

Follow-up Review on Public Procurement in the State of Mexico

Identifying Critical Reforms for the Future



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This report follows up on the implementation of the 51 recommendations included in the January 2021 OECD review Public Procurement in the State of Mexico: Enhancing Efficiency and Competition. It evaluates progress and actions undertaken since the review by the Government of the State of Mexico, namely the Ministry of Finance and the Ministry of Control, to upgrade the State of Mexico's public procurement system and bring it closer to OECD good practices. This report also suggests areas for future reform, based on the original recommendations in which progress was limited, such as e-procurement and the professionalisation of the procurement workforce.

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Foreword

In January 2019, the Government of the State of Mexico, one of the 32 federal entities of Mexico, through its Ministry of Control (*Secretaría de la Contraloría*, SECOGEM) asked OECD to carry out a review of its public procurement policies, practices, and institutions. The review, *Public Procurement in the State of Mexico: Enhancing Efficiency and Competition*, was published in January 2021. Since then, the state Ministry of Finance, particularly the General Directorate of Material Resources (*Dirección General de Recursos Materiales*, DGRM), and SECOGEM have worked to address the review's 51 recommendations.

The process started with a matrix, agreed among the DGRM, SECOGEM and the OECD, in which the 51 recommendations were disaggregated into concrete actions, each with a term for implementation (short, medium, or long term) and an entity responsible for progress. Progress would be assessed in January 2022, July 2022, and January 2023, with the OECD Secretariat providing guidance and good practices to facilitate the implementation process.

This implementation process has provided some lessons for the future: First, it illustrated just how important strong political support is for implementing reforms, particularly initiatives with a high degree of complexity that require co-ordination among different entities and investing financial resources. Second, it underscored that, while some initiatives may require legislative reforms, there are high-impact actions that do not. More than legislative action, political support and stakeholder engagement can be instrumental to move reform forward. Third, since many recommendations are challenging and require time to implement, continuity and sustained whole-of-government efforts are crucial for success.

This report takes stock of progress made by the State Government in applying the review's recommendations, from the OECD review's publication in January 2021 to the last follow-up mission in January 2023. It provides a brief overview of the substance of each recommendation and progress achieved. Each chapter then provides a summary of new recommendations to build on previous progress and tackle outstanding issues.

This report is timely, as the mandate of the current State of Mexico administration is coming to an end and a new administration will take over in September 2023. The report will help the current administration assess progress, take stock of achievements and their importance, and suggest next steps in the short, medium, and long terms. It will also inform the incoming administration about the strengths and weaknesses of the public procurement system and will suggest actions to tackle the weaknesses and align different stakeholders.

The review included information and perspectives from different stakeholders, including SECOGEM, the DGRM, users, auxiliary bodies (*organismos públicos descentralizados*, OPD), control authorities, suppliers, business chambers, and civil society. It thus brings together the visions and the opportunities identified by different stakeholders for an effective, fit-for-purpose, and cost-efficient public procurement system.

This report also builds on the evidence base the OECD has been developing relative to public procurement practices in Mexico's federal entities, including reports on the public procurement systems of Nuevo León and Sonora (ISSSTESON) published in 2018 and 2019, respectively. The results of this review should help other federal entities in Mexico and other countries improve public procurement and provide better public services.

Acknowledgements

This report was prepared by the OECD Public Governance Directorate (GOV) under the direction and oversight of Elsa Pilichowski, Director, and Edwin Lau, Head of the Infrastructure and Public Procurement Division (IPP). It was co-ordinated and drafted by Jacobo Pastor García Villarreal, Senior Policy Analyst in IPP.

Valuable comments were received from Paulo Magina and Masayuki Omote. Editorial assistance was provided by Thibaut Gigou. Alexandra Le Cam and Benjamin Jouannes provided administrative assistance.

The OECD expresses its gratitude to the Government of the State of Mexico for its fruitful co-operation and leadership. In particular, the OECD would like to thank Governor Alfredo del Mazo Maza; Javier Vargas Zempoaltecatl, Minister of Control (SECOGEM); Rodrigo Jarque Lira, Minister of Finance; and their respective teams, particularly the General Directorate for Material Resources (DGRM). Virginia Arriaga, Head of the Procurement Policy Unit in the Ministry of Control, served as the main contact point for the project.

