomenon** in which domestic private or foreign state interests institutionalize their access to public resources, regulatory privileges, and strategic assets.² Through opaque contracting, selective law enforcement, and politically driven corporate governance, public institutions and state-owned enterprises alike, are transformed into instruments serving particular groups rather than the public good. **Foreign authoritarian regimes** have found opportunities to exploit these governance weaknesses, using energy and mining investments, credit, and technology transfers to extend their economic and political influence in the region.

To examine these dynamics, this report applies an adapted version of the **State Capture Assessment Diagnostics (SCAD)**³ developed by the Center for the Study of Democracy. The SCAD framework provides an evidence-based approach to identifying and measuring vulnerabilities to state capture across key institutions and economic sectors. In Latin America, the methodology has been adjusted to focus specifically on the extractive industries, where high-value contracts, resource rents, and state ownership create powerful incentives for capture.

The report assesses four major Latin American economies – Mexico, Bolivia, Argentina, and Venezuela, representing different political systems and economic structures but sharing common vulnerabilities rooted in **resource dependence and institutional fragility**. By mapping the interaction between governance deficits, sectoral concentration, and foreign influence, the analysis aims to reveal how **patterns of state capture** undermine democratic governance, distort markets, and weaken resilience to external interference.

The findings provide a comparative overview of the risks of state capture in the region's energy and mining sectors, identifying how business, political, and institutional capture interact with **enabling factors** such as weak anticorruption enforcement, limited media independence, and regulatory

² Stefanov, R., and Vladimirov, M., *Deals in the Dark: Russian Corrosive Capital in Latin America*, Sharp Power and Democratic Resilience Series, NED, November 2020.

³ Stoyanov, A, Gerganov, A, and Yalamov, T., *State Capture Assessment Diagnostics*, Sofia: Center for the Study of Democracy, 2019.

bias. The report seeks to inform national reform agendas and international cooperation aimed at **fortifying democratic resilience** and safeguarding the strategic autonomy of Latin American states against both domestic and foreign capture networks.

STATE CAPTURE: FROM CONCEPT TO MEASUREMENT IN THE LATIN AMERICAN CONTEXT

In its essence, state capture represents the **privatization of public authority**. Political and corporate actors manipulate the design, enforcement, and oversight of laws and regulations to extract long-term private benefits from state institutions.⁴ This process transforms the state from an impartial arbiter of public interest into an instrument of particularistic power. In resource-rich economies, such as those of **Venezuela, Bolivia, Mexico, and Argentina**, the control over natural resource rents and state-owned enterprises has become a central mechanism for both political financing and patronage distribution.

While corruption may be episodic, state capture is **systemic** and **self-reinforcing**. It consolidates through the control of three key channels:

- **Economic concentration**, where monopolies or oligopolies dominate key industries and related infrastructure;
- **Institutional control**, where political elites manipulate appointments, budgets, and oversight in regulatory bodies and SOEs; and
- **Policy distortion**, where rules and decisions are tailored to serve the interests of narrow groups or foreign patrons.

These mechanisms are not confined within national borders. Over the past decade, **foreign authoritarian states**, notably **Russia and China**, have leveraged investment, credit, and technological cooperation to secure privileged access to Latin America's strategic sectors.⁵ Such partnerships, often presented as mutually beneficial, have in practice created **opaque dependencies** and **strategic entanglements**, particularly where weak institutions and politicized SOE governance prevent adequate scrutiny and accountability.

State capture manifests through several interrelated dimensions, political, institutional, business, and black-market capture, each reflecting a distinct mechanism through which power and resources are appropriated. **Political capture** occurs when elites manipulate decision-making and oversight institutions to secure partisan or personal advantage. **Institutional capture** involves the appropriation of public bodies and regulatory agencies for private or political purposes. **Business capture** emerges when companies exert undue influence over legislation or regulation to obtain preferential treatment. **Black-market** capture arises when state actors protect or collude with criminal networks, enabling illicit economies and money laundering.

⁴ Stoyanov, Gerganov, and Yalamov, *State Capture Assessment Diagnostics*, Sofia: CSD, 2019.

⁵ Vladimirov, M., Rueda, G., and Osipova, D., *Global Reach: The Kremlin Playbook in Latin America*, Sofia: Center for the Study of Democracy, 2024.

These dimensions often overlap and reinforce one another. State capture dimensions may emerge in different sequences depending on the national context. In some cases, capture originates from business pressure, as seen in some extent in Argentina, where corporate interests shape some policy and regulation. In others, it is driven primarily by political elites which consolidate power and subsequently extend control over the economy, institutions, and even illicit markets, a pattern visible in Bolivia, Venezuela, and, to a lesser extent, Mexico.

Political capture is most entrenched in Venezuela and Bolivia, where ruling elites have subordinated checks and balances and instrumentalized judicial and oversight bodies to consolidate power. Mexico exhibits a hybrid form, where political influence extends over distributive and social policy institutions, while Argentina shows only partial political capture, tempered by functioning checks and balances.

Institutional capture follows a similar gradient. In Venezuela, public institutions are fully absorbed into patronage networks; in Bolivia and Mexico, chronic weaknesses in regulation, transparency, and enforcement, especially in hydrocarbons and mining, enable rent extraction and selective governance. Argentina, by contrast, maintains stronger bureaucratic autonomy, despite recurring episodes of politicization.

Black-market capture is most pronounced in Venezuela and Mexico. In the former, armed groups and military elites' profit from gold and fuel smuggling under state protection; in the latter, organized crime infiltrates local governments and security institutions to prevent any meaningful resistance to the growing illegal drug trade. Bolivia faces limited but rising exposure through cross-border fuel smuggling, while Argentina remains comparatively insulated from large-scale illicit state-criminal linkages.

Applying the SCAD Framework to Latin America

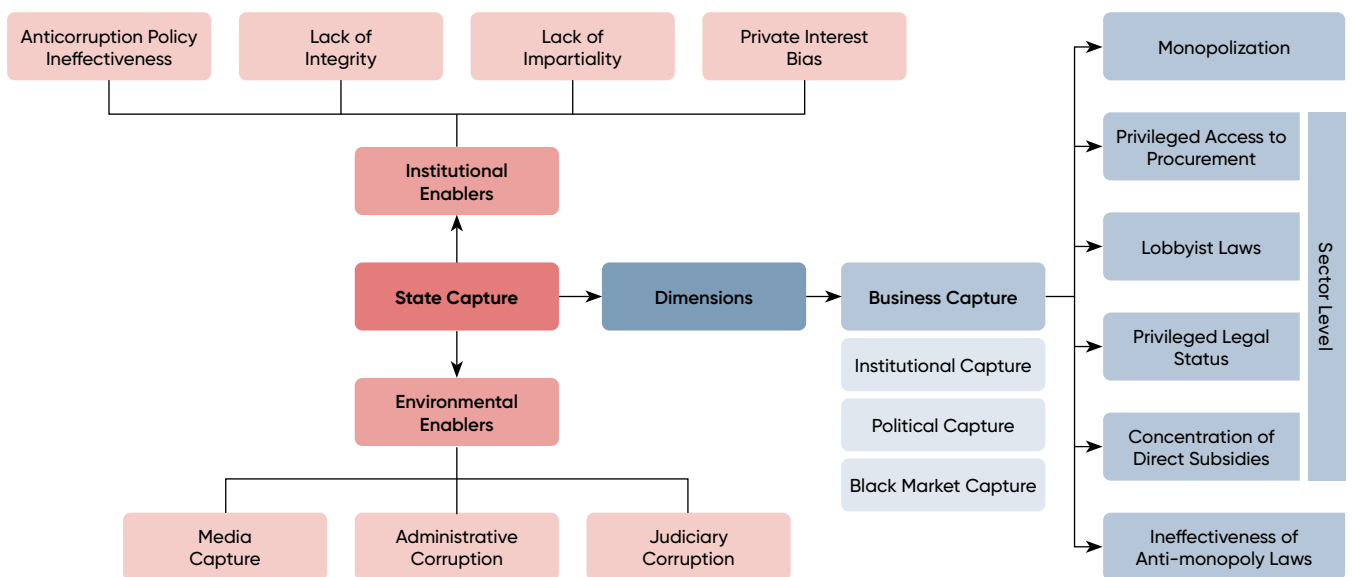
The **SCAD** model was developed by CSD to identify and measure the risks of state capture by combining empirical indicators with expert-based assessments. The framework transforms a hidden, complex governance phenomenon into a measurable set of institutional and sectoral vulnerabilities that can be addressed through targeted policy reforms.

In adapting the model to Latin America, this study recognizes the region's distinctive structural features: the dominance of resource-based industries, the central role of state-owned enterprises (SOEs) in fiscal policy, and the deep entanglement between political authority and economic power. The Latin American application of SCAD thus moves from a general, economy-wide focus to a sectoral diagnostic centered on **energy and mining**, where capture pressures are both most visible and most consequential for governance, development, and foreign undue influence.

The adaptation is grounded in three core premises. First, capture thrives where economic rents are high, competition is limited, and public oversight is weak – conditions that typify the extractive sectors across Latin America. Second, institutional fragility and political interference in regulatory agencies and SOEs create the mechanisms through which capture consolidates. And third, foreign authoritarian states increasingly exploit these weaknesses through investment, credit, and technology transfers that embed opaque dependencies within strategic sectors.

The SCAD model is organized around two interrelated pillars: **state capture dimensions** and **state capture enablers**. The first pillar assesses the current status and manifestations of state capture across different domains, such as business, institutional, political, and even black-market capture. The second reflects the institutional and environmental conditions that make such practices possible or likely to persist. In its current application, the **SCAD tool places particular emphasis on measuring business capture**, while the broader report also provides **qualitative evidence** and contextual analysis of the other dimensions of state capture. Together, these two pillars enable SCAD to diagnose both the present configuration of capture and the underlying dynamics that may drive its evolution in the future.

Figure 1. State Capture Assessment Diagnostic Model



Source: CSD.

Box 1. Adapting the SCAD Methodology to Latin America

In operational terms, the Latin American SCAD adaptation examines **four dimensions of state capture**—business, institutional, political, and black-market capture—alongside **two groups of enabling factors**, institutional and environmental. While the current SCAD tool places particular emphasis on the quantitative measurement of business capture, the other dimensions are explored qualitatively through contextual and case-based evidence presented in the report. Together, these dimensions interact with the enabling factors, which help explain why and how capture dynamics take root and persist. Among these, **institutional enablers** encompass the integrity and impartiality of public officials, the effectiveness of anticorruption enforcement, and the degree to which regulatory and oversight bodies operate without bias toward private interests.

Environmental enablers, by contrast, refer to broader governance conditions, including the independence of the media, the prevalence of administrative corruption, and the autonomy of the judiciary. Where these enablers are weak, capture pressures evolve into systemic forms that erode public trust and policy coherence

To capture both the quantitative and qualitative dimensions of state capture, the Latin American SCAD framework draws on a diverse set of data sources. Between April and June 2025, expert surveys were conducted with 183 respondents across Mexico (28), Bolivia (53), Argentina (51), and Venezuela (51), representing academia, civil society, the private sector, and public administration.

To complement the survey, quantitative proxies were integrated for two environmental enablers—administrative and judicial corruption. The level of administrative corruption was estimated using Transparency International’s *Corruption Perceptions Index* (reflecting bribery, misuse of public funds, nepotism, and favoritism), while judicial corruption was measured through indicators from the World Justice Project’s *Rule of Law Index 2024* (capturing the absence of corruption and undue influence in civil and criminal justice).

These components were further complemented by sectoral economic data from corporate databases such as *Orbis*, financial and budgetary reports of state-owned enterprises, and regulatory reviews of competition, procurement, and investment frameworks. Finally, media monitoring and open-source research informed the identification of high-risk institutions and contracts.

All indicators were standardized and aggregated at national and sectoral levels, producing comparable vulnerability scores across the four countries. The scores were grouped into the main SCAD categories of state capture dimensions and enablers. Values above 50 per cent were interpreted as “red zones”, indicating high systemic vulnerability, while lower scores pointed to moderate but persistent governance risks that could escalate if left unaddressed.

The objective of the model is most importantly to identify **patterns of capture** that undermine the rule of law and policy effectiveness. The diagnostic reveals that capture revolves around the governance of SOEs in hydrocarbons and mining, where political elites use control over rents and appointments to maintain power. Weak regulatory oversight, politicized enforcement, and opaque foreign partnerships exacerbate these dynamics, turning strategic assets into instruments of political survival.

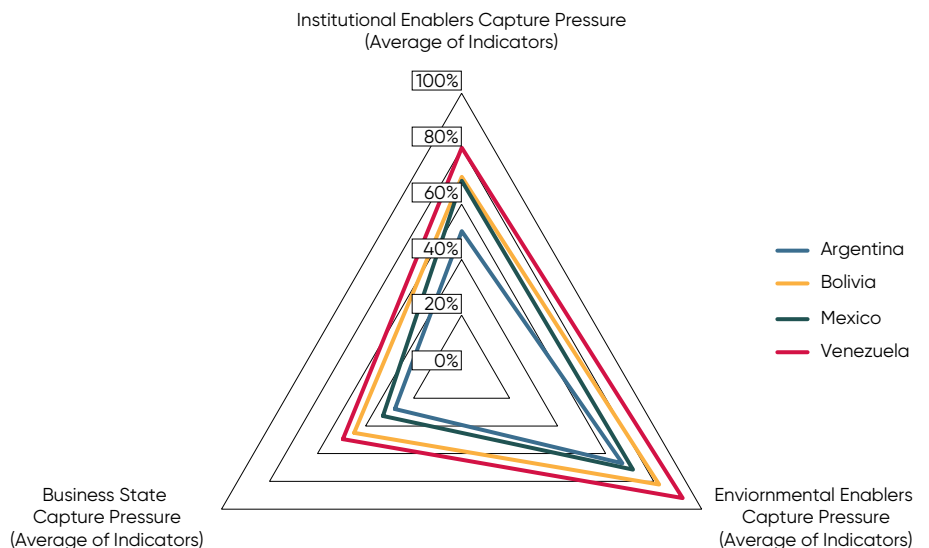
The adapted SCAD model allows for a nuanced understanding of how economic rents, institutional control, and foreign influence interact in Latin America’s most critical sectors. By mapping these interdependencies, the framework provides an empirical foundation for strengthening institutional resilience, enhancing corporate governance in state-owned enterprises, and developing targeted good governance policies that can reinforce democratic accountability in the region.

STATE CAPTURE VULNERABILITIES IN COMPARATIVE PERSPECTIVE

The application of the adapted SCAD framework to Mexico, Bolivia, Argentina, and Venezuela reveals converging patterns of capture in their energy and mining sectors. While the institutional architecture and political trajectories of these countries differ, they share structural features that facilitate the systematic appropriation of public authority for private or partisan gain. These include the concentration of economic rents in state-controlled enterprises, limited regulatory independence, weak accountability mechanisms, and the instrumentalization of foreign partnerships for political or fiscal objectives.

The comparative results suggest that **Venezuela represents a case of systemic or consolidated capture**, where all major institutions linked to the extractive industries have been subordinated to the political interests of the ruling elite. **Bolivia exhibits a hybrid model of capture**, where nationalization and populist governance have concentrated power within the executive and in the SOEs while retaining limited pluralism and external accountability. **Mexico and Argentina**, by contrast, **demonstrate fragmented or competitive capture**, in which overlapping political and business interests shape the governance of key sectors within a more formally pluralistic institutional framework.

Figure 2. SCAD Subindexes Results



Source: CSD.

When viewed through the SCAD lens, the four countries display distinct risk profiles across the dimensions of state capture.

Venezuela registers the most severe vulnerabilities, with consistently high-risk scores across all indicators – 80% for institutional enablers, 92% for environmental enablers, and 50% for business capture – revealing a systemic and consolidated form of capture that has effectively dismantled institutional autonomy.

Bolivia also falls predominantly within the high-risk range, scoring 70% on institutional and 82% on environmental enablers, though its medium business capture score (45%) suggests entrenched vulnerabilities without full monopolization.

Mexico presents a mixed pattern: high-risk institutional (68%) and environmental (71%) enablers combined with a medium business capture score (33%), indicating strong capture pressures in governance and regulatory systems but some residual pluralism in the marketplace.

Argentina, by contrast, lies at the lower end of the spectrum, with medium institutional (50%) and environmental (67%) vulnerabilities and low business capture (28%), reflecting a more resilient but still fragile equilibrium where regulatory instability and politicization sustain periodic, rather than full systemic, forms of capture.

Political capture constitutes the central mechanism through which economic rents are translated into political control. In rent-dependent economies, access to extractive revenues provides governments with discretionary resources that can be channeled toward electoral financing, coalition maintenance, or direct patronage.

In **Venezuela**, the political use of oil rents has sustained an extensive clientelist network underpinning regime durability, while the absence of independent oversight has allowed the diversion of public funds to off-budget entities. **Bolivia's** resource nationalism, while rhetorically focused on redistribution, has similarly concentrated financial power within the executive, enabling the selective allocation of revenues to reinforce political loyalty. In **Mexico** and **Argentina**, the politicization of energy subsidies and infrastructure projects has produced subtler but no less significant forms of capture, where regulatory and fiscal decisions are influenced by electoral considerations.

Taken together, these results illustrate a regional pattern in which extractive rents, politicized institutions, and weak external accountability create persistent vulnerabilities to state capture. While the intensity of capture varies, its underlying mechanisms—concentration of economic power, manipulation of SOE governance, and external entanglement—are remarkably consistent across contexts.

Institutional Enablers of Capture

Regulatory and oversight bodies reflect the political will to guarantee a transparent, competitive, and effective business environment, especially in sectors prone to market or politically driven concentration. Their performance depends not only on their formal mandates but also on their capacity to cooperate with other enforcement bodies, such as anti-corruption agencies and law enforcement authorities. When these institutions are passive, ineffective, or themselves partially captured, they cease to protect the public interest and instead enable privileged actors to entrench systemic advantages, effectively privatizing parts of the state.

Within the SCAD framework, these qualities are captured by institutional enablers—the functional characteristics that define the rules of the game for all businesses. Institutional enablers determine the integrity and resilience of the environment in which both public and private actors operate. They are measured at the sectoral level, since their influence extends across all organizations regulating or serving the economy.

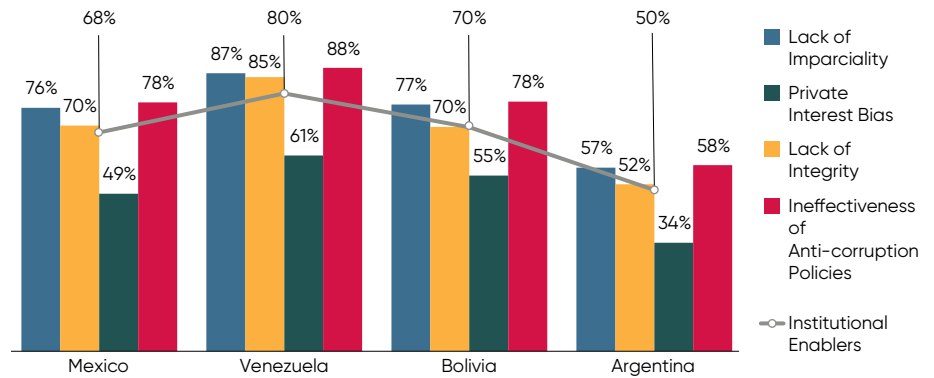
Four enablers are particularly decisive:

- **Impartiality:** the ability to adequately apply rules of fairness and impartiality in everyday transactions and services
- **Integrity of public officials:** adherence to ethical standards, transparency, and accountability in public service.
- **Lack of bias toward private interests.**
- **Anti-corruption effectiveness:** the ability of administrative structures to identify, prevent, and counteract corruption practices among officials

Measuring these enablers helps identify not only the current vulnerabilities to state capture but also the potential future dynamics of capture processes. Because they are structural features of governance, their strength or weakness shapes how susceptible institutions are to corruption and how resilient they can be against elite influence.

Across all four countries, regulatory agencies responsible for oversight in the energy and mining sectors frequently lack operational autonomy, depend heavily on political appointments, and face chronic resource constraints. This institutional weakness allows political executives to steer procurement decisions, licensing, and investment strategies in alignment with their partisan agendas.

Figure 3. SCAD Institutional Enablers Results



Source: CSD.

Venezuela emerges as the most vulnerable case among the four countries. Its aggregated score (80%) reflects pervasive institutional fragility. Bolivia (70%) and Mexico (68%), while not as extreme as Venezuela, also display substantial fragility. By contrast, Argentina appears comparatively more resilient recording the lowest level of vulnerability in the group (50%).

In Venezuela, these vulnerabilities extend across most economic sectors. In Mexico and Bolivia, and to a lesser extent Argentina, the vulnerabilities are not as generalized but remain concentrated in specific sectors that form the backbone of state capture. Both Mexico and Bolivia exhibit pronounced weaknesses in public institutions tied to economic rents, regulatory frameworks, and law enforcement/coercive bodies. Mexico, also shows deep vulnerabilities in institutions responsible for social and distributive policies, highlighting broader risks to governance and accountability.

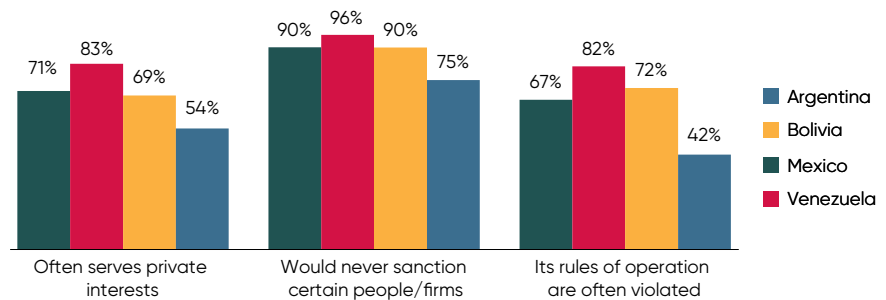
Impartiality of Public Officials

Public service systems in Latin America remain highly politicized. Senior civil service appointments in ministries, regulatory agencies, and SOEs are routinely made on political grounds, leading to frequent turnover and discontinuity. Within the SCAD framework, these dynamics are captured by the **Lack of Imparciality indicator**, which assesses the extent to which institutions apply rules fairly and consistently. This subindex includes sub-indicators measuring whether public bodies serve private interests, fail to sanction certain individuals or companies, or violate internal rules and procedures, all of which signal partiality and institutional vulnerability.

Bolivia and Venezuela, where executive dominance is more pronounced, have effectively dismantled the separation between political authority and public administration, converting regulatory agencies into extensions of the ruling parties. **Venezuela** stands out for its profound **lack of impartiality**: 83% say institutions serve private interests, 96% note that certain actors are never sanctioned, and 82% observe frequent rule violations. Key sectors affected include Security and Intelligence (Bolivarian National Intelligence Service (SEBIN), Scientific, Penal, and Criminal Investigations Corps

(CICPC), and Bolivarian National Police Corps (CPNB), and the Judiciary (Public Prosecutor's Office, Comptroller General), which enable repression and selective law enforcement. Recent examples include the 2024 embassy sieges,⁶ political repression, arbitrary detentions, such as that of Maracaibo's opposition mayor, Rafael Ramírez Colina,⁷ and selective law enforcement.⁸

Figure 4. Lack of Impartiality Subindex



Source: CSD.