The OECD would also like to thank other institutions that contributed information to this follow up report, namely the ministries of Economic Development and Public Works; the Institute of Professionalisation of Public Servants of the State of Mexico; auxiliary bodies, and municipalities.

Ambassador Sybel Galván, from the Permanent Delegation of Mexico to the OECD, was instrumental in supporting the OECD in this project.

This report is part of a series of governance reviews in OECD and G20 countries. The project included the organisation of two capacity-building workshops, which took place on 22-23 January 2020 and 3-5 March 2021. The first addressed smart market research, design of award criteria, and open contracting, and was attended by peer experts from the central purchasing body of Schleswig-Holstein, Germany, and the Open Contracting Partnership. The second covered risk management and internal control in public procurement and was attended by peer experts from Peru's Supervising Body for Public Procurement (*Organismo Supervisor de las Contrataciones del Estado*, OSCE). The OECD thanks the peer experts for their contributions.

The OECD Mexico Centre, under the leadership of Mario López Roldán, and the staff in charge of publications, notably Alejandro Camacho, helped co-ordinate the editorial process for the Spanish publication.

This document was reviewed by the OECD Working Party of Leading Practitioners in Public Procurement (LPP) and approved for publication by the Public Governance Committee on 31 August 2023.

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Acronyms and Abbreviations

ACFE	<i>Asociación de Examinadores de Fraude Certificados</i> Association of Certified Fraud Examiners
ASF	<i>Auditoría Superior de la Federación</i> Mexico's Superior Audit Institution
BPQR	<i>Criterio de mejor relación precio-calidad</i> Best Price-Quality Ratio
CAEM	<i>Comisión del Agua del Estado de México</i> Water Commission of the State of Mexico
CCE	<i>Consejo Coordinador Empresarial</i> Business Co-ordination Council
CEMER	<i>Comisión Estatal de Mejora Regulatoria</i> State Commission for Better Regulation
CIBD	<i>Declaración de Determinación de Oferta Independiente</i> Certificate of Independent Bid Determination
CIMR	<i>Comité Interno de Mejora Regulatoria</i> Internal Committee for Better Regulation
CMIC	<i>Cámara Mexicana de la Industria de la Construcción</i> Mexican Chamber of the Construction Industry
CNBV	<i>Comisión Nacional Bancaria y de Valores</i> National Banking and Securities Commission
CONOCER	<i>Consejo Nacional de Normalización y Certificación de Competencias Laborales</i> National Council for Standardisation and Certification of Work Competencies
COCODI	<i>Comités de Control y Desempeño Institucional</i> Institutional Control and Performance Committees
COFECE	<i>Comisión Federal de Competencia Económica</i> Mexico's Competition Authority

COMPRAMEX	<i>Sistema de contratación electrónica del Estado de México</i> State of Mexico's e-procurement platform
COMPRANET	<i>Sistema de contratación electrónica de México</i> National E-procurement platform
CPB	<i>Central de Compras</i> Central Purchasing Body
CRTSEM	<i>Comité de Registro de Testigos Sociales del Estado de México</i> Committee for the Registration of Social Witnesses of the State of Mexico
DGRA	<i>Dirección General de Responsabilidades Administrativas</i> General Directorate for Administrative Responsibilities
DGRM	<i>Dirección General de Recursos Materiales</i> General Directorate of Material Resources
EMI	<i>Iniciativa de Mercados Emergentes</i> Emerging Markets Initiative
EU	<i>Unión Europea</i> European Union
FGJEM	<i>Fiscalía General de Justicia del Estado de México</i> Attorney's Office of the State of Mexico
GACM	<i>Grupo Aeroportuario de la Ciudad de México</i> Airport Group of Mexico City
ICT	<i>Tecnologías de la información y las comunicaciones</i> Information and Communications Technologies
IIA	<i>Instituto de Auditores Internos</i> Institute of Internal Auditors
INFOEM	<i>Instituto de Transparencia y Acceso a la Información Pública del Estado de México y Municipios</i> Institute for Transparency and Access to Public Information of the State of Mexico and its Municipalities
INI	<i>Instancia de Inconformidad</i> Administrative challenge
INTOSAI	<i>Organización Internacional de Entidades Fiscalizadoras Superiores</i> International Organisation of Supreme Audit Institutions
IPOEMEX	<i>Información Pública de Oficio Mexiquense</i> Public Information by default of the State of Mexico