In **Bolivia**, Hydrocarbons and Mining (the Ministry of Mining and Metallurgy, Ministry of Hydrocarbons and Energy, YPFB) are particularly compromised, with systemic opacity and weak accountability mechanisms. Beyond energy and mining, justice, accountability and other economic regulator bodies such as the Comptroller General, authorities in charge of the State Contracting Information System (SICOES),⁹ and Regulatory Authority for the Telecommunications and Transportation Sector (ATT) are politicized and lack independence, reinforcing impunity. The Ministry of Justice has faced criticism for politically motivated interventions, including requesting investigations against judges whose rulings conflicted with government interests. Successive administrations have used prosecutors and courts to target political opponents: Evo Morales's government pursued legal cases selectively against rivals, while later opposition administrations exerted similar pressures on prosecutors and judges.¹⁰ The Public Prosecutor's Office similarly operates selectively, often shielding individuals connected to political elites.

Other sectors, including public works, customs, and internal security, exhibit comparable systemic weaknesses. The Ministry of Public Works, Services and Housing, the National Customs Agency (ANB), and the Ministry of

⁶ Pagni, C., "La embajada que se convirtió en cárcel en Venezuela", *El País*, December 3, 2024.

⁷ Singer, F., "El servicio de inteligencia venezolano detiene al alcalde de Maracaibo", *El País*, October 2, 2024.

⁸ Mújica, J.M.A., *The dramatic increase of violent crime in Venezuela since 1999: The Relationship between homicide and the country's new role in drug trafficking*, Student Paper Series 23, Institut Barcelona Estudis Internacionals, 2015.

⁹ The supervision falls under the State Contracting Information System (SICOES), which is managed by the Vice Ministry of Budget and Fiscal Accounting and is responsible for the publication and control of information.

¹⁰ Human Rights Watch, "Justice as a Weapon. Political Persecution in Bolivia", September 11, 2020.

Government frequently violate rules and enforce them selectively.¹¹ Customs authorities have been accused of tolerating smuggling and favoring politically connected businesses,¹² while infrastructure projects are often allocated to serve partisan or private interests rather than the public good.¹³

In **Mexico**, the results highlight an additional area of vulnerability: social and distributive policy institutions, which form a distinct cluster reflecting other governance and accountability risks. Law enforcement and coercive agencies, including the Office of the Attorney General of the Republic (FGR), National Customs Agency of Mexico (ANAM), and Secretariat of National Defense (SEDENA), are widely perceived as non-transparent and unaccountable, with significant exposure to corruption. Concerns about selective enforcement are heightened by the expanding role of the military in public security, drug interdiction, and infrastructure protection, combined with limited civilian oversight, blurring the lines between military and civilian functions.

In the economic sphere in Mexico, PEMEX and Secretariat of Energy (SENER) exemplify the entanglement of political power and energy rents. The Odebrecht-Pemex case illustrates this dynamic: the Brazilian firm admitted to paying bribes in multiple countries, including Mexico, to secure contracts with PEMEX,¹⁴ yet criminal convictions in Mexico have been sparse or contested, often limited to administrative sanctions. This underscores how powerful actors are rarely punished, transparency and accountability rules are frequently bypassed, and contract eligibility and performance standards are compromised. SENER has been criticized for restrictive regulations that favor state-owned enterprises and limit competition in renewables, while the Secretariat of Environment and Natural Resources (SEMARNAT) is highly vulnerable to regulatory capture in land, water, and resource management, giving large companies preferential access to water at the expense of local communities and ecosystems.¹⁵

Argentina shows relatively greater resilience against vulnerabilities to state capture. Impartiality challenges remain (57%), but they are less severe, although concerns over transparency (71%) and accountability (54%) persist. This relatively stronger performance reflects the presence of more robust institutional structures, functional checks and balances (30%) and moderate rule enforcement, that prevent private interests from fully dominating state decisions and ensure at least minimal accountability.

¹¹ Gan Integrity, “Bolivia risk report”, November 5, 2020; Humans Rights Watch, “Justice as a Weapon: Political Persecution in Bolivia”, September 11, 2020.

¹² Agencia de Noticias Fides, “They come in through legal channels”: reports claim that ‘technical smuggling’ is shielded by fake invoices and complicit officials”, September 29, 2025; Agencia de Noticias Fides, “Customs announces proceedings against 143 corrupt officials”, May 27, 2009.

¹³ Tierra Plus Noticias, “UPRE: Government accuses the ‘Evo Cumple’ program of over Bs 15 billion in political patronage spending between 2011 and 2019”, February 18, 2020.

¹⁴ Zulbarán, G.M.V., Guerrero, A.C., and Ceballos, E.G.S., “Anti-Corruption 2025: Mexico”, *Chambers and Partners*, November 22, 2024.

¹⁵ Kruckova, L., and Turner, R., *Access to Water and Sanitation: Analysis of the Mexican legal framework from a human rights perspective*, WaterLex, 2017.

However, the analysis of specific institutions highlights that vulnerabilities are not evenly distributed. Core ministries such as the Ministry of Economy, the Ministry of Justice, the General Directorate of Customs (DGA), Customs Collection and Control Agency (ARCA),¹⁶ and the Ministry of Interior, Public Works, and Housing repeatedly appear across multiple indicators, reflecting concentrated systemic weaknesses where state capture is most likely to occur. For instance, despite reforms, the Ministry of Justice continues to struggle with perceptions of bias and inefficiency within the criminal justice system.¹⁷

Oversight and specialized agencies, including the National Social Security Administration (ANSES), the Financial Intelligence Unit (UIF), and the Ministry of Human Capital, also show recurring vulnerabilities, pointing to structural risks even within institutions designed to enforce accountability. At the same time, attempts by the government to overuse necessity and urgency decrees, sideline Congress, weaken checks and balances, and influence judicial appointments,¹⁸ illustrate the pressures these institutions face. Nonetheless, Argentina's institutional strength is evident: the Supreme Court (CSJ) has remained relatively independent, continuing to investigate high-level corruption, including the fraud case against the former President Cristina Fernández de Kirchner.¹⁹

While energy sector institutions including the National Electricity Regulatory Entity (ENRE), ENARGAS, and the state-owned oil and gas major, YPF, are perceived as less vulnerable overall, they still face regulatory and political influence. Oversight is fragmented across the National Energy Secretariat, provincial authorities, and private actors, contributing to policy instability, particularly in critical areas such as the Vaca Muerta shale formation.

This pervasive lack of impartiality weakens rule enforcement and creates an environment in which loyalty and discretion, rather than competence and legality, determine administrative outcomes. It also perpetuates informal hierarchies of privilege within state institutions, where access to decision-making is determined by proximity to political power. The regulatory environment in Latin America remains heavily skewed toward politically connected firms and consortia. Discretionary licensing procedures and opaque procurement practices are the primary channels through which capture manifests.

¹⁶ Decree 953/2024 established the Customs Collection and Control Agency (ARCA), integrating the functions of the General Directorate of Customs (DGA) and the General Directorate of Taxation (DGI) into a single autonomous entity. ARCA replaces the former Federal Administration of Public Revenues (AFIP).

¹⁷ Stephens, L. et al., *Measuring the Efficacy of the Federal Justice System in Argentina*, University of Virginia, School of Law, 2024.

¹⁸ Bertelsmann Stiftung, *Argentina Country Report 2024*, BTI Transformation Index Project, 2024.

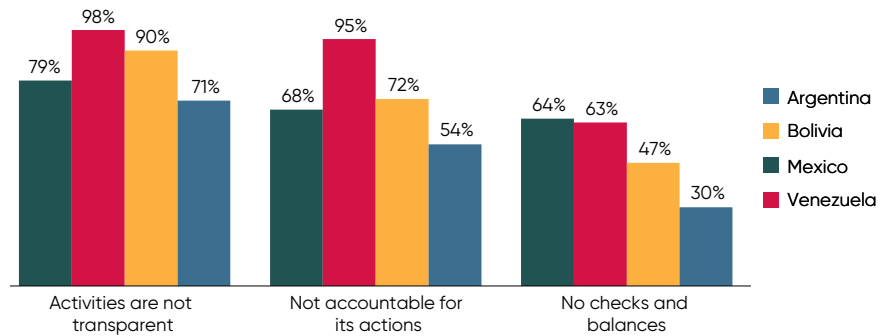
¹⁹ Miller, L., and Sigal, L., "Argentina top court draws curtain on Cristina Kirchner's political era", *Reuters*, June 11, 2025.

Weak Integrity and State Capture

Institutional integrity varies sharply across the region, revealing critical vulnerabilities that enable state capture. Within the SCAD framework, the **Lack of Integrity** subindex assesses the degree to which public institutions uphold ethical and governance standards through three key dimensions: transparency, accountability, and the availability of checks and balances. The results show wide disparities.

Venezuela, again, emerges as the most fragile, with an aggregated lack-of-integrity score of 86%, marked by near-total opacity (99%), extreme lack of accountability (95%), and weak checks and balances (62%). Mexico and Bolivia both show significant deficiencies at 70%, driven by high non-transparency (79% and 90%) and weak accountability (68% and 72%), though their institutional checks are somewhat stronger. Argentina demonstrates comparatively greater resilience, scoring 52% overall, with lower transparency and accountability gaps and the strongest functioning checks and balances (30%), suggesting that even amid systemic pressures, some institutional safeguards can help mitigate capture.

Figure 5. Lack of Integrity Subindex



Source: CSD.

Venezuela’s institutions reveal a deliberate and extensive destruction of integrity standards. The Public Prosecutor’s Office lacks independence, is highly politicized, and has been widely criticized for its systematic failure to investigate serious human rights violations, particularly those committed by state agents, resulting in near-total impunity.²⁰ Likewise, the Comptroller General’s Office suffers from political influence, poor transparency, and an inability to act as an effective oversight body or investigate corruption.²¹ In the energy and natural resources sector, PDVSA and the Ministry of People’s Power for Petroleum (MPPP) dominate, consolidating control over the

²⁰ International Commission of Jurist, “Venezuela: Systematic failure by the Prosecution Office to tackle gross human rights violations brings about near total-impunity”, April 30, 2024.

²¹ UNCAC Coalition, “New civil society report on Venezuela: dismantling of systemic corruption; more transparency and independence of the judiciary needed”, October 3, 2024.

country's primary revenue streams. These institutions are involved in large-scale embezzlement,²² high-level arrests,²³ and pervasive corruption.²⁴

The government ceased publishing fiscal statistics in 2010, the central bank stopped publishing key economic indicators after 2013 and national budget reports disappeared after 2016. In 2020, the Anti-Blockade Law granted the government authority to classify any information as reserved or confidential. Emergency decrees allowed public spending outside parliamentary or citizen oversight, while parallel mechanisms such as extra-budgetary funds institutionalized secrecy and cronyism.

Both **Bolivia** and **Mexico** have a Lack of Integrity subindex of 70%, reflecting a similar overall perception of institutional vulnerability. However, Bolivia's vulnerability is driven primarily by extreme deficits in transparency, whereas Mexico's institutional integrity gaps can be observed across multiple indicators despite the relatively stronger institutional oversight.

Bolivia's integrity gaps are particularly pronounced in the hydrocarbons and mining sectors, echoing patterns seen in Venezuela, though on a smaller scale. For example, YPF has been under investigation for overpricing fuel purchases through its subsidiary Botrading,²⁵ even as the country struggles with fuel shortages and dependence on imports from Russia.²⁶ Simultaneously, YPF has initiated legal actions against whistleblowers reporting irregularities. These practices undermine transparency, discourage the reporting of misconduct, and protect powerful actors, illustrating how integrity gaps can entrench state capture.

Mexico faces similar vulnerabilities in the same sectors, with high transparency (79%) and accountability failures (68%). Prominent corruption cases, such as Odebrecht/Pemex,²⁷ highlight institutional weaknesses in sanctioning misconduct. PEMEX and SENER exemplify the entanglement of political power with energy rents. PEMEX, in particular, has been implicated in bribery and direct awards,²⁸ overpriced contracts, irregular budgeting,²⁹

²² Joaquín Gil, J., and Irujo, J.M., "Tres empresarios movieron 138 millones del saqueo de Petróleos de Venezuela", *El País*, December 14, 2024.

²³ Financial Times, "Venezuela arrests former Maduro allies in oil corruption probe", April 9, 2024.

²⁴ Energy News, "PDVSA scandal: \$17 billion lost to corruption", April 26, 2024.

²⁵ La Derecha, "Scandal: Carlos Alarcón demanded an investigation into the business between YPF and Botrading", March 18, 2025.

²⁶ Reuters, "Russia increases fuel supply to Bolivia amid rising energy crisis", March 28, 2025.

²⁷ Dilge, K., "Former PEMEX CEO Lozoya will face trial for Odebrecht scandal", *Mexico Business News*, March 14, 2023.

²⁸ Eschenbacher, S., "Texas businessmen indicted for allegedly bribing officials at Mexico's Pemex", *Reuters*, August 11, 2025; Organized Crime and Corruption Reporting Project, "Ex-Boss of Mexico's Oil Company Pleads not Guilty in Odebrecht Case", July 30, 2020.

²⁹ Guerrero, G.T., "Corruption in the Mexican Energy Industry: Recommendations and Proposals", *Wilson Center's Mexico Institute*, October 4, 2016.

fuel theft (“Huachicol”)³⁰, and internal collusion.³¹ These incidents are far from isolated, cases like *La Estafa Maestra* (“The Master Swindle”),³² involving contracts awarded to companies later found to be fraudulent or insolvent,³³ illustrate the persistent pattern of corruption.

Argentina, by contrast, shows more moderate integrity gaps. Concerns about transparency remain (71%) but checks and balances are comparatively stronger (30%). While persistent corruption scandals of high-profile political figures accused of bribery, misuse of funds, or nepotism such as the diversion of public road construction contracts in Patagonia by Cristina Fernández de Kirchner³⁴ or the Karina Milei (sister of President Javier Milei) alleged bribery scheme³⁵ undermine trust in governance, integrity is supported by relatively independent oversight mechanisms, including a transparent public procurement system. While participation is voluntary for some government entities, the system provides access to procurement information, fostering oversight and accountability,³⁶ among others.

Ineffectiveness of Anticorruption Enforcement

The institutional enablers of capture are further reinforced by limited anticorruption enforcement and judicial dependence. While formal legal frameworks are generally robust, their implementation is selective and influenced by political considerations. Within the SCAD framework, this dynamic is captured by the Ineffectiveness of **Anti-Corruption Policies subindex**, which examines how effectively public institutions prevent, detect, and sanction corruption. The subindex is composed of three sub-indicators: 1) external corruption pressure, 2) pressure from higher-ranking officials, and 3) involvement in corruption, which together reflect both the external and internal constraints that undermine enforcement.

Across the region, the riskiest factor concerns the level of high-level political interference, where senior political actors influence or obstruct investigations, contributing to the infrequent prosecution of large-scale corruption cases in the extractive industries despite consistent evidence of irregularities in procurement and concession allocation.

³⁰ Fiscal huachicol refers to the smuggling of fuel through falsified documents, allowing illicit actors to evade the payment of taxes such as IEPS (Special Tax on Production and Services) and VAT (Value Added Tax). These practices have caused an estimated annual loss of \$9 billion to the Mexican treasury. Suárez, K., “Fiscal fuel theft, a hole of more than 9 billion dollars a year for Mexican finances”, *El País*, June 8, 2025.

³¹ Dittmar, V., “Layers of Corruption Facilitate Fuel Theft in Mexico”, *InSight Crime*, May 26, 2017.

³² Lakhani, N., “How a Mexican state siphoned off millions – and a reporter risked her life to expose it”, *The Guardian*, May 31, 2023.

³³ Nicolás-Carlock, J.R., and Luna-Pla, I., “Organized crime behavior of shell-company networks in procurement: prevention insights for policy and reform”, *Trends in Organized Crime*, Volume 27, 2024, pp. 412–428.

³⁴ Miller, L., and Sigal, L., “Argentina top court draws curtain on Cristina Kirchner’s political era”, *Reuters*, June 11, 2025.

³⁵ Debre, I., “Secret audios, dramatic leaks, spying claims: A bribery scandal engulfs Argentina’s Milei”, *AP News*, September 7, 2025.

³⁶ Bertelsmann Stiftung, *Argentina Country Report 2024*, BTI Transformation Index Project, 2024.

Box 2. State Capture as an Instrument of Foreign Influence

A defining feature of state capture in Latin America's strategic sectors is the growing role of foreign state and corporate actors in reinforcing domestic capture networks. Partnerships with Russian and Chinese companies, in particular, have introduced new channels of influence that combine economic and geopolitical objectives.

In Venezuela, Russian oil companies and Chinese development banks have provided financial lifelines to PDVSA through opaque loans and joint ventures that bypass public scrutiny. Between 2001 and 2017, Venezuela received over USD 100 billion in loans and investments through the Venezuela-China High-Level Joint Commission (CMAN) and the Venezuela-Russia High-Level Intergovernmental Commission (CIAN), often in exchange for oil shipments. Chinese and Russian companies partnered with PDVSA on major investments and public acquisitions without competitive bidding.³⁷ These inflows strengthened opaque parallel institutions, widened governance gaps, facilitated corruption, increased foreign debt, and enabled external actors to influence domestic politics, disseminate propaganda, and block international responses to the humanitarian crisis.

Bolivia's partnerships with Chinese state enterprises in lithium and natural gas development follow a similar pattern of non-transparent contracting and overreliance on external financing.³⁸ In Mexico and Argentina, the growing presence of Chinese investment in renewable energy, infrastructure, and mining introduces new governance challenges, as regulatory oversight remains fragmented and enforcement limited.

These forms of external engagement often replicate domestic capture dynamics rather than mitigating them. They strengthen the leverage of incumbent elites, reduce fiscal transparency, and undermine the capacity of independent institutions to regulate strategic sectors in the public interest.

The weakness of enforcement institutions leads to a pattern of impunity that sustains capture networks. In many cases, high-level corruption cases involving SOEs or large extractive contracts remain unresolved, while mid-level officials or political opponents are selectively targeted to demonstrate superficial accountability.

Venezuela (88%) emerges as the most severely affected, reflecting pervasive gaps in enforcement, accountability, and oversight. Mexico and Bolivia follow closely with scores of 78%, while Argentina (58%) shows comparatively lower, but still notable, weaknesses.

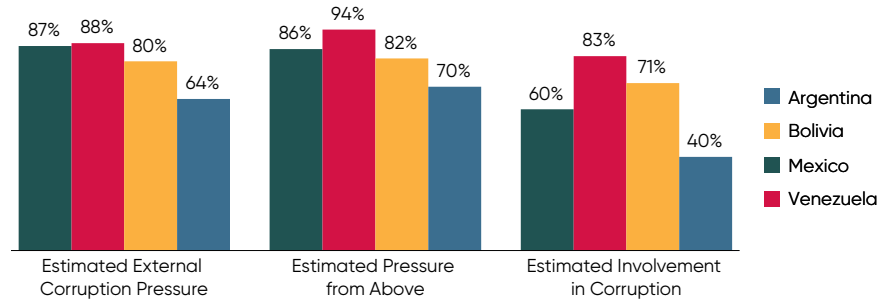
Anticorruption agencies across the four countries exhibit significant asymmetries between formal powers and actual performance. In Mexico and Argentina, special prosecutors and audit bodies operate within relatively autonomous legal frameworks but face chronic underfunding, procedural delays, and political pressure in high-profile cases. In Bolivia and Venezuela,

³⁷ Transparencia Venezuela, 2020. *The China Deals*. Agreements that have undermined Venezuelan democracy. Transparencia Venezuela, 2022. *Agreements with Russia*. Geopolitical Alliance.

³⁸ Vladimirov, Rueda, and Osipova, *Global Reach: The Kremlin Playbook in Latin America*, Sofia: CSD, 2024.

the anticorruption architecture has been subordinated to executive control, serving primarily as a tool for political coercion rather than impartial enforcement.

Figure 6. Ineffectiveness of Anti-Corruption Policies Subindex



Source: CSD.

The likelihood that superiors would order staff to carry out unauthorized or illicit activities reaches **94% in Venezuela**. Among the most captured institutions are political governance bodies such as the National Electoral Council (CNE), critical for democratic processes; economic and environmental ministries including Ministry of People’s Power for Ecosocialism (MINEC), Ministry of People’s Power for Agriculture and Lands (MPPAT), and Ministry of People’s Power for Public Works (MPPPOP); and additional law enforcement and internal security bodies such as the Ministry of Popular Power for Interior, Justice, and Peace (MMPRIJP).

Clientelist social programs in Venezuela, including the Missions³⁹ and the Patria system,⁴⁰ have further entrenched political control, repurposing institutions to consolidate power rather than serve citizens. Parallel mechanisms, including extra-budgetary funds like Fonden⁴¹ and emergency decrees, have allowed public spending outside parliamentary or citizen oversight, further weakening accountability.

Bolivia (78%) and Mexico (78%) illustrate the significant challenges both countries face in effectively implementing anticorruption policies. Remarkably, when it comes to estimated external corruption pressure, including bribery, influence trafficking, and illegitimate lobbying, Mexico (87%) and Bolivia (80%) approach levels seen in Venezuela (88%), often considered an extreme case in the region.

³⁹ The Bolivarian Missions, launched by Hugo Chávez in 2003 and continued under Nicolás Maduro, aimed to provide education, healthcare, and food security to marginalized communities. They increasingly became tools of political patronage, with benefits tied to political loyalty. The programs also suffered from inefficiencies and lack of transparency, with some centers, such as Barrio Adentro, underutilized or abandoned. PDVSA was the major financier of the missions.

⁴⁰ Transparencia Venezuela, *Carnet de la patria, El apartheid revolucionario*, 2019. The Patria System is a digital platform for managing social benefits, centered on the *Carnet de la Patria*, a smart ID card developed with China’s ZTE that links to a database of personal, medical, and even voting behavior, and political affiliation.

⁴¹ Transparencia Venezuela, “The Fonden committed more than USD 174 billion to opaque and unfinished projects”, June 2021.

Box 3. Venezuela's Captured State: Two Decades of Institutional Dismantling, Corruption, and Survival

SCAD's results for Venezuela are not the result of perception bias but the outcome of two decades of deliberate institutional dismantling. Institutions that once functioned as guarantors of accountability have been transformed into mechanisms that sustain an authoritarian kleptocracy. For most of its democratic period (1958–1999), the country operated on an “income distribution” model, allocating oil rents in a clientelist way to officials, party members, the military, and protected businessmen. This encouraged rent-seeking, but it was counterbalanced by competitive elections, alternation in power, a bicameral parliament, independent courts, and fiscal and political decentralization after 1989. The election of Hugo Chávez in 1998 and the approval of the 1999 Constitution dramatically altered this balance. Parliament soon granted him enabling powers, which paved the way for the co-optation of oversight bodies, the reversal of decentralization, and the concentration of power in the presidency.