IPSPEM	<i>Instituto de Profesionalización de los Servidores Públicos del Poder Ejecutivo del Gobierno del Estado de México</i> Institute of Professionalisation of Civil Servants of the State of Mexico
ISSAI	<i>Normas Internacionales de las Entidades Fiscalizadoras Superiores</i> International Standards of Supreme Audit Institutions
IT	<i>Tecnologías de la información</i> Information Technologies
KPI	<i>Indicadores clave desempeño</i> Key performance indicators
LCPEMyM	<i>Ley de Contratación Pública del Estado de México y Municipios</i> Public Procurement Law of the State of Mexico and Municipalities
LGRA	<i>Ley General de Responsabilidades Administrativas</i> General Law on Administrative Responsibilities
MEAT	<i>Oferta económicamente más ventajosa</i> Most Economically Advantageous Tender
MICI	<i>Marco Integrado de Control Interno</i> Integrated Internal Control Framework
MXN	<i>Pesos mexicanos</i> Mexican pesos
NAIM	<i>Nuevo Aeropuerto Internacional de México</i> New International Airport of Mexico
NASPO	<i>Asociación Nacional de Jefes Estatales de Compras de Estados Unidos</i> National Association of State Procurement Officers
NGCI	<i>Normas Generales de Control Interno</i> General Rules for Internal Control
OCDS	<i>Estándar de Datos para las Contrataciones Abiertas (EDCA)</i> Open Contracting Data Standard
OECD	<i>Organización para la Cooperación y el Desarrollo Económicos (OCDE)</i> Organisation for Economic Co-operation and Development
OIC	<i>Órgano Interno de Control</i> Internal Control Body
OSCE	<i>Organismo Supervisor de las Contrataciones del Estado (Perú)</i> Supervising Body for Public Procurement
OSFEM	<i>Órgano Superior de Fiscalización del Estado de México</i> State of Mexico Superior Audit Institution

PAA	<i>Programa Anual de Adquisiciones</i> Annual Procurement Plan
PCI	<i>Índice de Capacidades de Contratación</i> Procurement Capability Index
PEA	<i>Política Estatal Anticorrupción del Estado de México</i> State of Mexico Anticorruption Policy
POBALINES	<i>Políticas, Bases y Lineamientos en Materia de Adquisiciones, Enajenaciones, Arrendamientos y Servicios de las Dependencias, Organismos Auxiliares y Tribunales Administrativos del Poder Ejecutivo del Estado de México</i> Agreement setting the policies, basis and guidelines relative to acquisitions, leasing and services of the ministries, auxiliary bodies and administrative tribunals of the Executive Branch of the State of Mexico
PTAR	<i>Programa de Trabajo de Administración de Riesgos</i> Programme of Work on Risk Management
PTCI	<i>Programa de Trabajo de Control Interno</i> Programme of Work on Internal Control
PWG	<i>Grupo de Trabajo Plural (GTP)</i> Plural Working Group
OA	<i>Oficina Anticorrupción (Argentina)</i> Anticorruption Office
OPD	<i>Organismos públicos descentralizados</i> Auxiliary bodies
RIA	<i>Análisis de Impacto Regulatorio (AIR)</i> Regulatory Impact Assessment
RITE	<i>Registro de Integridad y Transparencia para Empresas y Entidades (Argentina)</i> Registry for Integrity and Transparency for Businesses and Entities
SAEMM	<i>Sistema Anticorrupción del Estado de México y Municipios</i> Anti-corruption system of the State of Mexico and its Municipalities
SAI	<i>Instituciones de fiscalización superior</i> Supreme Audit Institutions
SAM	<i>Sistema de Atención Mexiquense</i> System for Citizen Contact
SAT	<i>Servicio de Administración Tributaria</i> Tax Administration Service
SCII	<i>Sistema de Control Interno Institucional</i> Institutional Internal Control System

SE	<i>Secretaría de Economía</i> Ministry of Economy
SECOGEM	<i>Secretaría de la Contraloría del Gobierno del Estado de México</i> Ministry of Control of the State of Mexico Government
SEDECO	<i>Secretaría de Desarrollo Económico del Gobierno del Estado de México</i> Ministry of Economic Development of the State of Mexico
SEI	<i>Sistema Estatal de Informática</i> State Information System
SESAEMM	<i>Secretaría Ejecutiva del Sistema Estatal Anticorrupción del Estado de México y Municipios</i> Executive Secretariat of the Anticorruption System of the State of Mexico and Municipalities
SFP	<i>Secretaría de la Función Pública</i> Ministry of Public Administration of Mexico's Federal Government
SHCP	<i>Secretaría de Hacienda y Crédito Público</i> Ministry of Finance and Public Credit
SiCAF	<i>Sistema de Control, Administración y Fiscalización de los Recursos del Gasto Federalizado</i> System for the Control, Administration and Audit of Federal Expenditure Resources
SICAPEM	<i>Sistema Integral de Contratación y Administración Patrimonial del Estado de México</i> Integrated System of Procurement and Asset Administration of the State of Mexico
SIRESPEM	<i>Sistema Informático de Registro de Servidores Públicos del Estado de México</i> Information System of Registration of Public Servants of the State of Mexico
SITRAEM	<i>Sistema de Trazabilidad del Estado de México</i> Tracking System of the State of Mexico
SJDH	<i>Secretaría de Justicia y Derechos Humanos</i> Ministry of Justice and Human Rights
SME	<i>Pequeñas y medianas empresas (PYME)</i> Small and medium-sized enterprises
SPP	<i>Sistema de Planeación y Presupuesto</i> Planning and Budget System
TESOFE	<i>Tesorería de la Federación</i> Treasury of the Federation

TJAEM	<i>Tribunal de Justicia Administrativa del Estado de México</i> Administrative Tribunal of the State of Mexico
UAEM	<i>Universidad Autónoma del Estado de México</i> Autonomous University of the State of Mexico
UCI	<i>Unidad de Control Interno</i> Unit for Internal Control
UNAM	<i>Universidad Nacional Autónoma de México</i> Mexico's National Autonomous University
USD	<i>Dólares de los Estados Unidos de América</i> United States Dollars

Executive Summary

Key findings

Since the publication of the OECD review *Public Procurement in the State of Mexico: Enhancing Efficiency and Competition* in January 2021, the state government has mobilised resources and political support to tackle the weaknesses identified and implement the recommendations issued by the OECD. While there are areas in which the State of Mexico has achieved significant progress and could even be considered a leader among Mexico's federal states, in other important areas, progress has been minimal.

In terms of achievements, the General Directorate of Material Resources (*Dirección General de Recursos Materiales*, DGRM) defined the value added of the centralised procurement scheme adopted by the State of Mexico and started collecting data to illustrate this value, particularly regarding savings. Indeed, the samples analysed, although small, make a strong case for auxiliary bodies to procure through the centralised scheme.

Most significant are the reforms to risk management and internal control as applied to public procurement. The June 2021 Agreement that issues guidelines on internal control for ministries and auxiliary bodies of the Government of the State of Mexico explicitly required that the procurement of goods and services and the contracting of public works be included in the evaluation of the Institutional Internal Control Systems. Likewise, the Agreement explicitly states that risk analyses must include integrity risks.

Another important achievement is the decrease in the number of direct awards in favour of competitive procurement. The share of open public tenders in awarded amounts grew from 64.2% in 2020 to 88.3% in 2022, while the share of direct awards decreased from 35.8% to 9.8%. If sustained, this trend will help the State of Mexico realise efficiencies and make tendering processes more attractive for potential bidders.

Some recommendations were partially addressed and require continuity. For example, the Ministry of Control (*Secretaría de la Contraloría*, SECOGEM) prepared a bill to reform the social witness programme. The bill is currently with the Ministry of Justice and Human Rights (*Secretaría de Justicia y Derechos Humanos*, SJDH) for review and clearance before it can go to the State Legislature. A bill has also been introduced in the State Congress to establish conciliation for suppliers, contractors, and contracting authorities to settle disagreements on contracts.