Institutional capture deepened with the expansion of the Supreme Court from 20 to 32 justices in 2004, ensuring executive dominance. By 2020, 881 provisional judges had been appointed without competitive processes.⁴² The 2022 restructuring of the Court maintained partisan control, allowed unconstitutional reelections, and conducted appointments in secrecy. Leadership was overtly political: Caryslia Beatriz Rodríguez, president of the Court in 2024, was a PSUV politician who validated Nicolás Maduro's reelection in a widely criticized process.⁴³ The Comptroller General, Elvis Amoroso, a self-declared chavista, led the office from 2018 to 2023 without disclosing audits of PDVSA, electricity, food, or health sectors, and later became president of the National Electoral Council, which oversaw electoral fraud in 2024.⁴⁴ The Prosecutor General eliminated the administrative career in 2018, leaving prosecutors in provisional status.⁴⁵ Together, these bodies legalized opacity and ensured impunity.

The legislature was neutralized through states of exception between 2016 and 2021, which allowed the Executive to allocate extraordinary funds, bypass procurement and foreign exchange rules, and manage imports and nationalizations in secrecy. Budget transparency collapsed as fiscal statistics stopped being published since 2010 and the Anti-Blockade Law granted the government the power to classify any information as reserved or confidential.

Economic controls became tools for predation. Exchange controls in force since 2003, though partially lifted in 2018, were re-criminalized in 2025, granting the executive 21 years of discretion over foreign currency.⁴⁶ Corruption scandals such as the USD 20 billion Cadivi⁴⁷ embezzlement illustrate the scale of losses. Price controls, also introduced in 2003, distorted markets, created black

⁴² Rivera, A.S., and Andreu-Guzmán, A., *The Supreme Court of Justice of Venezuela: an Instrument of the Executive Branch*, International Commission of Jurist, 2017.

⁴³ El País, “Venezuela's Supreme Court confirms Maduro's victory amid criticism regarding its lack of independence”, August 22, 2024.

⁴⁴ Transparencia Venezuela, *Venezuela Report: Monitor of the Lima and Los Angeles Commitments*, Citizen Corruption Observatory, September 2024.

⁴⁵ Acceso a la Justicia, “The consolidation of a de facto State in Venezuela”, Session 40, January-February 2022.

⁴⁶ Salmerón, V., “Currency crisis in Venezuela: rise of cryptocurrencies and arrests for sharing the parallel dollar on social media”, *El Observador*, May 30, 2025.

⁴⁷ González, D., “And what happened to Cadivi?”, *Transparencia Venezuela*.

markets, and deepened shortages. In June 2025, the government announced the return of “agreed prices” for basic goods.⁴⁸

The extra-budgetary funds such as Fonden (National Development Fund), which alone managed USD 174.8 billion between 2005 and 2015 disbursed for either incomplete or economically irrelevant projects.⁴⁹ PDVSA financed social programs with USD 126.1 billion between 2003 and 2014, while dozens of parallel funds operated outside parliamentary control.⁵⁰ At the same time, the social “Missions,” launched in 2003 to provide health, food, and housing, lacked eligibility criteria, monitoring, or human rights approaches, and were riddled with corruption, such as overpriced or unsuitable food imports. They became electoral tools tied to the Patria digital system, designed with Chinese firm ZTE to track beneficiaries and enforce political control.⁵¹

The entrepreneurial state strategy created, nationalized, or expropriated more than 430 enterprises between 2001 and 2020. Mismanagement, politicization, and opacity doomed the hundreds of SOEs, and by 2015 the government began secretly negotiating handovers to private actors. By 2023, at least 48 companies had been transferred under opaque agreements, and in 2024 Conindustria reported negotiations involving 350 more.⁵²

Foreign alliances also fueled capture with Chinese and Russian loans and investments exceeded tied to oil shipments and joint projects without bidding.⁵³ These inflows widened governance gaps, increased debt, and allowed Beijing and Moscow to shield the Venezuelan regime internationally. Militarization reinforced the system, with active and retired officers running ministries, embassies, customs, ports, and SOEs, consolidating loyalty networks across the state.

As the oil economy collapsed, with GDP contracting nearly 80% between 2014 and 2021, hyperinflation lasting two years, and more than 20% of the population migrating, illicit economies filled the vacuum.⁵⁴ The Orinoco Mining Arc, created in 2016 over 111,843 km², legalized destructive mining that displaced indigenous communities and empowered armed groups tolerated by state forces. By 2021–2022, illicit activities, including gold and fuel trafficking, drug trade, and smuggling—generated more than USD 9.4 billion, equivalent to 16–22% of GDP.⁵⁵

Venezuela’s trajectory reveals how cronyism embedded in an oil-rent democracy evolved into institutional capture under Chávez and kleptocratic survival under Maduro, increasingly reliant on secrecy, militarization, foreign patronage, and illicit economies. The result has been the dismantling of democratic governance, the collapse of productive capacity, and the entrenchment of a captured state that prioritizes regime permanence over national welfare.

⁴⁸ Finanzas Digital, “Venezuela adjusts prices of essential goods: new scheme will be published in the Official Gazette”, June 2, 2025.

⁴⁹ Transparencia Venezuela, “The Fonden committed more than USD 174 billion to opaque and unfinished projects”.

⁵⁰ Mora Contreras, J., “Venezuela: Oil and 21st Century Socialism”, *Encyclopédie de l'énergie*, May 4, 2020.

⁵¹ Transparencia Venezuela, “Carnet de la patria. El apartheid revolucionario”, 2019.

⁵² Transparencia Venezuela, *State-owned companies: A model of control (2017 – 2022)*.

⁵³ Transparencia Venezuela, *The China Deals. Agreements that have undermined Venezuelan democracy*, August 2020; Transparencia Venezuela, *Agreements with Russia. Geopolitical Alliance*, August 2022.

⁵⁴ Transparencia Venezuela, *Manual Against Corruption: 12 Actions and One Mandate*, 2019.

⁵⁵ Singer, F., “Illicit economies generate one-fifth of Venezuela’s GDP”, *El País*, September 10, 2022.

In Bolivia, impunity is reinforced by a politicized Public Prosecutor's Office and weak oversight bodies. Similarly, in Mexico, institutional oversight struggles to tackle systemic bribery and favoritism. Corruption permeates multiple sectors, highlighting both deep structural vulnerabilities and the uneven impact of anticorruption measures.

Despite existing legal frameworks, anticorruption enforcement in both countries has yielded mixed results. Some actors, like Lozoya⁵⁶ and businessman Alonso Ancira,⁵⁷ have faced prosecution or financial restitution, yet many high-level beneficiaries of corruption remain unaccountable. Regulatory fines, ongoing investigations, and even international responses, such as Norway's divestment from Pemex,⁵⁸ signal partial progress but also highlight persistent gaps in enforcement.

In Argentina, anti-corruption mechanisms have moderate effectiveness (58%). External pressures (64%) and top-down interference (70%) exist, but perceived actual involvement in corruption is lower (40%), enabling partial enforcement. Argentina's key ministries and agencies experience political interference, yet institutional frameworks prevent full systemic capture.

Historical and structural contexts shape these outcomes. Venezuela's capture reflects long-term clientelism and politicized institutions. Bolivia's selective enforcement is reinforced by politicized justice and centralized resource control. Mexico's embedded corruption arises from clientelistic policies, and weak institutional accountability. Argentina's relative resilience stems from independent oversight and historical institutional robustness, although concentrated vulnerabilities persist.

Private Interests in Public Power

Private interest bias subindex reflects how effectively public institutions oversee compliance and impose sanctions for misconduct. Within the SCAD framework, it captures whether oversight bodies exercise consistent control or act selectively, sporadically, or not at all. High vulnerability scores indicate that enforcement is irregular and often shaped by political or private influence rather than institutional mandates.

Venezuela (61%) ranks as the weakest performer, reflecting **near-total erosion of oversight capacity**. Core institutions such as the Ministry of Popular Power for Interior, Justice, and Peace (MMPRIJP) operate with minimal control and no meaningful sanctioning, allowing both political and private actors to act with impunity. Protests-related killings remain

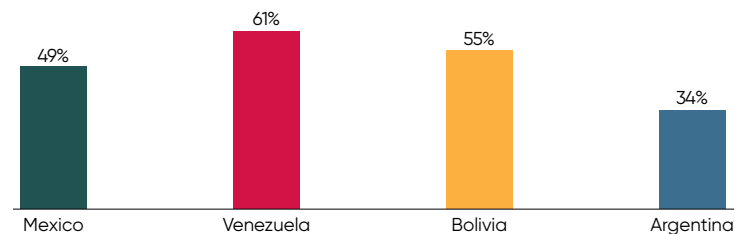
⁵⁶ Infobae, "FGR prepares a new indictment against Emilio Lozoya", April 19, 2022; Mexico Business, "SCJN Denies Emilio Lozoya's Appeal for Second Time", February 20, 2024.

⁵⁷ Sleinan, J.P., "Mexican Executive to Pay \$219m to Avoid Graft Trial", *Organized Crime and Corruption Reporting Project*, February 12, 2021; El País, "The Sheinbaum Government and businessman Alonso Ancira clash over the multi-million compensation agreement with Pemex", August 13, 2025.

⁵⁸ Suárez, K., "A Norwegian government investment fund exits Pemex due to suspicions of corruption against it", *El País*, May 12, 2025.

overwhelmingly unpunished⁵⁹, and the country ranks last globally on rule-of-law and regulatory enforcement.⁶⁰

Figure 7. Private Interest Bias Subindex



Source: CSD.

Bolivia (55%) and Mexico (49%) show moderate but entrenched weaknesses. In **Bolivia**, YPF, the Ministry of Hydrocarbons and Energy, and the Ministry of Mining and Metallurgy display selective enforcement, with sanctions applied inconsistently and often influenced by political or corporate considerations, particularly in opaque contracts with Russian and Chinese firms.⁶¹ The Chinese CAMC Engineering scandal, involving multimillion-dollar contracts awarded amid conflicts of interest and limited accountability,⁶² exemplified how politically connected firms benefited from lax oversight. Similarly, the permissive treatment of mining cooperatives, which have been allowed to operate without full environmental licensing or contractual compliance,⁶³ illustrates the authorities' reluctance to sanction influential domestic actors, particularly in extractive sectors linked to Russian and Chinese investments.

In Mexico, oversight bodies such as SENER and SEMARNAT exhibit similar dynamics: sanctions are rare, and investigations are typically reactive or politically driven, reinforcing patterns of discretionary enforcement. For instance, SENER's 2020 decrees effectively restricted access for renewable-energy firms and restored preferential status to the state-owned CFE, illustrating how energy policy can be used to advantage the SOE rather than enforce neutral regulation.⁶⁴ At the same time, SEMARNAT's mandate over water, land, and resource concessions is highly vulnerable to capture, as large

⁵⁹ According to Amnesty International, there were still no convictions for approximately 95 percent of the killings that occurred during peaceful demonstrations in Venezuela between 2014 and 2024. Amnesty International, *Venezuela 2024*, April 2025.

⁶⁰ World Justice Project, "Venezuela Ranks 142 out of 142 in the World Justice Project Rule of Law Index", October 23, 2024.

⁶¹ Vladimirov, Rueda, and Osipova, *Global Reach: The Kremlin Playbook in Latin America*, Sofia: CSD, 2024.

⁶² Killeen, T., "Chinese business in the Amazon generates controversy", *Mongabay*, March 21, 2025.

⁶³ Erbol, "Government allows cooperatives to exploit gold without mining contracts under a 'formalization plan'", April 16, 2025.

⁶⁴ Grunstein, M., "The Land of the Setting Sun: Mexico's Disregard for the Law in Renewable Energy Policy", *Baker Institute for Public Policy*, August 17, 2020.

firms frequently obtain favorable access while community and ecosystem concerns receive little sanctioning or oversight.⁶⁵

Argentina (34%) demonstrates comparatively stronger oversight, though enforcement remains uneven. The Ministry of Justice, the Anti-Corruption Office (OA), and fiscal authorities such as the DGA and ARCA exercise partial control but face political interference and opacity cases. The Chevron–Vaca Muerta agreement between state-controlled YPF and Chevron remained undisclosed for years despite court rulings under the Transparency Law, with YPF appealing to the Supreme Court and releasing only a redacted version in 2015.⁶⁶ Similarly, the Lukoil–ENARSA–Pobater partnership illustrated weak oversight of strategic deals, where foreign SOEs and politically connected domestic entities operated within opaque regulatory and fiscal arrangements.⁶⁷ Together, these cases reveal persistent opacity in strategic sectors, despite Argentina’s comparatively more functional accountability framework.

Business Capture

The Business State Capture Pressure (BSCP) subindex reveals the presence of persistent, well-established forms of state capture across the region. Although all countries register **medium risk levels (between 28% and 50%)**, the differences among them are significant, underscoring the need for targeted preventive policies and sector-specific measures.

The General Monopolization Pressure, a subcomponent of the BSCP,⁶⁸ ranks Venezuela first, with the highest subindex values across most sectors, particularly in crude oil and natural gas extraction (98%), among the four countries. Bolivia (82%) and Mexico (69%) also identify this sector as the most vulnerable within their respective economies.

The Ineffectiveness of Antimonopoly Laws indicator reaches its highest values in Venezuela, with the strongest concentrations, above 70%, in the energy sector. This includes crude oil and natural gas extraction (86%), coke and refined petroleum manufacturing (71%), mining support activities (70%), and electricity, gas, steam, and air-conditioning supply (75%).

The specific monopolization pressure index focuses only on non-market mechanisms, which provide illegitimate competitive advantage and when occurring systemically, are a strong predictor of state capture in a sector. As a sub-component of BSCP, this indicator reveals the

⁶⁵ Kruckova, L., and Turner, R., *Access to Water and Sanitation: Analysis of the Mexican legal framework from a human rights perspective*, WaterLex, 2017.

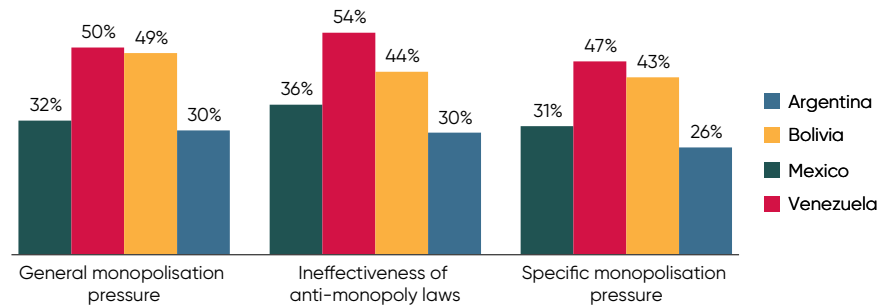
⁶⁶ Supreme Court of Justice, “The Court ordered the disclosure of the clauses of the agreement signed by YPF and Chevron for the exploitation of hydrocarbons in ‘Vaca Muerta’”, November 10, 2015.

⁶⁷ Energy Intelligence, “Lukoil Inks MOU as Argentine Leader Visits”, December 9, 2008.

⁶⁸ The BSCP subindex is composed of three sub-components that measure different elements of business capture – General monopolisation pressure, which reflects the existence of different forms of market concentration (monopoly, oligopoly or cartel), Ineffectiveness of antimonopoly laws, which is a stand-alone indicator, and Specific monopolisation pressure, which refers to a set of illegitimate and illegal practices resulting in undue advantages (public procurement concentration, lobbyist laws, selective control and sanctions and selective public support measures).

presence of **four specific problems strongly linked to illegitimate and illegal practices**: (1) privileged access to procurement, (2) laws providing illegitimate competitive advantage to certain businesses, (3) selective application of control and/or sanctions, and (4) concentration of public grants and subsidies to selected companies in the sector. The most vulnerable sectors across all countries are those related to the energy industry, as well as telecommunications, all registering values well above 50%.

Figure 8. Business Capture Subindex



Source: CSD.

Business capture manifests most clearly in the structure of ownership and market concentration within extractive industries. The latter are dominated by a small number of firms, often with direct or indirect political ties. The high concentration of production and contracting power in a few entities – primarily SOEs and their preferred private partners – creates limited space for competition and amplifies the risk of rent extraction.

Business capture reflects private interest bias in the decisions of the public institutions such as government agencies, regulators, and oversight bodies. While market forces could explain a high level of concentration in certain strategic sectors, it is also very often the case that government institutions act in support of strictly private interests instead of defending the public good or national security.

The assessment features a detailed overview of these business capture risks in the energy and mining sectors in the sections below.

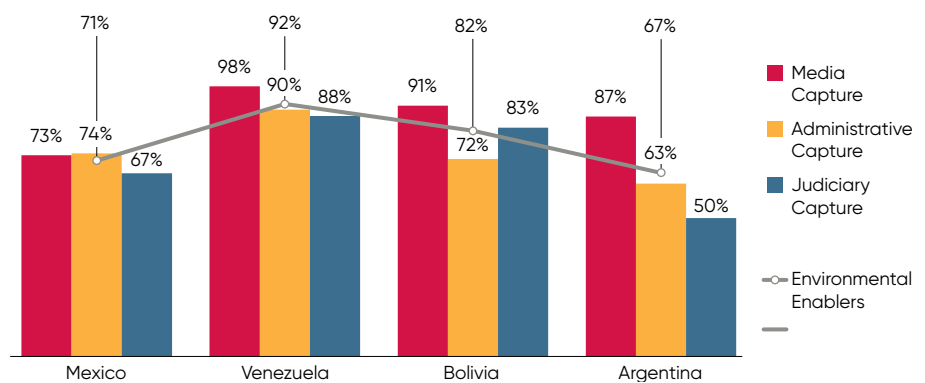
Environmental Enablers

Beyond institutional design, the broader governance environment determines the persistence and resilience of state capture. Environmental enablers include the level of media independence, judicial autonomy, and administrative corruption reflect the health of accountability ecosystems and the capacity of society to constrain elite power.

The SCAD results reveal **concerning patterns across all four countries**. Venezuela exhibits the highest vulnerabilities, with an aggregated environmental enabler score of 92%, driven by extreme media

capture (98%), and the highest scores for administrative corruption and judiciary capture among the four countries. Bolivia follows with 82%, reflecting high media and judiciary capture, alongside with lower but still significant administrative corruption (72%). Mexico shows substantial vulnerabilities as well, with a 71% aggregate, primarily due to administrative corruption and media capture (73%). Argentina demonstrates comparatively lower weaknesses at 67%, though media capture remains high at 87%, highlighting persistent risks despite stronger judicial independence and relatively lower administrative corruption.

Figure 9. Environmental Enablers Subindex



Source: CSD.

The Dynamics of Media Capture

Media systems in Latin America face dual pressures of **political control and economic dependency**. In Venezuela⁶⁹ and Bolivia,⁷⁰ state-aligned media dominate the information space, and independent outlets face censorship, intimidation, or financial marginalization. Investigative journalism, once a key check on corruption, has largely migrated online or abroad.

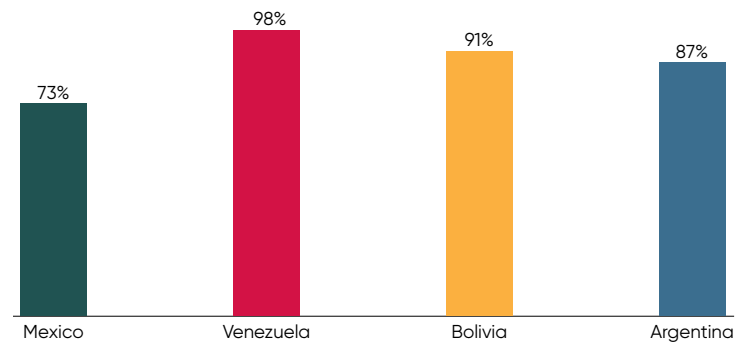
⁶⁹ In Venezuela, The telecommunications authority Conatel has arbitrarily closed over 230 radio stations since 2003 (Espacio Público, “Radio in Venezuela, or normalized censorship”, October 5, 2022), revoked television licenses such as RCTV’s (La Nación, “Controversy in Venezuela over refusal to renew license for private TV channel”, December 29, 2006), and favored state and “communitarian” channels. Between 1998 and 2014, private TV ownership fell from 88% to 46%, and 68 newspapers ceased operation under Nicolás Maduro’s presidency (Corrales, J., “Autocratic Legalism in Venezuela”, *Journal of Democracy*, Vol. 26, 2, April 2015, pp. 37-51). Today, the Sistema Bolivariano de Comunicación e Información dominates broadcast content, and remaining independent outlets operate under severe censorship or exile.

⁷⁰ In Bolivia, media regulation and ownership structures are marked by political interference and concentration. The Telecommunications and Audiovisual Communications Authority (ATT), formally responsible for oversight, lacks institutional independence due to politically influenced appointments and centralized control, enabling selective enforcement of laws (Law Gratis, “Media Laws at Bolivia”, April 4, 2025). A small group of conglomerates dominates print and broadcast media, curbing pluralism and encouraging self-censorship among journalists (Reporters Without Borders, “Bolivia”). Moreover, legal provisions such as Law 045 of 2010 – intended to prevent racist or discriminatory speech – have been selectively applied to restrict critical coverage and suppress dissenting voices (Reporters Without Borders, “Bolivia – Current state of press freedom”, March 4, 2014).

Mexico⁷¹ and Argentina⁷² maintain comparatively pluralistic media environments, yet ownership concentration and reliance on state advertising create subtle but effective mechanisms of influence. Journalists investigating corruption in extractive sectors often face legal harassment or strategic lawsuits, reinforcing self-censorship. The limited enforcement of access-to-information laws further restricts scrutiny over SOE operations and public contracts.

The **decline of media independence** weakens transparency and enables the persistence of opaque financial arrangements between the state, SOEs, and politically connected business groups.

Figure 10. Media Capture Subindex



Source: CSD.

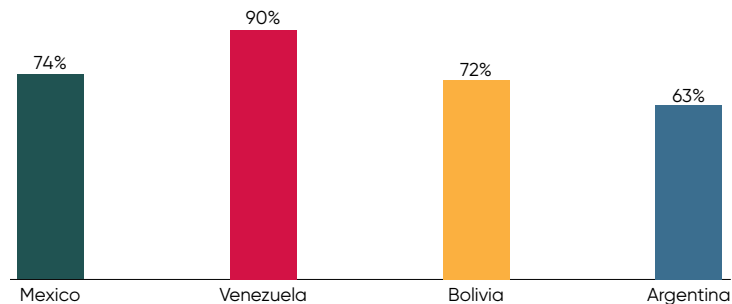
Administrative Corruption as a Driver of State Capture

Administrative corruption **remains endemic** across all four countries, particularly in subnational and sectoral administrations responsible for licensing, customs, and procurement. Such corruption functions as the operational lubricant of capture, ensuring that rents and favors flow smoothly through bureaucratic hierarchies.