Progress on other recommendations was quite limited, notably those related to e-procurement and the professionalisation of the procurement workforce. On e-procurement, a pilot platform, Digital COMPRAMEX, was developed to add transactional functions to the current COMPRAMEX version, but it is still not operational. Furthermore, there has been no progress regarding the creation of a working group to make e-procurement reform an inclusive process and develop the vision for the future of e-procurement in the State of Mexico.

Regarding the professionalisation of the public procurement workforce, no progress was reported relative to the development of a professionalisation strategy, a competency model, and a certification framework. Some training on the normative framework for public procurement and bid rigging has been offered to procurement officials, but these are rather isolated initiatives, given the lack of a competency framework.

Key recommendations

Based on the progress made so far in addressing the OECD review recommendations, the proposals for action below could underpin future reforms.

- The DGRM could provide evidence on the benefits of the centralised public procurement scheme in terms of, for example, standardisation, mitigation of integrity risks, expertise, and access to quality goods and services. Likewise, the DGRM could be more proactive in communicating such benefits widely, not only to auxiliary bodies, but also to municipalities and suppliers.
- A top priority for the DGRM in terms of e-procurement should be to get the new Digital COMPRAMEX up and running, including its new transactional functions. Likewise, the DGRM could facilitate stakeholder engagement in the e-procurement reform process.
- The Government of the State of Mexico could incorporate public works tendering to its e-procurement plans, either in COMPRAMEX or in another platform exclusive for public works.
- There is great potential to realise savings by incorporating municipalities into the centralised scheme. A similar effort to that made for auxiliary bodies could be undertaken to convince municipalities and show them the benefits of participating in centralised procurement processes.
- Despite the decrease in direct awards, it is still advisable to revise the list of exceptions to public tender. The current list is ambiguous, creating risks of abuse in the use of exceptions.
- DGRM and SECOGEM could work together to design reforms to allow the use of framework agreements and establish a performance measurement framework for public procurement.
- There is an important opportunity to partner with the business sector to uphold integrity in public procurement.
- The Government of the State of Mexico could follow up the legislative amendment processes to complete the reforms to the social witness programme and to allow conciliation as a non-adversarial conflict resolution method.
- There are still many pending reforms that may help increase competitive pressures in tenders and realise further efficiencies:
 - Opening opportunities for the participation of international bidders;
 - Setting up automatic COMPRAMEX notifications about bidding opportunities;
 - Strengthening market research practices; and
 - Facilitating market engagement to raise awareness about the opportunities presented by the public market.
- DGRM, SECOGEM and the Institute of Professionalisation of Civil Servants of the State of Mexico could jointly develop a professionalisation strategy for the procurement workforce, including a competency model and a certification framework, as well as a training programme aligned to those two elements.

1. Governance of the public procurement function in the State of Mexico

The operations of the public procurement system of the State of Mexico are centralised. Sixteen ministries of the central government can carry out procurement operations through their Administrative Units or through the General Directorate of Material Resources (*Dirección General de Recursos Materiales*, DGRM) of the Ministry of Finance, while 90 auxiliary bodies (*organismos públicos descentralizados*, OPD) carry out their own procurement, unless they have signed an agreement with the Ministry of Finance to buy specific goods or services through the DGRM. In practice, most of the procurement for the central administration (i.e. the ministries) is executed by the Ministry of Finance.

This governance scheme is not uncommon in Mexico's federal states. Evidently, it creates opportunities, but also risks. The recommendations in this section will aim to maximise the opportunities, while mitigating the risks, created by the centralisation of public procurement.

1.1. Demonstrating the value added of the centralised procurement scheme

Box 1.1. Recommendation 1 and its actions

The Government of the State of Mexico should be able to demonstrate the value added of the centralised procurement scheme (and other procurement strategies or tools to be implemented in the future) to the different stakeholders:

- The Ministry of Finance should clearly identify what will be its value added and design a strategy to develop and communicate it.
- The State Government could be more proactive in communicating the potential benefits of centralised procurement to users and other stakeholders, including suppliers, business chambers, municipalities, and citizens.

Source: (OECD, 2021^[1])

The value of a centralised purchasing system for the users relies upon several factors such as lower costs, better prices, access to expertise, certainty, simplicity and usability, and support to achieve complementary policy objectives (e.g. sustainability, innovation, and social inclusion). The extent to which benefits accrued are visible to the public entities relying on centralised purchasing will determine the acceptance and support of it.

In this context, one of the main challenges faced by the DGRM is demonstrating the convenience for ministries and auxiliary bodies to rely on the centralised scheme to carry out their procurement. Convenience could be illustrated as access to better prices and quality of goods and services, simplified procedures, increased certainty and fewer challenges by bidders, and the ability to provide expert advice to leverage public procurement strategically.

1.1.1. Progress achieved

The DGRM analysed the state's procurement model to determine what would be its value-added proposition as part of the general objective of obtaining the best procurement conditions for the state in terms of price, quality, financing, opportunity, and others. The main value-added elements will be the following:

- Direct economies (i.e. savings in budgeted resources);
- Economies of scale (i.e. decrease in the number of procurement procedures) and efficiency in carrying out procurement procedures (i.e. standardisation);
- Minimising the direct contact between contracting entities and the private agents, mitigating integrity risks; and
- Better quality of goods and services at lower prices.

After this determination, the OECD recommended that the DGRM could collect and provide data to demonstrate that such value-added is materialising. In order to address this follow up recommendation, the DGRM prepared an analysis to illustrate price differences between contracts awarded by the DGRM and those awarded by other contracting entities (see Table 1.1).

Table 1.1. Price comparison between contracts awarded by the DGRM and those awarded by other contracting entities, 2020

Procurement of stationary	DGRM		Attorney's Office of the State of Mexico (FGJEM)	% difference
	Contract CB/A/40/2020			
Goods	Awarded price (VAT included, MXN)		Awarded price (VAT included, MXN)	
Masking tape 48 mms x 50 mts	28.90		58.00	100.69
Transparent tape 24 mms x 65 mts	39.50		44.65	13.03
Butterfly clip number 2	16.70		154.60	825.74
Highlighter	3.40		10.52	209.41
Notebook 80 sheets	11.50		15.40	33.91
Clip number 1	3.90		11.20	187.18
Professional notebook 100 sheets	14.00		46.00	228.57
Staple remover 5.5 cms	8.50		10.56	24.24
Clip number 2	3.80		9.98	162.63
Procurement of tires	DGRM		Water Commission of the State of Mexico (CAEM)	% difference
	Contract CB/A/30/2021			
Goods	Awarded price (VAT included, MXN)		Awarded price (VAT included, MXN)	
Tire 185/60/R14-82H	1 146.75		2 784.00	142.77
Tire 205/55/R16-89V	1 476.75		2 668.00	80.67
Tire 235/80/R17-120/117R	3 646.50		5 046.00	38.38
Tire 255/70/R16-109H	3 274.50		4 176.00	27.53

Source: Information provided by the DGRM.

As illustrated in the previous table, the price difference demonstrates, at least for the contracts referred, that it is more convenient to procure by relying on the DGRM. For all the cases included in the table, FGJEM and CAEM would have saved resources if they had relied on the DGRM. Some differences are quite significant, for example, for butterfly clips number 2 (826%) and tires 185/60/R14-82H (143%).

Building on the previous analysis, the OECD suggested that the DGRM could extend the assessment of the value-added proposition in two ways: i) carrying out the analysis for a bigger sample of goods and services in a systematic and recurrent manner and producing a database to demonstrate the savings created by the centralised scheme; and ii) carrying out the analyses to justify the other value-added propositions (i.e. standardisation, quality, and mitigation of integrity risks). The DGRM is implementing during 2023 a data collection strategy to build the database to demonstrate the savings, following the template illustrated in Table 1.2.

Table 1.2. Template to build the database on price differences

Procedure	Good/service	DGRM			Contracting entity			Percentage savings realised by the DGRM in terms of unitary price
		Awarded supplier	Awarded amount	Unitary price	Awarded supplier	Awarded amount	Unitary price	

Source: Information provided by the DGRM.

Regarding the second action of recommendation 1, the DGRM has placed special emphasis in communicating the benefits of the centralised procurement scheme to OPD, as they are the main targets of the strategy, given that the central administration is mandated to abide by this scheme and other potential users such as municipalities have not been as willing to join the processes carried out by the DGRM. On 2 February 2022, via an official letter, the DGRM informed OPD about the benefits of centralisation and invited them to join the procurement processes planned for the year. Likewise, the DGRM produced a graphic slide summarising the value-added of the centralised scheme (see Figure 1.1).