⁷¹ In Mexico, the Federal Telecommunications Institute (IFT) operates under political and fiscal constraints that weaken its autonomy – for example, a 2025 telecommunications bill proposed by President Claudia Sheinbaum raised concerns over potential government censorship and the centralization of media control (Reuters, “Mexico president open to modifying telecoms bill after censorship accusations”, April 25, 2025). Media ownership remains highly concentrated in a duopoly led by Televisa and TV Azteca, while 55% of 2023 government advertising spending went to just ten outlets (US Department of State, *2024 Country Reports on Human Rights Practices: Mexico*). Persistent violence and impunity make Mexico one of the world’s most dangerous countries for journalists (Committee to Protect Journalists, “Mexico: Killings of journalists under state protection show urgent need to strengthen federal mechanism”, March 6, 2024).

⁷² In Argentina, media ownership is highly concentrated: four conglomerates control nearly half of the national audience, with Grupo Clarín alone holding about 25% (Media Ownership Monitor, “Argentina”). Oversight by ENACOM is weakened by political influence and selective enforcement, while state advertising practices favor aligned outlets (Freedom House, “Freedom in the World 2023 – Argentina”). Recent deregulatory moves under President Javier Milei risk deepening concentration and reducing pluralism (Reporters Without Borders, “Argentina: Javier Milei’s first year as president marked by a sharp decline in press freedom”, December 10, 2024).

Figure 11. Administrative Corruption Subindex



Source: CSD based on Transparency International's Corruption Perceptions Index.

Bolivia⁷³ and Venezuela⁷⁴ display the highest intensity of administrative corruption, with **widespread bribery and favoritism** embedded in state-citizen interactions. Mexico⁷⁵ and Argentina⁷⁶ have made progress in digitizing administrative services and public procurement, which helps lower corruption pressures, but loopholes in contract monitoring and weak internal audit mechanisms continue to allow preferential treatment and overpricing.

Judicial Independence and Accountability

The judiciary is the ultimate arbiter of the capture dynamics, yet across Latin America, it remains **highly exposed to political pressure**. In Venezuela, judicial subordination to the executive is complete, transforming courts into

⁷³ Bolivia illustrates how administrative corruption reinforces patronage networks. Former Environment Minister Alan Lisperguer was investigated in 2025 for illicit enrichment and falsified asset declarations (Prensa Latina, “Bolivia: Former minister investigated for corruption testifies”, February 21, 2025), echoing earlier scandals such as the U.S. conviction of ex-Minister Arturo Murillo for laundering bribery proceeds tied to defense contracts (U.S. Department of Justice, “Former Government of Bolivia Minister Pleads Guilty to Conspiracy to Launder Proceeds of Bribery Scheme”, October 20, 2022).

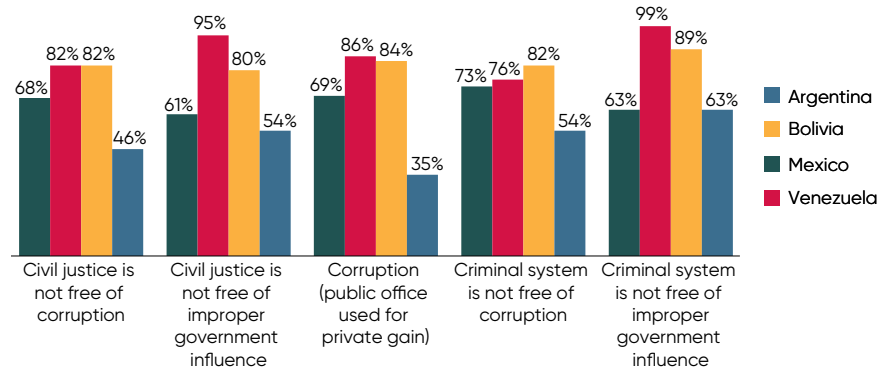
⁷⁴ According to Transparencia Venezuela and Alianza Rebelde Investiga, of the 328 Venezuelan officials and contractors investigated abroad for mismanagement of over USD 16.2 billion, only 15 have faced domestic prosecution. The oil sector alone accounts for 81% of implicated funds, with PDVSA linked to 84 international cases involving embezzlement, bribery, and money laundering schemes (Corruptometro, “En Venezuela se investiga apenas 5% de la corrupción local ventilada en el mundo”) such as the Banco de Andorra (USD 4.2 billion) (Irujo, J.M., and Gil, J., “Petróleos de Venezuela: a colossal theft of 4.2 billion”, *El País*, September 18, 2024) and Operation Money Flight (USD 1.2 billion) (BBC, “Venezuela: Network of former Chavista officials accused of embezzling US\$1.2 billion from state oil company PDVSA and laundering money through properties in Miami”, July 26, 2018; Suprema Injusticia, “Money Flight: US courts issue new rulings on billion-dollar embezzlement from PDVSA”, September 9, 2024.)

⁷⁵ In Mexico, procurement scandals continue to dominate: Pemex remains at the center of major bribery cases (Reuters, “Mexico’s Sheinbaum says former Pemex CEO arrested in US, to be deported”, August 24, 2025). Similar patterns of diversion of funds and favoritism appear in health regulation, where officials leaked and manipulated approvals for bribes (Associated Press News, “Mexico finds yet more corruption in health regulatory agency”, February 15, 2023).

⁷⁶ In Argentina recent scandals show the persistence of entrenched practices. In early 2025, prosecutors charged former president Alberto Fernández with steering public insurance contracts to an ally’s firm, freezing USD 11 million in assets (Associated Press News, “Argentina accuses ex-president Alberto Fernández of corruption”, July 11, 2025). There are also other cases of collusion, such as the Skanska bribery case (2004–2006), which favored the Swedish construction company; the Río Turbio embezzlement case (2013–2015); and the Oil Combustibles fraud (2011–2016), among others.

instruments of regime control.⁷⁷ Bolivia’s system of popular judicial elections, initially designed to enhance legitimacy, has instead deepened politicization, as candidates rely on the direct government endorsement.⁷⁸

Figure 12. Judicial Capture Subindex



Source: CSD based on Rule of Law Index by The World Justice Project (WJP)CSD.

In Mexico⁷⁹ and Argentina,⁸⁰ judicial independence is formally guaranteed, yet undermined by political influence in appointments and promotions, as well as by structural inefficiencies that delay proceedings. The result is a pervasive perception of impunity: powerful actors are seldom held accountable, while enforcement falls disproportionately on lower-level officials or political adversaries.

⁷⁷ Venezuela’s judiciary has undergone systematic politicization since 2004, when President Hugo Chávez expanded the Supreme Court from 20 to 32 justices to secure executive dominance. Judicial appointments have since been made through partisan mechanisms and provisional posts, with competitive selection suspended since 2003 (International Commission of Jurist, “The Supreme Court of Justice of Venezuela: an Instrument of the Executive Branch”, August 2017). By 2020, 881 judges served on temporary mandates (United Nations – Human Rights Council, Report of the independent international fact-finding mission on the Bolivarian Republic of Venezuela, December 21, 2021), while the 2024 Supreme Court, composed largely of ruling-party affiliates, validated disputed electoral outcomes, underscoring the erosion of judicial independence.

⁷⁸ In 2024, Bolivia’s Constitutional Tribunal extended its own mandate, triggering a constitutional crisis and leaving key courts without renewal (International Commission of Jurist, “Bolivia: New Report Highlights Shortcomings and Challenges of Judicial Independence”, December 12, 2024).

⁷⁹ In 2024, Mexico enacted a constitutional reform mandating the popular election of nearly all federal judges, magistrates, and Supreme Court justices. While framed as a measure to “democratize” the judiciary, it has been widely criticized for exposing the system to partisan influence and campaign financing pressures (Shirk, D., “Mexico’s 2024 Judicial Reform: The Politicization of Justice”, Wilson Center, March 20, 2025). The first judicial elections in June 2025 registered only about 13% voter turnout (Graham, T., “Mexican president hails ‘complete success’ after just 13% vote in judicial elections”, The Guardian, June 2, 2025), and investigations revealed that several elected candidates faced allegations of misconduct or ties to organized crime, raising serious concerns about judicial independence (Oré, D., and Morland, S., “Turnout in Mexico’s first judicial election estimated at 13%”, Reuters, June 2, 2025; Garrison, C., “El Chapo’s former lawyer and an ex-drug smuggler are on the ballot to be judges in Mexico”, Reuters, May 24, 2025).

⁸⁰ In 2025, President Javier Milei sought to appoint Supreme Court justices by decree, bypassing Senate approval—a move condemned as a threat to judicial independence (Human Rights Watch, “Argentina: Milei Undermines Judicial Independence”, February 26, 2025). The Senate’s later rejection of the nominees exposed persistent tensions and politicization within Argentina’s judiciary (Debre, I., “Argentine senate rejects President Milei’s Supreme Court appointees in blow to libertarian leader”, Associated Press News, April 4, 2025).

ENERGY CAPTURE IN LATIN AMERICA

The political economy of Latin America has long been shaped by the abundance of natural resources and the centrality of the extractive industries in sustaining fiscal revenues, export earnings, and political legitimacy.⁸¹ Across the region, energy and mining have not only provided the material basis for growth but also defined the contours of state power and elite formation. The **structural dependence on commodity exports** has generated cycles of prosperity and crisis that have profoundly influenced governance trajectories, institutional development, and foreign policy orientation.

Although the service sector now dominates gross domestic product in most Latin American economies,⁸² hydrocarbons and mining remain the pillars of fiscal stability and foreign exchange. They underpin public spending, anchor national industrial strategies, and serve as instruments of geopolitical positioning. Yet this concentration of economic and political importance has also rendered these sectors particularly **susceptible to state capture**. The control of rents, contracts, and licenses in oil, gas, and minerals grants governments and connected business groups immense discretionary power, which in weak institutional environments becomes a source of patronage and corruption rather than a driver of inclusive development.

The following sections trace how this logic has evolved into systemic capture, examining how SOEs, ministries, and private intermediaries operate as nodes of both domestic and foreign influence.

Mechanisms of Capture

The **extractive model** that dominates Latin America's political economy is fundamentally rentier. Revenues from hydrocarbons and mining account for between 1% and 5% of GDP in the four countries studied⁸³, and these revenues are largely controlled by the executive branch through SOEs. This structure produces both dependence and discretion: governments depend on rents to finance budgets and political projects, while the discretion to allocate these rents consolidates elite control.

The institutional arrangements governing the extractive sectors reinforce these dynamics. In Venezuela and Bolivia, nationalization created vertically integrated SOEs, PDVSA and YPF, that combine commercial and regulatory functions, eliminating checks between policymaking and implementation.

⁸¹ Villar, P. F., Papyrakis, E., and Pellegrini, L., "The Extractive Sector and Development in Latin America", – In: E. A. P. N. F. (Ed.), *Innovation, Competitiveness, and Development in Latin America: Lessons from the Past and Perspectives for the Future*, Oxford University Press, 2024, pp. 190-212.

⁸² In Bolivia, the services sector contributes approximately 50–60% of GDP (Focus Economics, "Bolivia Economic Outlook"); in Venezuela, 51.7% (Lloyds Bank, "The economic context of Venezuela", September 2025); in Argentina, 53.1% (Lloyds Bank, "The economic context of Argentina", September 2025); and in Mexico, 58.65% (Statista, "Mexico: Distribution of the gross domestic product (GDP) across economic sectors from 2013 to 2023").

⁸³ OECD, *Revenue Statistics in Latin America and the Caribbean* 2024, May 7, 2024.

In Mexico and Argentina, hybrid models have emerged, where partial liberalization coexists with enduring state dominance. In all cases, the regulatory and fiscal frameworks are designed to secure political control over rents rather than to promote efficiency or competition.

This concentration of power has fostered a **range of capture mechanisms**. Procurement and concession systems are used to reward political allies; off-budget funds allow for opaque rent redistribution; and appointments to SOE boards and regulatory agencies serve as channels of patronage. The result is a closed governance ecosystem where public accountability is minimal and external influence, whether from business conglomerates or foreign state investors, can penetrate easily.

Energy and mining capture manifests through a series of recurring mechanisms that exploit the sector's **structural opacity and fiscal centralization**. The entrenchment of capture in the energy sector has produced far-reaching economic and governance consequences. It has eroded the operational capacity of SOEs, discouraged private investment, and deepened fiscal vulnerabilities. The loss of transparency and managerial autonomy has contributed to declining production and efficiency across all four countries.

The combined result is a **crisis of governance and sustainability**. Energy and mining policy become reactive, driven by short-term political calculations rather than coherent planning. Environmental and social standards are subordinated to the imperatives of rent maintenance. Efforts to decarbonize or diversify energy systems remain rhetorical, as entrenched capture networks resist reforms that would threaten their control.

Main **mechanisms of state capture** in the energy sectors of the four analyzed countries are summarized below:

1. Discretionary Contracting and Procurement

Procurement procedures in the energy sector are routinely bypassed through direct awards, negotiated contracts, and exemptions justified as matters of national security or urgency. This discretion provides fertile ground for kickbacks, overpricing, and the creation of politically favored consortia.

2. Pricing and Subsidy Manipulation

Energy pricing policies are used as tools of political control, with governments adjusting tariffs and fuel prices to manage electoral cycles or social discontent. Subsidy schemes, while publicly justified on social grounds, often benefit politically connected distributors and intermediaries.

3. Fiscal and Financial Opacity

SOEs frequently maintain parallel accounts or off-budget funds that obscure the use of revenues. In Venezuela, PDVSA operated multiple extrabudgetary funds, such as FONDEN, that channeled billions of dollars without parliamentary approval. Similar mechanisms exist in Bolivia's gas sector and Mexico's oil revenue stabilization funds.

4. Foreign Partnerships and External Leverage

Agreements with Russian and Chinese state enterprises have introduced **new layers of opacity and dependency**. In Venezuela, joint ventures with Rosneft and loans from the China Development Bank effectively mortgaged future production, while in Bolivia, Chinese financing for gas and lithium projects has reinforced executive discretion. Mexico and Argentina have also deepened energy ties with Chinese and Middle Eastern investors under terms that remain largely undisclosed.

These mechanisms operate synergistically. Discretionary contracting enables rent diversion; opaque pricing policies ensure continuous cash flow; and foreign financing provides liquidity and political insulation. Together, they institutionalize capture within the sector's financial and governance architecture.

The Political Economy of State-Owned Enterprises

SOEs occupy a central position in Latin America's energy governance. They are **the main conduits through which capture operates**, combining commercial objectives with political functions. Their boards are often filled with political appointees, their budgets serve as off-book fiscal instruments, and their procurement systems remain largely insulated from independent oversight.

In **Venezuela**, **PDVSA** has devolved from a globally respected energy company into the financial arm of the regime. Its revenues have been systematically diverted to fund social and political programs, off-budget expenditures, and networks of patronage that sustain elite loyalty. The company's governance has been **hollowed out by political interference**, loss of technical expertise, and the criminalization of dissent. International investigations have exposed extensive **corruption and illicit enrichment** schemes involving both domestic and foreign intermediaries, indicating a near-complete collapse of corporate integrity.

Bolivia's YPFB follows a similar trajectory, albeit within a less authoritarian framework. Following its nationalization in 2006, the company's management became a core component of the ruling party's patronage system. Contracts for gas exports, infrastructure, and services are awarded through **opaque processes** that favor politically connected actors. Despite its central fiscal role, YPFB's reporting remains incomplete, with limited publication of reserves data, pricing formulas, or investment commitments.

In **Mexico**, **PEMEX** continues to embody the tension between national symbolism and fiscal dependence. While it remains among the largest oil companies globally, its governance is compromised by high indebtedness, declining production, and pervasive **political interference**. Efforts to liberalize the sector since 2013 were partially reversed in recent years, reasserting state control and politicizing investment decisions. PEMEX's procurement system, though nominally competitive, continues to rely on non-transparent contracting, particularly in refinery and maintenance services, where allegations of favoritism and bribery persist.

Box 4. OECD Guidelines on Corporate Governance of State-Owned Enterprises

A State-Owned Enterprise (SOE) is any enterprise recognized by national law as an enterprise and in which the state exercises ownership or control. This includes corporations, limited liability companies and limited joint-stock companies. In addition, corporations, with legal personality established by specific legislation, should be considered public companies if their purpose and activities, or a large part of their activities, are of an economic nature.

	Rationales for state ownership	The state exercises the ownership of SOEs in the interest of the general public. It should carefully evaluate and disclose the rationales that justify state ownership and subject these to a recurrent review.
	The state's role as an owner	The state should act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness
	SOEs in the marketplace	Consistent with the rationale for state ownership, the legal, regulatory and policy framework for SOEs should ensure a level playing field and fair competition in the marketplace when SOEs engage in economic activities.
	Equitable treatment of shareholders and other investors	Where SOEs are listed, or otherwise include non-state investors among their owners, the state and the enterprises should recognise the rights of all shareholders, including minority and foreign shareholders, and ensure shareholders' equitable treatment and equal access to corporate information.
	Disclosure, transparency and accountability	State-owned enterprises should observe high standards of transparency, accountability and integrity and be subject to the same high-quality accounting, disclosure, compliance and auditing standards as listed companies
	The composition and responsibilities of the boards of SOEs	The state should ensure that boards of SOEs have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance, risk management oversight and monitoring of management. They should act with and promote integrity and be held accountable for their actions
	SOEs and sustainability	The corporate governance framework should provide incentives for state ownership entities and SOEs to make decisions and manage their risks in a way that contributes to SOEs' sustainability and resilience and ensures long-term value creation. Where the state has sustainability goals, the state as owner should set concrete and ambitious, sustainability-related expectations for SOEs, including on the role of the board, disclosure and transparency and responsible business conduct. The ownership policy should fully recognise SOEs' responsibilities towards stakeholders.

Source: CSD based on OECD.

In **Argentina**, YPF's hybrid ownership model – partially state-controlled, partially traded – has failed to insulate it from political influence. Changes in government regularly translate into shifts in corporate leadership and strategic direction, undermining long-term planning. The politicization of fuel pricing and export rules has further weakened YPF's financial stability, while its partnerships with provincial authorities and private firms have often been structured through discretionary concessions that obscure accountability.

Case Studies of Energy Capture

The comparative evidence from Mexico, Bolivia, Argentina, and Venezuela demonstrates that state capture in the energy and mining sector is not an aberration but a **systemic mode of governance**. It is sustained by the alignment of political incentives, institutional design, and external opportunity structures. The fiscal centrality of extractive rents binds governments to the very structures that constrain reform, while the politicization of SOEs ensures that technical inefficiency and corruption remain politically useful.

The cumulative effect of state capture in the energy and mining sectors is visible in declining productivity, fiscal fragility, and the erosion of institutional trust. All four countries suffer from under-investment in exploration and infrastructure despite abundant reserves. The diversion of rents toward political objectives has left SOEs heavily indebted, while distorted pricing and subsidies have strained public finances.

Venezuela: The Collapse of Institutional Autonomy and the Capture of Everything

Venezuela represents **the most extreme case of state capture** in Latin America's energy and mining sectors, a textbook example of how rentier dependence, politicization, and foreign alignment can converge into systemic kleptocracy. The country's political economy is dominated by PDVSA, which for decades provided over 90% of export earnings and financed the bulk of public expenditures.

Under the Chávez and Maduro governments, PDVSA was transformed from a professionally managed state company into a **political instrument of power**. PDVSA controls titles and operations, while foreign companies like Chevron and Rosneft only participate through joint ventures. After 2003, management purges replaced thousands of engineers and economists with political loyalists. Revenues were channeled into parallel funds such as FONDEN and FONDESPA, bypassing parliamentary oversight and feeding patronage networks.

The energy sector became both **the engine and the victim of capture**. PDVSA's financial collapse, its production falling from 3.5 million barrels per day in 1998⁸⁴ to under 700,000 by 2023,⁸⁵ reflects the systematic extraction of rents by elites. Contracting decisions were driven by political and personal interests, with a proliferation of shell companies used to siphon funds through procurement and transport deals. International investigations in the United States, Spain, and Andorra⁸⁶ have documented billions of dollars in embezzled assets tied to senior officials and intermediaries.

⁸⁴ Monaldi, F., Hernández, I., and De la Rosa, J., *The Role of Foreign Direct Investment in Resource-Rich Regions. The Collapse of the Venezuelan Oil Industry: The Role of Above-Ground Risks Limiting FDI*, Baker Institute for Public Policy, February 2020.

⁸⁵ Parraga, M., and Guanipa, M., "Venezuela's 2023 oil exports rose, aided by US sanctions easing", *Reuters*, January 3, 2024.

⁸⁶ Irujo, J.M., and Gil, J., "Petróleos de Venezuela: a colossal theft of 4.2 billion", *El País*, September 18, 2024.

A **second layer of state capture emerged through foreign financing**, particularly from China and Russia. Between 2007 and 2016, Venezuela received more than USD 60 billion in oil-backed loans from Chinese state banks,⁸⁷ repaid through crude shipments under non-transparent terms. Russian firms, notably Rosneft, acquired stakes in key joint ventures and trading subsidiaries, granting them privileged access to production and export streams. These arrangements not only entrenched external influence but also created new avenues for rent diversion and money laundering.

Today, **joint ventures** with companies from China, Russia, the U.S., and Europe account for roughly half of production, but always under PDVSA majority control, in a system where **contracts are opaque and oversight minimal**.⁸⁸ Joint ventures, contracts, licenses, and strategic alliances are awarded by the Hydrocarbons Ministry, PDVSA, and Camimpeg – a state-owned company that has officially increased the Venezuelan military’s involvement in the oil and mining sectors, without open bidding or disclosure of selection criteria and contract terms. Although laws mention company requirements and the ministry’s website provide sample forms, there is no information on schedules, applicants, awarded firms, or past and planned processes.

Mining has followed a parallel trajectory. The establishment of the Orinoco Mining Arc – a resource-rich area, in 2016 opened vast areas to **extraction under military control**. Contracts were awarded to companies linked to political and security elites, often in partnership with Russian and Chinese firms. Environmental regulations were suspended, and illicit gold exports became a critical source of regime financing. In effect, the state’s extractive apparatus was repurposed as an instrument of regime survival whereas its autonomy was fully eroded, and its rents fully captured.

The systemic capture of Venezuela’s hydrocarbons sector extends beyond the extraction phase, permeating the midstream and downstream segments of the oil and gas value chain. In midstream, which encompasses transport, storage, and export infrastructure, PDVSA) retained exclusive control through a vertically integrated structure that merged operational, regulatory, and fiscal functions. Over time, this concentration of authority transformed the company’s logistical operations into **major centers of rent extraction and political patronage**. PDVSA’s shipping and storage subsidiaries, became key instruments in redistributing rents to politically connected intermediaries and foreign partners.⁸⁹ Between 2014 and 2018, the National Assembly’s Energy and Petroleum Commission documented multiple cases of inflated sub-chartering schemes that diverted export revenues through intermediary firms aligned with the political leadership and security forces.⁹⁰

⁸⁷ Guevara, C., “China’s support for the Maduro regime: Enduring or fleeting?”, *Atlantic Council*, January 3, 2020.

⁸⁸ Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

⁸⁹ Singer, F., “Rampant corruption in Venezuela’s national oil company weighs down the economy”, *El País*, March 23, 2023.

⁹⁰ Asamblea Nacional de Venezuela, *Informe de la Comisión Permanente de Energía y Petróleo sobre Irregularidades en PDVSA Logística y PDV Marina, 2014–2018*, Caracas, 2019.

Despite the formal existence of regulatory frameworks under the Hydrocarbons Law and industrial safety standards, enforcement is minimal, and the Anti-Blockade Law has legalized discretionary contracting that allows PDVSA to outsource midstream services through opaque agreements.⁹¹ Reports document frequent oil spills in Lake Maracaibo, the Guarapiche and Aroa rivers, reflecting poor oversight and environmental neglect.⁹²

Sanctions have compounded this fragility: PDVSA has not released audited financial statements since 2016, making tariffs, blending operations, and terminal scheduling effectively opaque.⁹³ Export performance reflects instability, as shipments dropped sharply when licenses were suspended.⁹⁴ The combination of monopoly control, aging assets, and sanctions volatility creates a midstream system in which capture risks are total, since access and pricing depend directly on opaque political decisions.

In the downstream segment, state capture manifests itself through both institutional decay and the instrumentalization of refining and retail networks.

PDVSA and its subsidiaries control every link in the chain, from refining to distribution and retail, leaving **no room for genuine oversight or competition**. The Paraguaná Refining Complex, once a symbol of industrial capacity and among the largest in the world, now operates far below its 955,000 b/d design throughput due to chronic equipment failures and underinvestment.⁹⁵ Between 2000 and 2022, total oil refining output plunged by more than 80%, from 2.75 million TJ to just 498,000 TJ, reflecting two decades of structural decay in both crude production and refining capacity.⁹⁶ The collapse was not merely technical: PDVSA's revenues were diverted to sustain patronage networks, finance regional alliances, and maintain elite privileges.

Since 2019, domestic refining has been unable to meet even minimal demand, forcing the regime to rely on gasoline and diluent imports from Iran and other authoritarian allies through opaque swap arrangements⁹⁷. In 2025, reports surfaced of an agreement between PDVSA and China's Concord Petroleum Co. (CCCP)⁹⁸ to rehabilitate parts of the Paraguaná complex.⁹⁹ The 2020 Anti-Blockade Law further institutionalized opacity by authorizing PDVSA and the military-run company Camimpeg to bypass procurement procedures altogether, granting them full discretion over contracting and revenue management.

⁹¹ De La Cruz, A., and Correa, H., "The Anti-Blockade Law: A Change in Venezuela's Economic Model", CSIS, December 2, 2020.

⁹² Medina, O., "Spills from the El Palito refinery. What is seen and what remains", *La Gran Aldea*, August 31, 2024; *Transparencia Venezuela*, *PDVSA turning its back on ESG criteria*.

⁹³ Ramírez, R., "The Venezuelan Oil Industry Collapse: Economic, Social and Political Implications", IAI Commentaries 21 | 52 – November 2021, Istituto Affari Internazionali.

⁹⁴ Parraga, M., "Exclusive: Chevron exports of Venezuelan oil halved under new US authorization, sources say", *Reuters*, September 23, 2025.

⁹⁵ Guanipa, M., "Venezuela's main refining complex running at 10% of capacity after 2 CDUs shut", *Reuters*, October 30, 2023.

⁹⁶ International Energy Agency, *Total Oil Products Refined in Venezuela 2000-2022*.

⁹⁷ US Energy Information Administration, *Country Analysis Brief: Venezuela*, February 8, 2024.

⁹⁸ CCCP has been an ally of the Venezuelan government in the international marketing of sanctioned crude oil.

⁹⁹ El Nacional, "They claim that Maduro handed over PDVSA to the Chinese company Concord Petroleum", May 10, 2025.

Fuel distribution in Venezuela is entirely state-controlled. PDVSA's Empresa Nacional de Transporte manages most wholesale operations through plants in Bajo Grande, Barquisimeto, Valencia, Puerto La Cruz, Puerto Ordaz, and other hubs. Retail distribution depends on government concessions: around 1,680 private and 200 state-owned gas stations operate only with PDVSA authorization.¹⁰⁰ In gas supply, PDVSA Gas Comunal dominates transport, 82 % by land and 18 % by pipeline, while regional state firms handle about 65 % of retail and private companies the remaining 35%.¹⁰¹ The system functions under tight political control and limited transparency, leaving distribution subject to discretionary control rather than competition.

Fuel **pricing also remains heavily politicized**: gasoline sells officially at about USD 0.50 per liter, while a subsidized quota, reserved for officials and regime-linked groups, costs less than USD 1.50 for 60 liters.¹⁰²

Meanwhile, the PDVSA-Crypto corruption scheme¹⁰³ exposed the lack of oversight in Venezuela's maritime oil transport under sanctions. To evade restrictions, PDVSA directors initially relied on Rosneft operators and later on newly created intermediaries that sold crude through opaque methods: switching off vessel radars, transferring cargo at sea, triangulating sales, offering steep discounts, and routing payments through Russian banks. After sanctions hit Russian partners, these intermediaries, many without experience in the oil sector, continued shipping millions of barrels from Venezuelan refineries, with revenues never reaching PDVSA's accounts. The scheme caused equity losses estimated at US \$16.69 billion¹⁰⁴.

Bolivia: Resource Nationalism and the Politicization of Extraction

Bolivia presents a **subtler but structurally similar form of state capture**, one couched in the language of popular sovereignty and redistribution. The nationalization of hydrocarbons in 2006 marked a turning point, consolidating state control over gas revenues through YPFB. The company was elevated from operator to regulator and revenue manager, placing unprecedented fiscal power in the hands of the executive.

While the Morales government used these revenues to finance social programs and infrastructure, **the governance of YPFB became increasingly politicized**. Senior appointments were determined by party loyalty rather than technical capacity; procurement contracts were routinely awarded without competitive tendering; and the company's accounts were shielded from public scrutiny.

¹⁰⁰ Voz de América, "Venezuelan PDVSA takes control of service stations after raising gasoline prices", June 28, 2020.

¹⁰¹ Contrapunto, "Gas supply nationwide decreased by 60% after the explosion at the Punta de Mata plant in Monagas", November 25, 2024.

¹⁰² The domestic marketing price of fuels is set by the Executive Branch through the Ministry of Hydrocarbons (Art. 60).

¹⁰³ Transparencia Venezuela, *PDVSA-CRYPTO: An Unprecedented Fraud with Tremendous Economic and Social Impact*, October 2023.

¹⁰⁴ Transparencia Venezuela, *PDVSA-CRYPTO: An Unprecedented Fraud with Tremendous Economic and Social Impact*, October 2023.

Recurrent scandals – such as the 2016 YPFB–CAMC case, involving irregular contracts with Chinese suppliers¹⁰⁵ – exposed systemic corruption within the procurement chain.

YPFB exercises near-total control over exploration and production, with joint ventures involving Petrobras, Repsol, and TotalEnergies operating under its umbrella.¹⁰⁶ Yet output has been falling sharply: natural gas averaged 31.6 million cubic meters per day in 2024,¹⁰⁷ a 12.6% decline from 2023.¹⁰⁸ Oil production is marginal, and while discoveries such as Mayaya, estimated at 1.7 trillion cubic feet, were announced in 2024, they are not yet contributing to supply.¹⁰⁹ This decline stems from the disruption of the reserves–production–export–replenishment cycle: Bolivia’s largest gas fields were discovered thanks to exploratory investments made before the 2006 nationalization, but subsequent policies prioritized short-term fiscal gains and forced foreign operators to renegotiate contracts, discouraging reinvestment. As a result, reserves have not been replenished, and exports to Brazil and Argentina, once Bolivia’s main markets, have fallen steadily since their 2014 peak.¹¹⁰ Bolivia actually became a net energy importer in 2022.¹¹¹

The collapse of the quality of the company’s corporate governance has been largely ignored by the ruling MAS party as the control over YPFB’s revenues has allowed the ruling party to maintain social coalitions and electoral dominance. The company’s local subsidiaries became instruments of regional patronage, financing municipal projects and influencing local elections. Despite record gas income during the commodity boom, investment in exploration and maintenance lagged, leading to declining production after 2014.

The mining sector exhibits comparable patterns. The state mining company COMIBOL remains underdeveloped and politically subservient, while the cooperative mining sector operates as a semi-autonomous political constituency. Successive governments have tolerated informal mining practices in exchange for political support, even after violent conflicts such as the 2016 murder of Vice Minister Illanes by cooperative miners protesting regulation.

The country’s ambitious plans to industrialize its lithium reserves in the Salar de Uyuni have introduced a new layer of vulnerability. The government’s partnerships with Chinese and Russian firms, including CATL, Xinjiang TBEA Group, and Rosatom, have involved opaque contractual terms and

¹⁰⁵ BBC, “Bolivia President Morales’ ex-lover held in corruption inquiry”, February 26, 2016.

¹⁰⁶ World Energy News, “Bolivia’s YPFB and other operators will pump almost \$704 mln in oil projects this Year”, February 25, 2025.

¹⁰⁷ Belmonte, M.A., “Bolivia produced 29.30 million cubic meters of gas per day in December, one of the lowest levels in 15 years”, *Visión 360*, January 15, 2025.

¹⁰⁸ BNamericas, “Projections of Bolivia’s natural gas production”, March 10, 2025.

¹⁰⁹ Argus News, “Gas discovery could extend Bolivia’s export life”, July 22, 2024.

¹¹⁰ Bolivian National Institute of Statistics. “Hydrocarbon Production Bolivia 1990–2024 (2025–2029 forecast)”. in the 1990s ‘Capitalization’ reforms, Bolivia attracted major downstream and midstream investment (e.g., Enron-Shell pipelines), enabling a 40-year gas supply deal with Brazil. Today, exports to Brazil are only half their 2014 peak.

¹¹¹ Gumucio, J., and Dunn, J., *What is the truth about fuel imports? More questions than answers*, Fundación Milenio, April 2025.

limited local participation. While presented as steps toward technological sovereignty, these deals replicate the same discretionary patterns that have also defined Bolivia's hydrocarbons governance.

In both hydrocarbons and mining, Bolivia's model of state-led development has blurred the line between nationalization and politicization. The **centralization of rents** has enhanced short-term redistribution but weakened institutional integrity, leaving the extractive sectors exposed to both domestic capture and foreign dependency.

In the midstream segment, the network of pipelines and gas transport is also concentrated in the hands of the state through YPFB, which controls YPFB Transporte and the key cross-border operator Gas TransBoliviano, nationalized from Transredes in 2008¹¹². YPFB Transporte manages the country's entire oil and gas pipeline system for domestic distribution, while YPFB Logística owns and operates all storage facilities. In addition, YPFB holds a majority stake in Gas TransBoliviano (GTB), which operates the main export pipeline to Brazil, reinforcing its dominance across all transport and storage functions. The system is entirely pipeline-based, since Bolivia lacks maritime terminals or alternative transport routes, making pipeline governance especially critical.

The country's system links to both Argentina and Brazil, with a design capacity of around 32 million cubic meters per day.¹¹³ With falling supply, the country is attempting to reposition itself as a transit hub, authorizing flows of Argentine gas toward Brazil through existing pipelines operated by international consortia such as TotalEnergies and Grupo Matrix Energia.¹¹⁴

There is **no open access to transport infrastructure**, and tariffs, differentiated by destination for domestic consumption and exports, are set administratively without transparent benchmarks. Since the 2005 Hydrocarbons Law and the 2009 Constitution, YPFB's legal monopoly has been entrenched, reducing effective oversight and leaving the system vulnerable to regulatory favoritism, opacity, and limited accountability in pricing and infrastructure access. This mix of concentrated ownership, declining domestic leverage, and opacity in cross-border agreements leaves Bolivia highly exposed to discretionary rent extraction.

The downstream sector is smaller but follows the same centralized logic. Since the 2007 nationalization of the Petrobras' refineries,¹¹⁵ YPFB has monopolized refining, industrialization, and domestic distribution under the 2005 Hydrocarbons Law 3058 and the 2006 nationalization decree. YPFB Refinación now operates the country's two main refineries, Gualberto Villarroel (Cochabamba) and Guillermo Elder Bell (Santa Cruz), while the only private plant, Oro Negro, sells its entire output to YPFB. The nationalization of hydrocarbons halted exploratory investment, the backbone of production,

¹¹² S&P Global, "Government Takes Control of Gas-Transportation Company in Bolivia", June 8, 2008.

¹¹³ Argus Media, "South America's gas integration plans expand", September 8, 2025.

¹¹⁴ Elliott, L., "Brazil, Argentina sign deal with Bolivia's YPFB to transport Vaca Muerta gas", Reuters, May 27, 2025.

¹¹⁵ Reuters, "Petrobras hands control of refineries to Bolivia", August 10, 2007.

exports, and fiscal revenue, shattering international confidence in Bolivia,¹¹⁶ a confidence that has yet to recover due to persistent risks of expropriation, regulatory reversals, and renewed nationalization.¹¹⁷

Refined products such as gasoline, diesel, and LPG are produced in declining volumes as oil output falls, leaving much of Bolivia's refining capacity underutilized and forcing the import of roughly 80% of the diesel and 50% of the country's gasoline needs.¹¹⁸ Prices are fixed by the National Hydrocarbons Agency and subsidized¹¹⁹ by up to 70%, a politically motivated policy that strains public finances and distorts markets. YPFB remains the exclusive wholesaler and controls all pipelines and storage facilities through YPFB Transporte and YPFB Logística, while retail distribution operates under government concessions. This vertically integrated and opaque structure, reinforced by mandatory fuel purchases by public institutions, mirrors broader state-capture patterns, where monopolistic control and administrative discretion enable rent extraction and politicized allocation of energy resources, ultimately undermining long-term energy security.

Mexico: Enduring State Dominance and the Re-Politicization of Energy

Mexico's energy sector reflects the paradox of partial liberalization within an **enduring structure of state control**. The oil company Petróleos Mexicanos (PEMEX) and the electricity utility Comisión Federal de Electricidad (CFE) remain the central nodes through which political and fiscal power is exercised. Together, they account for nearly 10 per cent of GDP, more than a quarter of state revenues, and an outsized share of public debt.

PEMEX remains the dominant upstream operator in Mexico, producing around 1.6 million barrels per day (mb/d) of crude oil and liquids in mid-2025, while natural gas production has been around 3.6 billion cubic feet per day (Bcf/d).¹²⁰ Although private firms gained access to prospective oil fields during the 2015–2018 bid rounds,¹²¹ such as those for the Zama and Trion acreage, private participation in the oil sector continues to depend on PEMEX as gatekeeper.¹²²

¹¹⁶ Cosío, H.del G. "The Energy Situation in Bolivia (ARI)", *Real Instituto Elcano*, November 10, 2008.

¹¹⁷ Latin American Foreign Direct Investment "Why No One Dares to Invest in Bolivia" November 9, 2024

¹¹⁸ Reuters, "Bolivia swaps energy and hydrocarbons minister amid fuel crisis", August 13, 2024.

¹¹⁹ The national government allocates around \$2 billion to gasoline and diesel subsidies, of which roughly \$600 million is lost annually due to fuel smuggling across the borders. Bnamericas, "Bolivia spends \$2 billion on fuel subsidies, but loses \$600 million in smuggling", August 9, 2024.

¹²⁰ PEMEX, "Second 2025 Quarter Results", July 28, 2025.

¹²¹ These bid rounds were later cancelled by Andres Manuel Lopez Obrador Government.

¹²² Argus Media, "Talós reaches Zama deal with Pemex: Update", March 29, 2022, in 2017 Talos Energy with Premier Oil and Sierra Oil & Gas (later acquired by Wintershall Dea) discovered up to 950mn boe at Zama in Block 7, adjacent to Pemex. After years of failed talks, Mexico's energy ministry named Pemex operator in July. It is important to note that Wintershall Dea is a German gas and oil company with a significant stake held by LetterOne, the main owner of which is the Russian businessman, and considered oligarch, **Mikhail Fridman**.

The 2013 energy reform introduced under President Peña Nieto sought to open the hydrocarbons and power markets to private and foreign investors while preserving PEMEX and CFE as dominant players. Initially, the reform spurred transparency in licensing and competitive tendering. However, many of its safeguards were eroded after 2018, as the López Obrador administration re-asserted political control over the sector. The government suspended new exploration rounds, reduced the autonomy of the Energy Regulatory Commission (CRE), and channeled public investment toward PEMEX's refining projects, including the Dos Bocas refinery, which has been marked by cost overruns and opaque procurement.

The structural concentration reinforces the **regulatory capture** of the oil sector as political appointees in oversight bodies often privilege PEMEX decisions even when they conflict with best governance standards.¹²³ Organized crime groups exploit the weak oversight to conduct large-scale fuel theft ("huachicol"),¹²⁴ facilitated by insiders leaking operational data,¹²⁵ which has caused repeated accidents in producing regions.

PEMEX's governance reflects also decades of politicization. The company operates under high debt, exceeding USD 100 billion, making it the world's most indebted oil producer, which has been facing persistent operational losses.¹²⁶ Procurement processes are frequently exempted from competitive bidding under "national security" justifications, and Mexico's Supreme Audit Institution (Auditoría Superior de la Federación, ASF) has repeatedly identified three recurrent governance failures in PEMEX's refining system: (i) technical inefficiencies, including chronic maintenance backlogs, unplanned shutdowns, and crude-slate mismatches that lower productivity; (ii) contracting irregularities, such as control weaknesses and deficient payments in maintenance and rehabilitation projects; and (iii) systemic governance failures, where procurement and operational decisions respond to political rather than efficiency standards.¹²⁷

The 2017 "Estafa Maestra" corruption case revealed the diversion of public funds through shell companies and universities, several linked to PEMEX contracts.¹²⁸ Despite reforms to improve transparency, the company's procurement system remains fragmented, with limited digital traceability and weak non-compliance sanctions.

¹²³ Grustein, M., "From Market Guardians to Monopoly Keepers: Regulatory Capture in Mexico's Energy Sector", *Baker Institute for Public Policy*, December 10, 2024.

¹²⁴ Franco, E., Martinez, C., and Flores, I., "Oil Theft and Violence in Mexico", *Journal of Politics in Latin America*, 15(2), 2023, pp. 217-236.

¹²⁵ Reuters, "Mexican authorities discover clandestine mini-refinery in crackdown of illegal hydrocarbon trade", June 20, 2025.

¹²⁶ Hernández, J.I., "Pemex Is at a Crossroads", *Americas Quarterly*, July 28, 2025.

¹²⁷ Auditoría Superior de la Federación, "Pemex Transformación Industrial. Programa de Rehabilitaciones del Sistema Nacional de Refinación: Auditoría De Cumplimiento: 2021-6-90T9M-19-0219-2022"; Auditoría Superior de la Federación, "Pemex Transformación Industrial. Erogaciones por Mantenimiento en Refinerías: Auditoría De Cumplimiento: 2020-6-90T9M-19-0430-2021".

¹²⁸ Lakhani, N., "How a Mexican state siphoned off millions – and a reporter risked her life to expose it", *The Guardian*, May 31, 2023.

The electricity sector shows similar tendencies. The government has prioritized Federal Electricity Commission's (CFE) dominance over private renewable producers, rolling back regulatory incentives and creating legal uncertainty. This shift, justified as energy sovereignty, has re-politicized electricity governance, weakened investment, and consolidated rent distribution through state-linked intermediaries.

Mining governance presents a parallel challenge. Although largely privatized since the 1990s, the sector operates under a regulatory framework that favors established conglomerates with close political ties¹²⁹ and environmental and social oversight is minimal.¹³⁰ The state's limited capacity to regulate extractive projects, especially in northern states affected by organized crime, creates conditions where both private and criminal capture coexist.¹³¹

In Mexico's midstream sector, on the gas side, the national operator CENAGAS manages SISTRANGAS, a network of pipelines structured as an open-access system in which third parties can contract capacity through competitive "open seasons".¹³² This framework, overseen by the Energy Ministry (SENER), allows integration of state and private lines into a single system.

Yet the liquid fuels network remains concentrated in PEMEX Logística, which struggles under budgetary and operational pressures.¹³³ This concentration extends into downstream logistics and distribution, where Pemex's historical vertical integration has created environments prone to opacity and preferential contracting. Corruption scandals, such as the Rovirosa-Ávila case,¹³⁴ revealed how officials accepted bribes to secure procurement advantages and evade audits, underscoring governance vulnerabilities.

Storage expansion and import interconnections have become contentious, with some reports noting that private investors proposing new storage terminals have faced delays and discriminatory treatment compared to Pemex.¹³⁵ Above all, Mexico's midstream faces a distinct vulnerability: large-scale fuel theft, or "huachicol," which forces militarized surveillance of pipelines and has repeatedly disrupted flows, raising costs and risks for operators. These black-market fuel networks, often operating in collusion with company insiders,¹³⁶ blur the line between midstream and downstream capture risks, feeding a parallel economy of gasoline and diesel that undermines both transparency

¹²⁹ Transparency International, "Corruption Risks in Mining Concession Awards in Mexico", March 2022.

¹³⁰ While Mexico has regulations for mining, major weaknesses remain in implementation especially with regard to environmental and social safeguards. IGF, "Mining Policy Framework Assessment: Mexico", April 2022.

¹³¹ Todd, F. et al., *Mining 2025: Mexico*, Chambers and Partners, January 23, 2025.

¹³² Prud'homme, E., "Cenagas Open Season Landmark Win for Mexico Natural Gas Market -- Column", *Natural Gas Intelligence*, January 19, 2024.

¹³³ PEMEX, "United States Securities And Exchange Commission on April 29, 2025", April 29, 2025.

¹³⁴ U.S. Department of Justice, "Two Mexican Nationals Charged for Bribing State-Owned Energy Officials", August 11, 2025.

¹³⁵ Alonzo, L., Almeida-Covarrubias, B., and Ramos, C., "Challenges of Mexico's Public Policy on Minimum Storage of Petroleum Products", Mayer Brown, 2020.

¹³⁶ International Crises Group, "Keeping Oil from the Fire: Tackling Mexico's Fuel Theft Racket", March 25, 2022.

and public safety. While the formal regulatory design is more open and pluralistic than in Bolivia or Venezuela, these persistent security threats and the political dominance of PEMEX in oil logistics makes capture vulnerabilities tangible in practice.