Figure 1.1. Graphic slide on the benefits of the centralised procurement model of the State of Mexico



Source: Information provided by the DGRM.

1.1.2. Proposals for future action

The data collection strategy is a step in the right direction to build robust evidence that the centralised scheme is delivering savings. If the DGRM can demonstrate this achievement, it will provide strong arguments for other OPD to procure via the DGRM and continue aggregating demand, strengthening the potential for additional savings.

The other part of the last OECD follow-up recommendation, carrying out the analyses to justify the other value-added propositions, is still pending. This could also be important to convince other OPD to join the centralised scheme, for example, if they realise that they could tap into a body of procurement experts to address their own purchasing needs and access better quality goods and services.

In addition to collecting data and justifying the value-added propositions of the centralised procurement scheme, these should be widely communicated to the different stakeholders of the procurement system. The DGRM has been successful in raising awareness among OPD, but it needs to extend its efforts to other public and private stakeholders. For example, if municipalities, in the exercise of their own attributions and powers, joined the centralised scheme, more benefits would come in terms of aggregating demand and realising savings, so the DGRM needs to advance the arguments for municipalities and more OPD to join its processes. Moreover, communication efforts could reach suppliers and the business community to inform about their roles and the benefits for them, for example, in terms of standardising bidding procedures.

The slide prepared by the DGRM is a good synthesis of the benefits, but additional materials could elaborate on the arguments and provide evidence (for example, data on the savings stemming from participating in the centralised scheme and specific case studies of OPD) to bring municipalities and more OPD on board. Furthermore, the DGRM could put together a communication campaign to widely share information on the benefits of the centralised scheme. Such a campaign could use different channels such as:

- Social media: Recurrent messages and graphs with the arguments and data on the benefits of centralised procurement.
- Annual report: An annual report by the DGRM could fully illustrate the benefits from centralised procurement, including hard evidence and graphs with “killing facts”.
- Meetings with public and private stakeholders: For example, the DGRM has leveraged on meetings with the administrative units of ministries and OPD to explain the centralisation strategy and its benefits. The same could be done in meetings and events organised with the business community.

1.2. Reviewing the regulatory framework for public procurement

Box 1.2. Recommendation 2 and its actions

The State of Mexico should allow for a review of the normative framework for public procurement to upgrade it and incorporate innovations that would advance efficiency and trust:

- The State of Mexico should carry out a comprehensive review of the regulatory framework for public procurement.

Source: (OECD, 2021^[1]).

The OECD review *Public Procurement in the State of Mexico* found that even though some of the laws composing the regulatory framework for public procurement have been reformed recently, for example specific articles of the Public Procurement Law of the State of Mexico and Municipalities (*Ley de Contratación Pública del Estado de México y Municipios*, LCPEMyM) were reformed through decrees 496 (24 August 2015), 178 (20 December 2016), 267 (15 December 2017) and 11 (21 December 2018), in general the regulatory framework is outdated and requires significant reform to modernise public procurement and free it from binding constraints hindering efficiency and trust.

The LCPEMyM, for example, was originally published in May 2013 and the Agreement setting the policies, basis and guidelines relative to acquisitions, leasing and services of the ministries, auxiliary bodies and administrative tribunals of the Executive Branch of the State of Mexico (*Políticas, Bases y Lineamientos en Materia de Adquisiciones, Enajenaciones, Arrendamientos y Servicios de las Dependencias, Organismos Auxiliares y Tribunales Administrativos del Poder Ejecutivo del Estado de México*, POBALINES) on December 2013 (latest reform on August 2017). Likewise, the 12th Book of the Administrative Code of the State of Mexico was published on 2 September 2003. Despite the recent reforms, some important opportunities for upgrading remain:

- Specific provisions to allow framework agreements and alternative procurement strategies.
- Removing limits on the participation of international bidders to allow for greater competition.
- Favouring e-procurement over paper-based procedures.
- Allowing and clarifying the use of different award criteria (i.e., Most Economically Advantageous Tender, MEAT).
- Upgrading the participation of social witnesses in procurement procedures.
- Allowing the use of alternative mechanisms (i.e. arbitration, mediation, conciliation, etc.) for dispute resolution to save time and resources of the state government in the case of challenges.