The downstream sector remains firmly dominated by PEMEX. The company's six legacy refineries operated in 2024 at around 53.7% utilization (approximately 906 Mb/d of throughput),¹³⁷ although the new Olmeca Refinery reportedly runs at about 80% of its capacity.¹³⁸

Although regulatory frameworks nominally allow private investment in storage and distribution, private firms have faced **discriminatory delays in obtaining permits or terminal access**.¹³⁹ In practice, PEMEX's vertical integration and fiscal dependence on government transfers have created a structurally captured system where Mexico's Supreme Audit Institution (ASF) reports three recurrent governance failures in PEMEX's refining system: technical inefficiencies, including chronic maintenance backlogs, unplanned shutdowns, and crude-slate mismatches that lower productivity; contracting irregularities, such as control weaknesses and deficient payments in maintenance and rehabilitation projects; and systemic governance failures, where procurement and operational decisions are not shaped by political efficiency standards.¹⁴⁰

Regulatory bodies such as the Comisión Reguladora de Energía (CRE) and the Comisión Federal de Competencia Económica (COFECE) have faced **executive interference**, weakening oversight and institutional independence.¹⁴¹ Thus, while Mexico's downstream is legally competitive, in practice it operates as a monopolistic enclave where opacity, patronage, and criminal infiltration intersect.

Argentina: Regulatory Instability and the Capture of Federal Rents

Argentina's extractive industry governance combines extensive state intervention with fragmented federal authority. The energy sector, anchored by the YPF has **oscillated between privatization and renationalization**, reflecting shifting ideological and fiscal priorities. In 2012, YPF became a hybrid enterprise, 51 per cent state-owned and 49 per cent publicly traded, tasked simultaneously with commercial and policy functions. This duality has made YPF a prime channel of political influence. Board appointments

¹³⁷ América Economía, "46% of its installed capacity", January 29, 2025.

¹³⁸ Reuters, "Mexican president says new Pemex refinery running at about 80% of capacity", October 10, 2024.

¹³⁹ Alonzo, L., Almeida-Covarrubias, B., and Ramos, C., "Challenges of Mexico's Public Policy on Minimum Storage of Petroleum Products", Mayer Brown, 2020.

¹⁴⁰ Auditoría Superior de la Federación, "Pemex Transformación Industrial. Programa de Rehabilitaciones del Sistema Nacional de Refinación: Auditoría De Cumplimiento: 2021-6-90T9M-19-0219-2022"; Auditoría Superior de la Federación "Pemex Transformación Industrial. Erogaciones por Mantenimiento en Refinerías: Auditoría De Cumplimiento: 2020-6-90T9M-19-0430-2021".

¹⁴¹ Grustein, M., "From Market Guardians to Monopoly Keepers: Regulatory Capture in Mexico's Energy Sector", Baker Institute for Public Policy, December 10, 2024.

follow changes in government, and key decisions on pricing, export permits, and investment align with fiscal cycles rather than corporate strategy.

Although YPF is the leading operator, private companies such as Pan American Energy, Chevron, Shell/Raízen, Vista, and Tecpetrol are central to the development of the Vaca Muerta shale. Vaca Muerta now makes up 70% of Argentina's natural gas production.¹⁴² In addition, the national oil output reached one of its highest levels on record at 738,000 b/d in September 2024.¹⁴³ Upstream investment reached a record \$12.8 billion in 2023, with 76% concentrated in Vaca Muerta.¹⁴⁴

YPF has also divested 55 mature assets¹⁴⁵ to smaller local firms to consolidate its shale focus, while strategic infrastructure projects, notably the planned \$3 billion Vaca Muerta pipeline and LNG export ventures with PAE, YPF, Pampa Energía, Harbour Energy y Golar LNG,¹⁴⁶ will further reinforce the role of unconventional hydrocarbons as Argentina's main energy export driver. However, the allocation of production contracts and provincial royalties involves opaque negotiations between YPF, the federal government, and provincial governors, each using control over resources to secure political alliances.

Argentina's **fiscal federalism has magnified state capture risks**. Provinces retain ownership of subsoil resources, giving local authorities substantial discretion over mining and oil concessions. This has fostered clientelist networks between provincial elites, state agencies, and private investors. In Neuquén, for example, royalty distribution has been used to finance political patronage, while environmental monitoring remains underfunded and subordinated to political interests.¹⁴⁷

Mining governance reflects similar structural tensions. The rapid expansion of lithium extraction in Jujuy, Salta, and Catamarca has attracted significant foreign investment, particularly from Chinese and South Korean firms. However, contract terms, environmental standards, and benefit-sharing mechanisms are negotiated bilaterally between provinces and investors, often without national oversight. This decentralized structure creates fragmented capture, where local elites monopolize their access to rents while national institutions lack the authority or capacity to enforce transparency.

The interaction between YPF's politicization and provincial capture has created a multi-level system of rent extraction. Subsidy schemes for gas production and fuel pricing, such as the Plan Gas and controlled retail prices,

¹⁴² U.S. Energy Information Administration, "Argentina's crude oil and natural gas production near record highs", December 5, 2024.

¹⁴³ U.S. Energy Information Administration, "Argentina's crude oil and natural gas production near record highs" December 5, 2024.

¹⁴⁴ Ojeda, A., "Vaca Muerta accounts for 76% of the country's hydrocarbon investments", Más Energía, May 26, 2025.

¹⁴⁵ Infobae "YPF began the process of selling 55 oil and gas fields to focus on Vaca Muerta". April 7, 2024.

¹⁴⁶ Mundo Marítimo, "Construction begins on Argentina's largest-capacity gas pipeline, which will enable the export of LNG production from Vaca Muerta", June 19, 2025.

¹⁴⁷ BTI Transformation Index, Argentina Country Report 2024.

redistribute funds across political constituencies rather than according to efficiency or need. These practices have entrenched fiscal imbalances and discouraged private competition, reinforcing the dependency of both national and subnational governments on extractive revenues.

The midstream energy sector in Argentina presents a **more plural and dynamic picture**. In natural gas transport, two private companies, TGS and TGN, operate long-distance pipelines under concession,¹⁴⁸ supervised by the regulator ENARGAS. Together, TGS (9,248 km) and TGN (6,806 km) run the backbone of the system, with majority ownership stakes held by local business groups such as Techint and Pampa Energía, and they also operate new strategic infrastructure such as the Néstor Kirchner gas pipeline, inaugurated in 2023.¹⁴⁹

On the oil side, Oldelval, a consortium that includes YPF (37%), ExxonMobil (21%), Chevron (14%), PAE (11.9%) Pluspetrol (11.9%) and Tecpetrol and Pampa Energía (2.1% each), runs the main oil pipeline system in Argentina.¹⁵⁰ It transports alone nearly all production from Vaca Muerta and about half of Argentina's crude.¹⁵¹ YPF more broadly controls close to 60% of total pipeline capacity in the country,¹⁵² underscoring the persistent ownership concentration in state hands despite the presence of private operators.

New infrastructure is being rapidly deployed, from the reversal of the Gasoducto Norte to carry shale gas northward,¹⁵³ to the planned Vaca Muerta Sur crude pipeline¹⁵⁴ and the Argentina LNG projects designed to anchor exports.¹⁵⁵ These projects unfold against a shifting regulatory backdrop: President Milei's 2024–25 decrees and the Ley de Bases established a new framework aiming at the privatization of some state firms, the relaxation of labor laws and a new foreign investment incentive scheme.¹⁵⁶ Compared with its neighbors, Argentina's midstream sector has greater transparency through company disclosures and regulatory oversight, though risks remain around the politicization of tariff policies and the dependence on a few critical corridors.

¹⁴⁸ Infobae, "The country's two main gas transport companies have requested a 20-year extension of their concessions", October 21, 2024.

¹⁴⁹ Bloomberg, "Néstor Kirchner Gas Pipeline: Origins, Map, and What's Needed for Full Completion", July 10, 2023.

¹⁵⁰ EnergíaOn, "Vaca Muerta: Oldeval goes to the market in search of funds to expand oil transport", May 31, 2023.

¹⁵¹ EconoJournal, "Oldelval adds 20,000 barrels of crude per day to its transport capacity", October 1, 2023.

¹⁵² U.S. Energy Information Administration, Country Analysis Brief: Argentina, October 17, 2024.

¹⁵³ Global Energy monitor, "Gasoducto Norte Gas Pipeline", September 19, 2025.

¹⁵⁴ Global Energy monitor, "Vaca Muerta Sur Oil Pipeline", September 18, 2025.

¹⁵⁵ Eni, "Eni and YPF sign agreement for participation at the Argentina LNG project", June 6, 2025.

¹⁵⁶ Buenos Aires Times, "Milei's key reforms, 'Ley de Bases' and fiscal package, become law in Argentina", July 8, 2024.

Argentina differs from its neighbors as it has a **much more plural and competitive downstream landscape**, even as the state retains considerable influence through YPF, which operates over half of the country's total refining capacity. The main refineries together provide roughly 580–650 kb/d of capacity, with La Plata alone accounting for about 30%.¹⁵⁷ Argentina's refining utilization has remained relatively high, averaging around 89% in 2023, even as crude oil production fluctuated over the past two decades. Despite this high level of efficiency, domestic refineries still meet only about 80% of national demand, leaving the country dependent on imported gasoline and diesel to fill supply gaps.¹⁵⁸

While YPF's dominant role ensures state leverage, private and mixed-ownership companies such as downstream Market Leaders Axion Energy, Pan American Energy SL, Pampa Energia SA, Raizen SA, participate actively in refining and retail.¹⁵⁹ This plural structure gives Argentina greater downstream diversity than its regional peers, though persistent logistical constraints and political interference continue to reinforce the state's discretionary power over the sector.

Improving the Corporate Governance of SOEs

The comparative application of the OECD Guidelines on Corporate Governance of State-Owned Enterprises across the four national hydrocarbon companies – PEMEX in Mexico, YPFB in Bolivia, PDVSA in Venezuela, and YPF in Argentina, reveals a gradient of governance maturity closely aligned with institutional quality, fiscal discipline, and ownership clarity in each country.¹⁶⁰ Applying the OECD Guidelines provides a robust analytical framework for evaluating governance vulnerabilities across Latin America's energy SOEs. These enterprises reveal chronic deviations from OECD standards, which reinforce systemic state capture vulnerabilities. Institutional frameworks in the countries, on the other hand, reinforce the market concentration. Regulatory bodies that are independent only on paper, such as Mexico's Comisión Nacional de Hidrocarburos (CNH) and Comisión Reguladora de Energía (CRE), Argentina's ENARGAS and ENRE, or Bolivia's National Hydrocarbons Agency (ANH), are consistently weakened, politicized, or circumvented by exceptional laws and executive discretion.

All four state-owned enterprises (SOEs) justify **state ownership** primarily on the grounds of sovereignty and energy security. Yet only YPF shows partial alignment with OECD standards, as Argentina's Law 26.741 (2012) provides a modern legal foundation complemented by listed-company transparency, even though it still lacks a unified ownership policy and systematic government review.

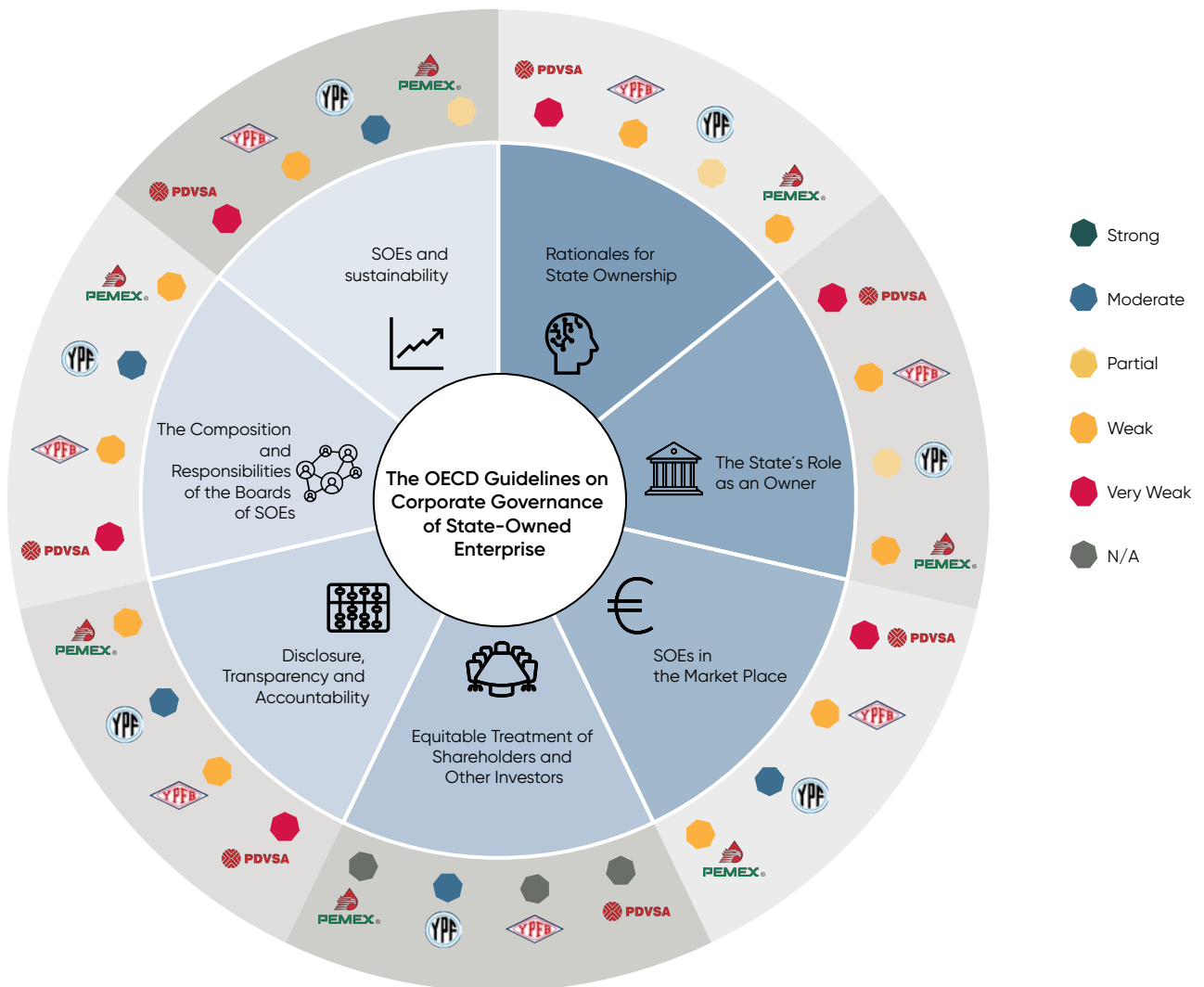
¹⁵⁷ U.S. Energy Information Administration, *Country Analysis Brief: Argentina*, October 17, 2024.

¹⁵⁸ U.S. Energy Information Administration, *Country Analysis Brief: Argentina*, October 17, 2024.

¹⁵⁹ Mordor Intelligence, "Argentina Oil and Gas Downstream Market Size & Share Analysis – Growth Trends & Forecasts (2025 – 2030)".

¹⁶⁰ For the purpose of making an initial assessment of the fulfillment of the OECD Guidelines by the four companies analysed we have applied a qualitative scale with the following categories: very weak, weak, partial, moderate, and strong.

Figure 13. OECD Guidelines on Corporate Governance of State-Owned Enterprises



Source: CSD based on the OECD Guidelines.

In contrast, PEMEX and YPFB display similarly weak governance frameworks: both operate without a consolidated State Ownership Policy, under fragmented ministerial oversight (SENER and SHCP in Mexico; COSEEP and OFEP in Bolivia), and remain largely driven by fiscal or political imperatives rather than by long-term value creation. PDVSA represents the weakest case of corporate governance, with ownership rooted in constitutional “sovereignty” clauses and managed through the Anti-Blockade Law, which enables opaque, discretionary presidential control devoid of measurable objectives or accountability mechanisms.¹⁶¹

¹⁶¹ De La Cruz, A., and Correa, H., “The Anti-Blockade Law: A Change in Venezuela’s Economic Model”, CSIS, December 2, 2020.

In terms of **market conditions and competitive neutrality**, only YPF demonstrates moderate alignment, maintaining relatively market-consistent practices through its stock listings and access to commercial financing, even when procurement transparency and public service obligation (PSO) reporting remains incomplete. Both PEMEX and YPFB have not maintained corporate governance neutrality as their policies are shaped by subsidy-driven pricing, blurred regulatory boundaries, and preferential fiscal treatment. At the same time, PDVSA operates in a non-competitive, discretionary marketplace dominated by para-fiscal functions, secrecy, and ad-hoc contracting.

Disclosure, accountability, and board governance follow a similar pattern. Transparency gaps in all cases reflect the absence of clear ownership frameworks. YPF meets international reporting standards with independent audits and functioning risk-oversight committees. By contrast, PEMEX and YPFB comply only with basic accounting requirements, lacking integrated disclosure, ownership-level performance monitoring, and strategic oversight. PDVSA has not published audited accounts since 2016 and remains entrenched in systemic opacity, reinforced by law. Board structures further reinforce this divergence: YPF's board is the only one approximating OECD principles, with defined committees and periodic evaluations, though political influence persists; PEMEX and YPFB remain politically dominated; and PDVSA's board is entirely subordinated to the Executive and military officers.

Sustainability governance reveals the widest gaps. YPF demonstrates moderate alignment through board-level ESG integration, risk management frameworks, and verified reporting practices, while PEMEX has only partially integrated sustainability considerations, with weak execution and accountability. YPFB lacks comprehensive state-defined sustainability mandate or coherent disclosure strategy, and PDVSA stands at the bottom of the spectrum, with no ESG policy, climate reporting, or independent oversight, its environmental and integrity record severely eroded under the Anti-Blockade regime.

Overall, governance alignment follows a clear north-south gradient of institutional robustness: YPF (moderate/partial) → PEMEX (weak) → YPFB (weak) → PDVSA (very weak). While YPF approximates OECD practices at the enterprise level, PEMEX and YPFB remain structurally politicized and fiscally driven, and PDVSA exemplifies extreme state capture, where ownership, policy, and regulation converge into a closed, discretionary system. This comparison underscores how the absence of unified ownership policies, independent boards, and transparent fiscal-commercial boundaries continues to undermine performance, accountability, and sustainability across Latin America's state-owned hydrocarbon sector.

Table 1. Institutional Governance and SOE Alignment

OECD Principle	PEMEX	YPFB	PDVSA	YPF
I. Rationales for State Ownership	Weak 30%	Weak 35%	Very Weak 10%	Partial 50%
II. State's Role as Owner	Weak 37%	Weak 36%	Very Weak 10%	Partial 55%
III. SOEs in the Marketplace	Weak 30%	Weak 30%	Very Weak 10%	Moderate 61%
IV. Equitable Treatment of Shareholders	N/A	N/A	N/A	Moderate 63%
V. Disclosure and Accountability	Weak 45%	Weak 38%	Very Weak 10%	Moderate 67%
VI. Board Composition	Weak 34%	Weak 28%	Very Weak 10%	Moderate 63%
VII. Sustainability	Partial 49%	Weak 30%	Very Weak 10%	Moderate 66%
Average	Weak 38%	Weak 33%	Very Weak 10%	Moderate 61%

Source: CSD based on the OECD Guidelines.

Comparative Assessment

PEMEX and Mexico's Hydrocarbons Value Chain: Between Reform and Re-Politicization

Mexico's experience with *Petróleos Mexicanos* (PEMEX) illustrates the **cyclical tension between formal modernization and enduring political control**. Despite the 2013–2014 Energy Reform aligning parts of the hydrocarbons sector with OECD principles of competitive neutrality and transparency, most of the reform's corporate governance gains have since been eroded.

From the outset, PEMEX (founded in 1938) was more than an oil company: it became a symbol of sovereignty and a fiscal lifeline for the state. This monopoly, however, also concentrated enormous discretion in the hands of the executive, embedding state-capture vulnerabilities from the beginning. Political appointments, union patronage, and the chronic use of PEMEX revenues to fund government budgets took precedence over reinvestment in infrastructure and long-term planning. Production windfalls, especially during the Cantarell boom, deepened the state's dependence on oil rents, while aging facilities and safety failures revealed the hidden costs of decades of underinvestment.¹⁶²

By the 2000s, corruption scandals exposed how a monopolistic state enterprise with weak oversight could become a **vehicle for rent extraction**. Irregular procurement, such as contracts awarded to banned suppliers, and

¹⁶² Seelke, C.R. et al., "Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States", U.S. Congressional Research Service, September 28, 2015.

the notorious Oceanografía fraud,¹⁶³ showed how contractors and political insiders were able to manipulate PEMEX's procurement system. Oversight bodies often failed to enforce sanctions, perpetuating impunity and signaling that rules could be bent by those with the right connections.¹⁶⁴

The **2013 energy reform** sought to reverse this pattern without abandoning public ownership. By amending Articles 25, 27, and 28 of the Constitution, PEMEX was transformed into a "productive state enterprise" and stripped of its exclusivity. The reform created new regulators, the National Hydrocarbons Commission (CNH) and the Energy Regulatory Commission (CRE) and introduced competitive auctions to allocate contracts. For the first time in 75 years, PEMEX faced rivals in exploration and production. The results were promising: Round One and Round Two awarded dozens of blocks to international and domestic operators, attracted billions in investment commitments, and set new standards for transparency.¹⁶⁵

In 2018, the incoming administration reversed course by canceling new auctions and pausing joint ventures, signaling a **return to state-led development** and weakening the competitive pressures and regulatory buffers designed to reduce capture risks.¹⁶⁶

Nationalist energy policy redirected capital into refining, most notably with the purchase of Shell's stake in the Deer Park refinery in Houston, completed in January 2022.¹⁶⁷ The government presented the deal as a step toward fuel self-sufficiency, but it also concentrated more resources under PEMEX's control, heightening the exposure to the same fiscal and governance risks that have plagued the company for decades. The reality is that PEMEX already operates six refineries in Mexico (Salamanca, Salina Cruz, Tula, Cadereyta, Minatitlán, and Ciudad Madero) although they have long suffered from chronic underinvestment and inefficiency. Between 2015 and 2021, their average utilization rarely exceeded 40%, far below international standards, and gasoline production met less than half of domestic demand, forcing Mexico to continue importing fuels despite its vast refining capacity.

Even after Deer Park was added to PEMEX's portfolio, refining margins remained negative and output failed to meet official targets, underscoring how the downstream segment has become a **drain on public finances rather than a path to energy sovereignty**. This contradiction is particularly evident when considering that Mexico's nominal refining capacity, now above 2.3 million barrels per day with the addition of Dos Bocas and Deer Park, theoretically exceeds domestic demand.¹⁶⁸

¹⁶³ Guerrero, "Corruption in the Mexican Energy Industry", *Wilson Center's Mexico Institute*, October 4, 2016.

¹⁶⁴ Guerrero, "Corruption in the Mexican Energy Industry", *Wilson Center's Mexico Institute*, October 4, 2016.

¹⁶⁵ Seelke et al., "Mexico's Oil and Gas Sector", U.S. Congressional Research Service, September 28, 2015; Guerrero, "Corruption in the Mexican Energy Industry", *Wilson Center's Mexico Institute*, October 4, 2016.

¹⁶⁶ France 24, "Mexico Cancels Oil Auctions Under New President", December 12, 2018.

¹⁶⁷ PEMEX, "PEMEX finalizes acquisition of Deer Park refinery in the USA", January 20, 2022.

¹⁶⁸ The calculation was made by CSD based on data from Statista, Reuters, and Pemex Deer Park.

Table 2. PEMEX Corporate Government Assessment

OECD Principle	Alignment	Key Issues
I. Rationales for State Ownership	Weak 30%	Although it has a formal legal basis as a productive state enterprise, Mexico lacks a unified ownership policy or regular review mechanism. Oversight remains fragmented among SENER, SHCP, and the Presidency, while fiscal and political objectives—rather than efficiency or long-term societal value—drive state ownership. Accountability mechanisms through Congress and the ASF are limited and largely reactive.
II. State’s Role as Owner	Weak 37%	Mexico has codified PEMEX’s legal form and has strong ministries (SENER and SHCP) to exercise ownership and fiscal control. Yet the absence of a unified ownership entity, persistent ministerial dominance of the board, politically directed appointments, and limited autonomy or accountability mechanisms mean the state’s ownership role remains highly politicised and far from OECD standards.
III. SOEs in the Marketplace	Weak 30%	Despite a functioning legal and reporting framework, blurred lines between ownership and regulation, opaque subsidy structures, preferential financing, and recurring procurement irregularities undermine competitive neutrality and market integrity.
IV. Equitable Treatment of Shareholders	N/A	PEMEX is 100 % owned by the Mexican federal government, the core provisions of Pillar IV, designed to protect minority or non-state shareholders, do not apply in their primary sense
V. Disclosure and Accountability	Weak 45%	While it satisfies formal IFRS reporting and external audit requirements, the absence of integrated, timely, and comprehensive disclosure, especially on fiscal support, risk exposure, and ownership-level reporting, reveals persistent opacity and limited accountability relative to OECD standards.
VI. Board Composition	Weak 34%	While PEMEX’s board fulfills formal legal structures, entrenched political control, lack of independence, and issues with accountability mechanisms undermine its ability to act as a professional, strategic, and risk-oversight body in line with OECD standards
VII. Sustainability	Partial 49%	PEMEX has begun integrating sustainability considerations through formal committees, GRI-referenced reporting, and references in its 2025–2035 plan, yet execution remains uneven. Fiscal priorities, limited board-level ESG accountability, and continuing environmental and integrity concerns prevent alignment with OECD expectations for sustainability governance.

Source: CSD based on OECD Guidelines.

By 2024, PEMEX has been struggling with mounting arrears to suppliers,¹⁶⁹ creating opportunities for favoritism and influence-peddling in payments, prioritizing big suppliers. Meanwhile, independent regulators have been weakened by budget cuts and political interference, eroding one of the reform’s key safeguards against capture.¹⁷⁰ At the same time, PEMEX has increasingly relied on politically connected conglomerates to fill investment gaps, as seen

¹⁶⁹ Martinez, A.I., and Barrera, A., “Pemex plan disappoints suppliers awaiting billions in overdue payments”, *Reuters*, August 8, 2025.

¹⁷⁰ Barrera, A., “Mexico state oil firm Pemex to have more freedom for partnerships under reform”, *Reuters*, February 6, 2025.

in the US\$1.99 billion drilling contract at the Ixachi field awarded to Grupo Carso in 2025.¹⁷¹ While such partnerships may deliver short-term results, they also raise the risk of concentrated influence and discretionary deal-making.

Emblematic cases keep the risk profile high. For instance, Pemexgate exposed electoral capture when union-linked Pemex funds were diverted to the 2000 PRI presidential campaign, and the party was fined €90 million in 2003.¹⁷² Then, between 2010 and 2014, Odebrecht admitted paying US\$10.5 million in bribes in Mexico, with prosecutors alleging former CEO Emilio Lozoya received millions tied to Pemex contracts; proceedings continue years later.¹⁷³ In 2013, Pemex's purchase of Agro Nitrogenados from AHMSA led to a US\$216 million restitution agreement with owner Alonso Ancira,¹⁷⁴ which authorities moved to reactivate in 2025 over missed payments.¹⁷⁵ Most recently, in 2025, U.S. authorities indicted Ramón Roviroso and Mario Ávila for bribing Pemex/PEP officials with cash and luxury goods to secure contracts.¹⁷⁶

The Shifting Role of YPF: Integration, Vulnerabilities, and the Future of Bolivia's Gas Industry

YPFB was founded in 1936 as Bolivia's state hydrocarbons company. In the mid-1990s, "capitalization" reforms unbundled the firm and opened transport, refining, and other segments to private investment – shifting the state toward policy and regulation, under a World Bank backed Hydrocarbon Sector Reform and Capitalization program that built the legal/regulatory framework and prepared YPF for capitalization.¹⁷⁷

The pendulum swung back in the 2000s. **The Hydrocarbons Law** (Ley 3058, May 17, 2005) **re-established state ownership** and the modern contract/royalty architecture; Supreme Decree 28701 "Héroes del Chaco" (May 1, 2006) nationalized the sector and returned wellhead ownership and commercialization to the state via YPF. Together, they restored YPF's central, vertically integrated role through a holding (YPFB Corporación) with wholly owned subsidiaries and affiliates, and consolidated its dual status as commercial operator and, in practice, de facto regulator, an enduring governance tension. This turn coincided with the rise of the Movimiento al Socialismo (MAS), which made YPF a strategic instrument for consolidating resource nationalism and political hegemony.

A further shift came with the Public Enterprise Law (Ley 466), which created COSEEP as the state's top body for strategic guidance and owner oversight

¹⁷¹ Vasquez, A., "Carlos Slim's Grupo Carso signs \$2 billion drilling deal with Pemex for Ixachi field", *WorldOil*, September 29, 2025.

¹⁷² El País, "El PRI mexicano acepta pagar una multa de casi 90 millones de euros", May 15, 2003.

¹⁷³ Reuters, "Former Pemex boss denies taking bribes from Odebrecht", July 29, 2020.

¹⁷⁴ Cardenas, A., "The Attorney General's Office (FGR) keeps the agreement between Ancira and Pemex secret for five years", *Quinto Elemento Lab*, June 10, 2021.

¹⁷⁵ Suárez, K., "The Sheinbaum administration and businessman Alonso Ancira clash over the multi-million dollar Pemex compensation deal", *El País*, August 13, 2025.

¹⁷⁶ U.S. Department of Justice, "Two Mexican Nationals Charged for Bribing State-Owned Energy Officials", August 11, 2025.

¹⁷⁷ World Bank, "Development Credit Agreement. Hydrocarbon Sector Reform and Capitalization Technical Assistance Project", Credit Number 2762 BO, July 19, 1995.

and set the SOE governance regime, board, planning, and owner-control mechanisms, that shapes YPFB's strategic and financial autonomy. Under MAS governments, **Ley 466 entrenched partisan influence**, as appointments and investment priorities were often tied to loyalty to the ruling party rather than technical criteria.^{178,179}

Hydrocarbons output trended downward through the 2010s–2020s amid under-investment in exploration and field development, becoming a **net fuel importer in 2022**.¹⁸⁰ With gas production falling, Bolivia ended nearly two decades of exports to Argentina in September 2024,¹⁸¹ while maintaining and renegotiating commitments with Brazil.¹⁸² Between 2024 and 2025 a new line emerged: transit of Argentine Vaca Muerta gas to Brazil through Bolivian pipelines,¹⁸³ and a regulatory framework empowering YPFB as an “international aggregator/transport operator” for gas in transit, shifting Bolivia from exporter to transit country and reshaping both risks and opportunities.¹⁸⁴

On reserves and transparency, YPFB reported proved sales gas of 4.49 trillion cubic feet (Tcf) (≈ 4.5 Tcf) and ~ 12.62 million barrels of oil (mmbbl) as of December 31, 2023,¹⁸⁵ but released only a brief communiqué, no full technical report or historical series, signaling partial transparency on critical data.¹⁸⁶ Internally, the Corporate Internal Audit Directorate (DAIC) found in 2023 control weaknesses in fuel-supply processes such as non-uniform storage-capacity evaluations and late SICOES¹⁸⁷ filings (Forms 400 and 250¹⁸⁸). Left unaddressed, these gaps invite discretion and “administrative arbitrage” in sensitive procurements. Observers have argued these weaknesses persist because MAS-aligned networks inside YPFB have little incentive to strengthen oversight that could constrain rent distribution.¹⁸⁹ With limited autonomy, ANH struggles to oversee a counterpart that controls critical pipelines and international interfacing.

¹⁷⁸ Agencia de Noticias Fides, “Law Approved Creating an Interministerial Council to Regulate State-Owned Enterprises”, December 4, 2013.

¹⁷⁹ Morales, J.A., “State-Owned Enterprises, Headed for Disaster”, *Publico.bo*, October 23, 2023.

¹⁸⁰ U.S. International Trade Administration, “Bolivia Country Commercial Guide”, June 5, 2024.

¹⁸¹ Elliott, L., “Bolivia’s gas exports to Argentina ended in September, state-run firm confirms”, *Reuters*, September 25, 2024.

¹⁸² Ciruzzi, C., “Petrobras amends gas agreement with YPFB”, *Oil and Gas Journal*, December 18, 2023.

¹⁸³ Elliott, L., “Brazil, Argentina sign deal with Bolivia’s YPFB to transport Vaca Muerta gas”, *Reuters*, May 27, 2025.

¹⁸⁴ Official Gazette of Bolivia, Supreme Decree No. 5206, *LexiVox*, August 28, 2024.

¹⁸⁵ Belmonte, M.A., “Gas Reserves Reach 4.5 TCF as of December 31, 2023, the Lowest Level in Recent Years”, *Visión 360*, December 31, 2024.

¹⁸⁶ Opinión, “Government Holds Two Reports on Gas Reserves That It Has Refused to Release for Months”, September 30, 2024.

¹⁸⁷ YPFB, “Corporate Internal Audit Directorate – YPFB”, September 11, 2024. SICOES is the State Contracting System. Form 400 contains the Call for Bids, and Form 250 corresponds to the Contract Award.

¹⁸⁸ In the SICOES platform, forms are standardized electronic templates used to record and publish procurement procedures. Form 400 corresponds to the Call for Bids, while Form 250 refers to the Contract Award.

¹⁸⁹ Fundación Milenio, “Analysis No. 33. State-Owned Enterprises Under Scrutiny: What Should Be Done With Them?”, January 3, 2022.

Table 3. YPFB Corporate Government Assessment

OECD Principle	Alignment	Key Issues
I. Rationales for State Ownership	Weak 35%	Bolivia's rationale for state ownership in YPFB is legally explicit, anchored in sovereignty, revenue, and supply security, but lacks a modern, results-oriented ownership policy. The Ley de la Empresa Pública N°466 (2013) and COSEEP establish the framework, yet there is no publicly disclosed policy or periodic review linking state goals to performance. In practice, YPFB's mandate prioritizes short-term fuel security and subsidy management over long-term value creation or efficiency, and oversight remains limited to ex-post audits without strategic evaluation.
II. State's Role as Owner	Weak 36%	Bolivia's ownership framework for YPFB is legally established but politically driven. Despite Law 466 (2013) and COSEEP's coordinating role, overlapping mandates and ministerial control limit autonomy and blur ownership and management functions. The state sets broad policy goals without clear performance targets, while political appointments and interventions constrain board independence. Oversight bodies like OFEP report internally but lack public accountability or transparency.
III. SOEs in the Marketplace	Weak 30%	YPFB operates under strong state control, with blurred boundaries between ownership, regulation, and policymaking. Foreign and private firms can only partner under YPFB's majority control, limiting competition. Fuel subsidies act as implicit public service obligations but lack transparent cost attribution or compensation. Frequent government interventions, price controls, import decrees, and tax exemptions, distort market conditions, while procurement exceptions (DS 0181) and emergency contracting undermine competitiveness. With administratively set prices and fiscal backing, YPFB functions mainly as a policy instrument rather than a commercially disciplined enterprise.
IV. Equitable Treatment of Shareholders	N/A	YPFB has the structure of a state-owned enterprise and is not listed on stock exchanges. The government is the sole owner of the company.
V. Disclosure and Accountability	Weak 38%	YPFB discloses basic financial, audit, and operational information but lacks depth, consistency, and linkage to ownership goals. Risk management is reactive and compliance-driven, not strategic. Internal and external audits exist. At the ownership level, COSEEP/OFEP reporting remains mostly internal and incomplete.
VI. Board Composition	Weak 28%	YPFB's board is defined in law, but ministerial tutelage and government-driven appointments blur ultimate responsibility; the Executive President also chairs the board, with no independent directors or specialised committees. Composition is political rather than merit-based, there's no evidence of board self-evaluation or diversity policies.
VII. Sustainability	Weak 30%	Bolivia has no published ownership policy setting concrete sustainability expectations for YPFB, and OFEP's information remains internal, limiting accountability. At the enterprise level, there is no evidence of comprehensive sustainability strategy; disclosures and assurance are uneven and largely confined to some subsidiaries. Stakeholder/RBC practices exist in fragments (rendición de cuentas, CGE, ethics units), but lack coherent policies.

Source: CSD based on OECD Guidelines.

Organizationally, duplication and fragmentation across subsidiaries and departments (parallel exploration units, refinery divisions handling unrelated administrative tasks, and weak inter-unit coordination) have inflated costs,

delayed projects, enabled corruption networks, and impaired investment planning, budget execution, and production performance.¹⁹⁰

Vertical integration and the “aggregator” role concentrate information and decision power over volumes, routes, and domestic prices. YPFB, the country’s most powerful company, has at times mirrored PDVSA’s **clientelist/patrimonial patterns**, acting as a cash reservoir for discretionary social spending,¹⁹¹ propaganda, and electioneering. In a context of fuel subsidies and external tightness, this situation is not sustainable given for instance the subsidies’ growing fiscal burden.¹⁹²

Foreign state and para-state actors add also “corrosive capital” pressures: PDVSA (Petroandina SAM, since 2007), Gazprom (Masterplan 2030, projects Azero and Incahuasi, later partial exits), and Chinese financing/equipment (ExIm Bank) linked to drilling are usually accompanied by low transparency negotiations, create financial dependence, and therefore, cooperation can become a lever for influence and decision capture.

YPFB is indispensable, and that **indispensability is the source of its exposure**. The upside to integration is that coordinating the full chain, negotiating exports, and exploiting network economies becomes an advantage when pivoting to Vaca Muerta–Brazil transit, monetizing transport capacity, and securing domestic supply through integrated logistics. Yet this same architecture also exposes deep governance weaknesses: political interference, opaque accounting, and distortionary subsidies. YPFB’s model exemplifies excessive political control and weak transparency, contravening nearly all governance pillars. Addressing these deficits through stronger audits and clarified ownership functions is essential to reduce capture risks.

PDVSA: A Paradigmatic Tale of State Capture

The story of Petróleos de Venezuela (PDVSA) is perhaps the clearest demonstration of how the hydrocarbons value chain can be transformed into a mechanism of state capture. Created in 1976 after the first nationalization of Venezuela’s oil industry, PDVSA consolidated various concessionaire companies into a state-owned holding that initially operated with high levels of professionalism and international credibility. Oversight mechanisms such as tender committees, internal audits, and external supervision by global firms ensured accountability, while the company’s remuneration schemes allowed it to attract and retain top talent. By the 1980s and 1990s, PDVSA ranked among the top five employers in the country and was widely recognized as one of the most efficient state-owned oil companies in the world.¹⁹³

¹⁹⁰ Fundación Jubileo, “YPFB: Between Restructuring and Institutional Weakness”, May 22, 2017.

¹⁹¹ Plurinational State of Bolivia, “27 state-owned companies will contribute more than Bs474.3 million to finance the Juancito Pinto Bonus for over 2.3 million students in 2025”, September 10, 2025. According to the report, 78.3% of the funding comes from three entities: YPFB, ENDE, and Entel.

¹⁹² Fundación Milenio, “Coy 498 – Was the Nationalization Worth It?”, May 22, 2024.

¹⁹³ Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

During this period, known as the “**Apertura Petrolera**,” Venezuela opened the sector to foreign participation, which boosted production from 1.68 million barrels per day in 1985 to 3.33 million barrels per day in 1998. Oil revenues between 1985 and 1998 reached an estimated US\$758 billion in constant 2020 terms, complementing the US\$1.54 trillion generated in the earlier expansion cycle from 1943 to 1970.¹⁹⁴ These inflows sustained the economy and financed public spending without, however, creating the systemic corruption that would later characterize the industry.

This changed drastically after the election of Hugo Chávez in 1998 and the approval of a new Constitution in 1999, which **consolidated state ownership and control over hydrocarbons**. The Hydrocarbons Law of 2001 redefined contractual arrangements in favor of the state, and PDVSA’s revenues were increasingly diverted into discretionary funds outside parliamentary control. Still, corruption did not become fully systemic until the 2002–2003 oil strike, when over 20,000 employees, half of the company’s workforce, mostly experienced managers and engineers, were dismissed.¹⁹⁵ Their replacements were chosen not on the basis of merit but of political loyalty, often verified through the so-called “Tascón list” of individuals who opposed Chávez.¹⁹⁶ From this moment on, the **hydrocarbons value chain was politicized at every stage**, with technical expertise replaced by allegiance to the ruling party.

Under Rafael Ramírez, who served simultaneously as Oil Minister and president of PDVSA from 2004 to 2014, the separation between regulator and operator disappeared, further eroding institutional independence.¹⁹⁷ During this period, PDVSA became the principal financier of parafiscal funds such as Fonden and Fondespa, which between 2005 and 2015 absorbed more than US\$174 billion in oil revenues with almost no public scrutiny. At the same time, international investigations would later identify at least 127 major corruption cases linked to PDVSA, amounting to US\$42 billion in diverted or laundered assets across 16 countries, though only 24 people were ever prosecuted inside Venezuela.¹⁹⁸

These transfers coincided with an unprecedented oil boom: in 2008, revenues surpassed \$100 billion, driven by prices above US\$130 per barrel. Instead of reinvesting in infrastructure or exploration, much of the windfall was funneled into electoral patronage and social programs directly tied to the government’s political survival. PDVSA became not only a company but an electoral machine, financing programs such as Misión Vivienda, distributing goods during campaigns, and deploying company vehicles and workers to staff polling stations.¹⁹⁹ The payroll, which had been around 49,000 employees in 2005, swelled to more than 152,000 by 2014, with the majority hired for political loyalty rather than technical skills.²⁰⁰

¹⁹⁴ Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

¹⁹⁵ Paredes, A. et al., *PDVSA, Manual of Destruction*, Transparencia Venezuela, April 2022.

¹⁹⁶ US Department of State “Venezuela”. Bureau of Democracy, Human Rights, and Labor.” March 6th, 2007

¹⁹⁷ Reuters “Ramírez removed as PDVSA head, oil minister in Venezuela shake-up” September 3rd, 2014

¹⁹⁸ Paredes et al., *PDVSA, Manual of Destruction*, Transparencia Venezuela, April 2022.

¹⁹⁹ Paredes et al., *PDVSA, Manual of Destruction*, Transparencia Venezuela, April 2022.

²⁰⁰ Paredes et al., *PDVSA, Manual of Destruction*, Transparencia Venezuela, April 2022.

The company's financial practices also became a **key vector of corruption**. In 2006, PDVSA stopped reporting to the U.S. Securities and Exchange Commission, ending external oversight.²⁰¹ From 2007 onwards, it issued more than US\$33 billion in bonds, many purchased in bolívares at preferential exchange rates and resold abroad in dollars, generating immense arbitrage opportunities.²⁰²

By the early 2010s, the hydrocarbons value chain was already showing the effects of neglect and mismanagement. Service companies were expropriated, maintenance collapsed, and refineries deteriorated. International oilfield service providers like Schlumberger and Halliburton reduced operations due to unpaid contracts.²⁰³ Production began to fall sharply, a decline accelerated by the collapse in global oil prices between 2014 and 2016, which cut Venezuela's oil revenues in half, from US\$71 billion in 2014 to just US\$35 billion in 2016.²⁰⁴ At the same time, hyperinflation and debt reliance worsened the country's economic collapse.

Sanctions imposed in 2017 by the United States further restricted PDVSA's access to financing,²⁰⁵ but instead of curbing corruption, they pushed it into **more opaque arrangements**. Oil-for-cash swaps with Chinese and Russian intermediaries, often at discounts of US\$10–15 per barrel, became the main source of regime financing. PDVSA's reach extended beyond national borders through Petrocaribe and Alba Petróleos, with oil-for-credit agreements that were later implicated in laundering billions of dollars, including a US\$400 million scandal in El Salvador.²⁰⁶ These networks illustrate how state capture through PDVSA's value chain transcended Venezuela's borders and became embedded in regional political alliances.

By 2018–2021, the magnitude of PDVSA's corruption was fully exposed. Prosecutors in the United States, Andorra,²⁰⁷ and Switzerland²⁰⁸ detailed billion-dollar embezzlement and laundering cases, involving executives, traders, and politically connected businessmen. Former officials such as Rafael Ramírez, who had overseen the company during its most lucrative years, were accused of siphoning billions.²⁰⁹ Meanwhile, production collapsed to fewer than 500,000 barrels per day, compared to more than 3 million barrels per day in the 1990s.²¹⁰

²⁰¹ Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

²⁰² Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

²⁰³ Reuters, "Schlumberger to limit Venezuela operations on payment problems", April 13, 2016.

²⁰⁴ Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

²⁰⁵ U.S. Congress, "Venezuela: Overview of U.S. Sanctions Policy", June 4, 2025.

²⁰⁶ Expediente Público, "ALBA Petróleos: The Biggest Money Laundering Investigation in the History of El Salvador", August 13, 2021.

²⁰⁷ Spectrum News, "Andorra charges Venezuelan ex-officials for money laundering", May 9, 2019.

²⁰⁸ U.S. Department of Justice, "Former Swiss Bank Executive Pleads Guilty to Role in Billion-Dollar International Money Laundering Scheme Involving Funds Embezzled from Venezuelan State-Owned Oil Company", August 22, 2018.

²⁰⁹ Organized Crime and Corruption Reporting Project, "Black Gold in Swiss Vaults: Venezuelan Elites Hid Stolen Oil Money in Credit Suisse", February 20, 2022.

²¹⁰ Berg, R.C., "The Role of the Oil Sector in Venezuela's Environmental Degradation and Economic Rebuilding", CSIS, October 12, 2021.

Table 4. PDVSA Corporate Government Assessment

OECD Principle	Alignment	Key Issues
I. Rationales for State Ownership	Very Weak 10%	PDVSA's ownership rests on constitutional/statutory "sovereignty" clauses rather than a modern ownership policy with measurable goals, role clarity, and public reporting. In practice, Anti-Blockade secrecy, the absence of audited accounts since 2016, and the diversion of PDVSA to para-fiscal and partisan ends negate OECD expectations that state ownership maximize long-term societal value with transparency and recurrent review. Objectives assigned to PDVSA frequently spill beyond its core business, while enterprise-level rationales and policy targets are neither published nor evaluated.
II. State's Role as Owner	Very Weak 10%	Venezuela lacks a centralized, professional ownership entity, publishes no ownership policy, and relies on the Anti-Blockade Law to manage PDVSA through confidential, ad-hoc arrangements. Board independence and merit-based nominations are absent; audited reporting stopped in 2016; owner-level mandates, risk tolerances and disclosure policies are not published; and the interface with auditors/oversight bodies is politicized. Fragmented, discretionary control (Presidency/Ministry/exceptional vehicles, with military actors in the value chain) replaces the OECD's model of an informed, active, accountable owner
III. SOEs in the Marketplace	Very Weak 10%	PDVSA operates in a non-competitive, discretionary marketplace shaped by fused policy/owner/regulatory roles, opaque procurement, politicized fuel pricing and para-fiscal functions, and no audited reporting since 2016. The Anti-Blockade Law entrenches secrecy and ad-hoc contracting, destroying neutrality and foreclosing level-playing-field conditions. Export upticks in 2025 rely on intermediaries and confidential deals, while domestic distribution/pricing remain politicized.
IV. Equitable Treatment of Shareholders	N/A	PDVSA has the structure of a state-owned enterprise and is not listed on stock exchanges. The government is the sole owner of the company.
V. Disclosure and Accountability	Very Weak 10%	PDVSA fails almost every OECD test for transparency and accountability: no independent external audit since 2016, no public owner objectives or PSO costing, no robust disclosures on risks/related-party dealings/state assistance/liabilities, minimal board/remuneration transparency, and fragmentary sustainability data. The Anti-Blockade Law institutionalizes secrecy and ad-hoc contracting, place PDVSA at the bottom of OECD compliance for disclosure and public accountability.
VI. Board Composition	Very Weak 10%	PDVSA's board structure is entirely subordinated to the Executive, with appointments made by presidential decree, no independent or merit-based selection, and no separation between chair and CEO. There are no functional audit, risk, or remuneration committees, no published board evaluations, and no conflict-of-interest safeguards. Political interference is systemic, with ministers and military officers dominating governance.
VII. Sustainability	Very Weak 10%	PDVSA lacks any state-mandated sustainability policy, ESG targets, or board-level oversight mechanisms. The company operates without climate or environmental disclosure standards, independent audits, or RBC frameworks. Sustainability considerations are subordinated to short-term production and fiscal goals, while corruption, pollution, and secrecy under the Anti-Blockade Law have eroded transparency and stakeholder trust.

Source: CSD based on OECD Guidelines.

Today, PDVSA operates at a fraction of its former capacity, but it remains the **financial backbone of Venezuela's authoritarian system**. Oil revenues, channeled through clandestine trade, gold swaps, and discounted shipments, continue to sustain the regime and its networks of patronage.²¹¹

PDVSA's trajectory illustrates how political elites, by controlling the hydrocarbons value chain, were able to institutionalize state capture, from efficiency to politicization, from transparency to opacity, and from development to destruction. The analysis demonstrates that PDVSA does not comply with the OECD principles of good corporate governance, due to opaque ownership structures, politicized management, and the absence of effective accountability mechanisms. Institutional collapse and executive interference have eliminated any semblance of market discipline or independent oversight.

YPF and Argentina's Energy Governance: Between Modernization and State Intervention

The history of YPF illustrates how shifts in ownership, regulation, and governance have shaped Argentina's exposure to state capture vulnerabilities. Oil was first discovered in Comodoro Rivadavia in 1907, and YPF was founded in 1922 as a vertically integrated state company. While this strengthened national sovereignty over hydrocarbons, it also concentrated power in a single actor, creating long-term risks of politicization.

The 1993 **privatization and YPF's listing** on the New York Stock Exchange introduced stronger disclosure and investor protections. Yet the transfer of control to Spain's Repsol in 1999²¹² raised new concerns about profit repatriation and regulatory capture. In 2008, the Petersen Group entered as a minority shareholder with heavy debt financing, a fragile structure that later triggered prolonged litigation.²¹³

In 2012, **Argentina re-nationalized** 51% of YPF²¹⁴ (split between the federal government and oil-producing provinces through OFEPMI). While the move was framed as restoring energy sovereignty, it undermined investor protections and opened the door to costly international lawsuits. To attract investment, the government created a special promotion regime in 2013 and soon after sealed a landmark joint venture with Chevron in Vaca Muerta. These deals brought capital and expertise but relied on discretionary incentives. The 2014 reforms to the Hydrocarbons Law standardized concession terms and limited ad hoc provincial negotiations. Parallel to this, Argentina's 2017–2018 Corporate Criminal Liability Law signaled progress in compliance and anticorruption standards in public contracting.

²¹¹ Transparencia Venezuela, *Governance Practices that Encouraged Corruption at PDVSA*, April 2022.

²¹² Company Histories, "Repsol-YPF S.A.".

²¹³ Alexianu, M, and Hakim, A., "Petersen v. Argentina: Unpacking a \$16 Billion Judgment", *Lawfare*, November 30, 2023.

²¹⁴ Fernandez, P., *Valuation of an Expropriated Company: The Case of YPF and Repsol in Argentina*, Working Paper, WP-1055-E, IESE Business School – University of Navarra, December 2012.

Foreign partnerships during this period also revealed **geopolitical pulls**. In 2015, YPF and Gazprom signed cooperation agreements on exploration, production, and transport (including in third countries), and in 2021 a confidentiality agreement in 2021 with Pampa Energía for the exploitation of gas fields in the El Mangrullo and Sierra Chata fields, Neuquén province, though Gazprom ultimately did not invest. China's PowerChina and Shanghai Electric signed also MoU to study the Transport.Ar gas pipeline and pressed for a railroad linking Vaca Muerta to the Atlantic. YPF also pursued an LNG export venture with Malaysia's Petronas, but site selection became politically contentious after the project was shifted from Río Negro to Bahía Blanca, a province governed by a political rival of President Milei.

Policy instruments such as Plan Gas 4 (2020) offered more predictable upstream incentives, though discretion persisted. Under Milei, the 2024 deregulatory package and the Regime of Incentives for Large Investments (RIGI) sought to attract private capital, yet YPF was excluded from privatization plans, leaving intact vulnerabilities tied to majority state ownership. Milei's broader agenda combines fiscal austerity with investor-friendly incentives under RIGI (lower corporate rates, accelerated amortization, VAT credit certificates, and duty-free capital goods). His government has courted U.S. capital, helped by Milei's proximity to Donald Trump, while signaling a harder line on some China-linked projects and keeping the door ajar to Russia if sanctions ease.

Vaca Muerta remains the sector's growth engine. In 2024, production averaged ~720,000 b/d of oil and ~125 million cubic meters per day (m³/d) of gas,²¹⁵ supported by US\$11 billion in investment (~80% in Vaca Muerta).²¹⁶ YPF led with US\$ 4.4 billion, joined by Pan American Energy, Pluspetrol, Tecpetrol, Pampa Energía, Vista, and TotalEnergies. A new pipeline to Bahía Blanca is underway to enable up to 1 million b/d of exports. As of May 2025, YPF's market capitalization is ~US\$14.4 billion,²¹⁷ with Vaca Muerta accounting for 58% of total oil production.²¹⁸

While YPF complies with CNV and SEC disclosure obligations, including financial and sustainability reporting, transparency gaps remain. Critical details, such as the terms of international partnerships in Vaca Muerta, are often withheld.²¹⁹ High operating costs and logistics constraints further expose negotiations, especially those involving YPF as the state's operating arm, to opaque or unbalanced terms.

Market concentration amplifies risks: **YPF dominates large shares of production, transport, and retail**, while a handful of private firms control the rest. Several executives with Tecpetrol/Techint backgrounds now hold senior roles at YPF, while CEOs of Pampa Energía and CGC maintain close ties to the

²¹⁵ Roca, M., "Vaca Muerta Effect: Argentina Keeps Breaking Records and Is Now the Third-Largest Oil Producer in the Region", DEF, March 20, 2025.

²¹⁶ Zalazar, M., "In 2024, more than USD 11 billion were invested in the oil sector", *Infobae*, January 19, 2025.

²¹⁷ Companies Market Cap, "Market capitalization of YPF (Yacimientos Petrolíferos Fiscales) (YPF)", October 2025.

²¹⁸ Catalano, S., "YPF Presented Its Plan on Wall Street: Long-Term Strategy Against Global Crises and Full Focus on Vaca Muerta", *Infobae*, April 11, 2025.

²¹⁹ Ojeda, A., "YPF Signed 19 Confidentiality Agreements to Sell LNG", *Mas Energía*, November 2024.

Milei administration. Although YPF has updated its Corporate Governance Code and integrity programs, governance frictions persist. Argentina's federal system fragments oversight, as provinces retain ownership of subsoil resources, Neuquén, for example, is developing its own incentive scheme instead of fully adhering to RIGI.

YPF's dual nature (majority state-owned but publicly traded) demands rigorous transparency, yet practices fall short. Its 11-member Board includes national government representatives, private shareholders, and independents. Since December 2023, Horacio Marín, a Tecpetrol veteran, has served simultaneously as CEO and Chairman, concentrating power and weakening checks and balances. Political appointments further blur lines: former Cabinet Chief Nicolás Posse,²²⁰ his deputy José Rinaldi, current Cabinet Chief Guillermo Francos, and former Neuquén governor Omar Gutiérrez have all sat on the Board. Mendoza's Environment and Energy Minister Jimena Latorre resigned in 2024 after a conflict-of-interest complaint,²²¹ while former Energy Secretary Eduardo Rodríguez Chirillo joined in 2025.²²² Such overlap between executive officials and YPF governance creates structural conflicts of interest, as regulators also act as corporate decision-makers.

Beyond the Board, senior managers and regional directors are often chosen **through political or provincial bargaining rather than merit**, undermining technical capacity and long-term planning. Milei's administration appointed individuals linked to campaign financiers²²³ such as Paolo Rocca and Marcos Galperin²²⁴ to technical positions at YPF. Accountability mechanisms are weak: in April 2024, the Board quadrupled its own fees to 10 billion pesos amid layoffs and austerity, drawing public backlash. The CNV opened but closed an inquiry without sanctions. The Board has also faced accusations of "strategic sabotage" tied to controversial asset sales in Santa Cruz and Chubut. YPF still lacks whistleblower protections, reinforcing silence and impunity.

Meanwhile, Argentina continues to grapple with the fallout of past decisions. The 2012 expropriation of YPF shares from Repsol,²²⁵ carried out without a public tender to minority shareholders,²²⁶ triggered litigation financed by Burford Capital. In 2023, U.S. courts ordered Argentina to pay US\$16.1 billion plus interest.²²⁷ By 2024–2025, judgments extended further, even ordering the transfer of Argentina's 51% stake in YPF, though appeals remain pending. This underscores how abrupt interventions that disregard investor rights create long-lasting fiscal and institutional liabilities.

²²⁰ Slucki, J., "Nicolás Posse Will Also Resign from His Position as YPF Director to Avoid an Ethical Conflict", *El Destape*, May 28, 2024.

²²¹ La Izquierda Diario, "After the Conflict-of-Interest Complaint, Latorre Resigned from His Position on YPF's Board", July 5, 2024.

²²² EconoJournal, "Eduardo Rodríguez Chirillo Appointed as Director at YPF", February 20, 2025.

²²³ Tejero, L., "Designan a referentes de la mesa chica de Milei en el Directorio de YPF", *Econo Journal*, December 15, 2023.

²²⁴ La Política Online, "YPF Directors Granted Themselves a Huge Pay Raise and Will Receive 77 Million", April 27, 2024.

²²⁵ Potito, J.J., "REPSOL-YPF: Crisis with the Argentine Government during 2012 and 2013", CISDE.

²²⁶ Giménez, J., "Keys to Understanding the Ruling Against Argentina over the Expropriation of YPF", *Chequeando*, August 12, 2025.

²²⁷ Infobae, "Over USD 1 Billion in Interest in Just One Year: The Lawsuit over YPF's Expropriation Already Costs USD 17 Billion", September 12, 2024.

Table 5. YPF Corporate Government Assessment

OECD Principle	Alignment	Key Issues
I. Rationales for State Ownership	Partial 50%	Argentina demonstrates a clear and legitimate rationale for YPF's state ownership, anchored in Law 26.741 (2012) and tied to energy security and sovereignty. Regular corporate reporting, through YPF's Form 20-F, financial statements, and sustainability reports, ensures transparency, yet these are company disclosures, not state-level ownership reviews. Argentina still lacks a unified ownership policy or periodic, government-led evaluation of SOE rationales and objectives. Thus, while reporting is frequent, owner-level accountability and policy review remain absent, limiting full alignment with OECD standards.
II. State's Role as Owner	Partial 55%	YPF has a solid corporate form and market-driven disclosure, and some 2024 recentralisation steps help, but the absence of a unified, public State Ownership Policy, limited evidence of owner-set targets/periodic reviews, politicised nominations/leadership concentration, immature capacity/accountability of the new Secretaría, and lack of a cross-SOE disclosure/remuneration policy keep the section below full OECD alignment.
III. SOEs in the Marketplace	Moderate 61%	Argentina broadly sustains market-consistent conditions for YPF: legal/insolvency redress is effective, financing is on commercial terms, and listings plus corporate governance and integrity frameworks support responsible conduct. At the same time, structural frictions persist: owner-regulator blurring, limited transparency around explicit PSO mandates and net costing, uneven competitive-neutrality safeguards, and corporate, rather than public-law, procurement practices. Taken together, these gaps temper, but do not outweigh, the generally functional marketplace framework
IV. Equitable Treatment of Shareholders	Moderate 63%	YPF's listings (NYSE/BYMA) and adherence to Argentina's CG code anchor equitable treatment, simultaneous disclosure, IR engagement, and facilitated shareholder participation. Courts have ultimately protected minority rights (e.g., ex-post disclosure and expropriation litigation outcomes). The main gap is disclosure of state-set public-policy objectives that may affect performance, these aren't articulated in a unified ownership policy, leaving minorities with limited visibility on non-commercial mandates.
V. Disclosure and Accountability	Moderate 67%	YPF meets high listed-issuer standards (audited IFRS, robust periodic disclosure, defined risk/compliance frameworks, functioning internal audit, and independent external audit), which drives solid transparency at the company level. The main drag on full OECD alignment is owner-side: no public, periodically reviewed owner mandate/risk appetite, uneven visibility on state supports/PSO net costing, and the absence of a portfolio-wide aggregate SOE report from the state, so accountability is strong within YPF but thinner in the state's system-level reporting and oversight.
VI. Board Composition	Moderate 63%	YPF's board framework is strong on paper, clear legal mandate, well-defined committees (audit; compensation/nomination; risk & sustainability), regular self-evaluation, and transparent listed-issuer disclosures. In practice, performance is tempered by the chair/CEO duality (weak against OECD best practice), and periodic politicization of appointments, which dilute independence even as formal structures function reasonably well.
VII. Sustainability	Moderate 66%	YPF has solid company-level sustainability governance, board-embedded oversight (Risk & Sustainability Committee, ERM aligned with ISO 31000), established reporting against GRI/SASB/TCFD with some assurance, and defined RBC/stakeholder mechanisms, placing practice above baseline. What holds it back is upstream: the state hasn't issued a public ownership policy that sets concrete sustainability expectations for YPF, maintains structured owner-board dialogue, or monitors portfolio-level alignment; transparency frictions noted in strategic deals also temper alignment.

Source: CSD based on OECD Guidelines.

YPF's trajectory reflects a recurring tension: **efforts to modernize governance are repeatedly undermined by state intervention**, concentrated control, and political influence. Among its regional peers, YPF approximates OECD standards more closely, yet political interference and regulatory instability continue to limit full adherence. Looking ahead, whether RIGI-enabled megaprojects (pipelines, LNG, downstream expansions) mitigate or magnify capture risks will depend on transparent tenders, strong board-level safeguards (especially against political appointees), and full public disclosure of strategic contracts.

Finally, the prospect of full or partial privatization suggested by the current government²²⁸ raises new risks. A rushed dismantling of YPF's governance framework could jeopardize both economic and geopolitical stability, particularly regarding the interests of hydrocarbon-producing provinces that hold shares in the company. Concentrated power within decision-making bodies, combined with weak limits on vote representation, further threatens transparency and plurality. While the current framework allows for operational efficiency, it also creates scenarios where politically aligned actors can dominate decision-making, eroding both market confidence and public legitimacy.

²²⁸ Página 12, "Milei Stated That He Will Privatize YPF, But Not Right Away", November 21, 2023.

BUILDING RESILIENCE AND FORTIFYING FREEDOM: ACTIONABLE REFORMS AND STRATEGIC INTERVENTIONS

The assessment of state capture risks in four countries from Latin America reveals a **deeply entrenched pattern of extractive governance** that fuses political control, fiscal dependency, and institutional weakness. Across Mexico, Argentina, Bolivia, and Venezuela, the state capture in the energy and mining sectors has transformed SOEs from instruments of national development into **vehicles for rent redistribution and regime maintenance**. This configuration, sustained by opaque ownership structures, politicized regulation, and external partnerships with authoritarian states, undermines both economic competitiveness and democratic resilience.

The comparative analysis underscores that state capture in Latin America's energy sectors is not a transient pathology but a **systemic mode of governance** that affects most strategic economic sectors in the region. It thrives where ownership boundaries are blurred, fiscal imperatives override commercial logic, and public accountability is replaced by informal patronage. To reverse this trajectory, reform efforts must address two interlinked challenges:

- restoring institutional checks and balances at the **systemic level**; and
- improving corporate governance and market integrity at the **sectoral level**.

Systemic Reforms: Restoring Transparency, Accountability, and Autonomy

- **Strengthen regulatory independence and integrity systems.** Regulatory bodies must be legally and financially autonomous, with leadership appointments subject to transparent, merit-based procedures. Anti-corruption and audit institutions should be granted access to all SOE transactions and joint ventures.
- **Establish unified state ownership policies.** Each government should adopt an explicit policy defining the rationale, objectives, and performance expectations of state ownership, in line with the **OECD Guidelines on Corporate Governance of SOEs**. Such policies must separate ownership from policy and regulatory functions, ensuring that ministries do not act simultaneously as shareholder and regulator.
- **Institutionalize open contracting and fiscal transparency.** Governments should mandate open, competitive procurement and full disclosure of contracts, licenses, and beneficial ownership for all extractive projects. Integration with **EITI** and **OCP** standards can provide a structured framework for compliance and monitoring.
- **Depoliticize board appointments.** Recruitment and promotion within SOEs and regulatory agencies must be based on professional merit rather than political affiliation. Independent board committees for audit, risk, and nominations should be mandatory.

Sectoral Reforms: Dismantling State Capture Networks in the Energy Value Chain

- Reform SOE boards and disclosure practices.
 - **PEMEX** and **YPFB** should adopt international financial reporting and ESG disclosure standards, coupled with independent audits.
 - **YPF** should consolidate its ownership policy to clarify roles between national and provincial authorities.
 - **PDVSA** requires an emergency governance overhaul, replacing military and political appointees with professional management and external audit oversight once the political environment allows.
- **Ensure competitive neutrality and fiscal discipline.** Subsidy regimes and para-fiscal obligations that distort market competition must be phased out. Fiscal frameworks should separate SOE budgets from social expenditure, subject to parliamentary approval.
- **Rehabilitate midstream and downstream governance.** Transparent tariff regulation, open access to infrastructure, and public reporting of fuel distribution contracts are essential to curb rent extraction and smuggling networks.
- **Integrate sustainability governance.** Environmental and social risk management should be embedded in SOE mandates, linked to board oversight and executive incentives, and independently verified.

Reducing State Capture Pressures

The SCAD Index results show that high capture pressure stems from weak public finance management, discretionary policymaking, and the politicization of state authority. The following measures could be employed to improve the overall quality of governance in key democratic institutions:

- **Adopt binding transparency and integrity frameworks.** Governments should legislate open data standards for all stages of the extractive value chain, from licensing to revenue management, with mandatory public disclosure of contracts, beneficial ownership, and payments. Integrating these requirements into the **national budget laws** and **Extractive Industries Transparency Initiative (EITI) reporting** cycles would institutionalize transparency as a fiscal norm, not a voluntary commitment.
- **Reinforce checks and balances in policymaking.** Parliaments and supreme audit institutions must be empowered to supervise strategic decisions in key economic sectors, intergovernmental contracts, sovereign debt agreements, and major infrastructure projects. Independent judicial and audit oversight should become statutory conditions for public investment approval.
- **Strengthen the rule of law and anti-corruption enforcement.** Specialized anti-corruption prosecutors and financial intelligence units should be given full autonomy and investigative powers to pursue high-level capture cases. Cooperation with regional and international anti-corruption bodies (e.g., Mechanism for Follow-Up on the Implementation of the Inter-American Convention against Corruption (**OAS MESICIC**), United Nations Office on Drugs and Crime (**UNODC**)) can provide peer accountability and technical support.

International and Regional Action: Supporting Democratic Resilience

- **Enhance civil society and media oversight.** The U.S. and EU partners should allocate targeted funding to watchdog organizations, investigative journalists, and civic data platforms that monitor the governance of strategic sectors such as energy and mining. Public information access laws must include enforceable sanctions for non-compliance.
- **Promote merit-based civil service and depoliticized appointments.** A professionalized civil service remains the most effective barrier against capture. Transparent recruitment, competitive selection, and performance-based advancement should apply to senior positions in ministries, SOEs, and regulators.
- **Leverage multilateral oversight and peer review.** The OECD, IMF, and the World Bank should integrate state capture diagnostics into country assessments and provide technical assistance for the reform of strategic sectors. Regional cooperation under the **Inter-American Development Bank (IDB)** and EITI should support data harmonization and transparency.
- **Stem corrosive capital flows.** Governments and partners must scrutinize opaque investment and credit arrangements with non-transparent foreign companies, particularly from Russia and China, ensuring adherence to anti-corruption and environmental standards.
- **Promote civil society and media oversight.** Empowering independent watchdogs and investigative journalists to access data on key governance indicators and procurement records remains a cornerstone of long-term resilience.

Improving the quality of **governance of key democratic institutions** is not merely a technical challenge but is a democratic imperative. The nexus between resource dependence, political patronage, and external leverage constitutes the region's most persistent governance risk. Implementing OECD-aligned ownership and transparency reforms, depoliticizing SOE management, and rebuilding regulatory autonomy can gradually dismantle the capture networks that erode public trust. Only by decoupling economic sovereignty from political discretion can Latin America transform its extractive wealth into a foundation for **inclusive growth, fiscal stability, and democratic resilience.**