In light of such opportunities, the OECD report recommended undertaking a comprehensive review of the normative framework for public procurement. Reforms requiring amendments of primary laws will even imply legislative action.

1.2.1. Progress achieved

The OECD and the DGRM agreed on the following steps to fulfil this recommendation and its specific action:

- Identification of the regulatory stock on public procurement
- Definition of priority reforms
- Drafting the amendments
- Kicking off the regulatory reform process (in Congress, for those reforms requiring legislative amendments).

The DGRM has completed the first step, which consists of taking stock of the regulatory framework for public procurement in the State of Mexico. Out of this analysis, the DGRM introduced two proposals in the Ministry of Finance's Internal Committee for Better Regulation (*Comité Interno de Mejora Regulatoria*, CIMR) for review. Such proposals were approved and included in the Ministry of Finance's Annual Programme for Better Regulation 2023. The two proposals, which are to be completed by December 2023, are the following:

- Designing the process for the preparation and approval of market research
- Updating the Bylaws (*Reglamento*) to the Public Procurement Law of the State of Mexico and Municipalities.

1.2.2. Proposals for future action

The State of Mexico is a pioneer among its peers in terms of better regulation. In fact, better regulation is included as a principle in the state's Constitution and the Law for Better Regulation of the State of Mexico and Municipalities (*Ley para la Mejora Regulatoria del Estado de México y sus Municipios*) has been in force since September 2018. The continuous improvement and updating of the regulatory framework are the main objectives of this Law.

The DGRM could take advantage of this focus on better regulation to update the normative framework on public procurement and tackle the issues mentioned in the previous section (e.g. framework agreements, e-procurement, participation of international bidders, etc.). The two proposals introduced as part of the Annual Programme 2023 address important issues, but the normative review could go further to find solutions and strengthen public procurement in the State of Mexico. Moreover, the reform of the Bylaws may be insufficient and there might be a need to reform the LCPemyM, or even the state's Constitution. Such analysis should be the next step to address recommendation 2 of the OECD review and be able to move to prioritise the reforms and introduce the amendments in Congress (where necessary).

1.3. Applying better regulation standards to procurement rules

Box 1.3. Recommendation 3 and its actions

The State of Mexico could apply better regulation standards, particularly public consultation and ex ante impact assessment, when introducing reforms to procurement regulations:

- The State of Mexico could consider the potential costs for the public sector and require the application of better regulation tools.
- Building capacities to implement better regulation standards.
- Regarding the ex ante impact analysis of regulatory initiatives on public procurement, the State of Mexico could explore a streamlined approach.

Source: (OECD, 2021^[1])

The Law for Better Regulation of the State of Mexico and Municipalities requires state and municipal ministries and auxiliary bodies to carry out a regulatory impact assessment (RIA) when developing new regulations or reforms to rules in force leading to compliance costs for the private sector. New public procurement rules or reforms to existing ones are probably going to have some impact on the private sector, particularly on potential participants in bidding processes. But even if such regulatory processes are deemed to have no compliance costs for the private sector, for the specific case of public procurement rules, the OECD recommended the State of Mexico to also consider the potential costs for the public sector.

Following this recommendation, the OECD suggested contracting authorities in general, and in particular the Ministry of Finance's DGRM, working together with the State of Mexico Commission for Better Regulation (*Comisión Estatal de Mejora Regulatoria*, CEMER) to develop their capacities to apply better regulation standards. Likewise, regarding ex ante impact assessment, the recommendation goes on to suggest that the State of Mexico could explore a more streamlined approach, simpler and easier to implement than a full-fledged RIA, focusing on specific impacts stemming from procurement regulations, such as on SME participation.

1.3.1. Progress achieved

Other than initial contacts between the DGRM and CEMER, no progress was reported for this recommendation.

1.3.2. Proposals for future action

Given the limited progress to address this recommendation, this report can only reiterate it. For example, the DGRM could consider specific questions relative to consultation guidelines, the type of procurement rules that would be subject to the better regulation procedures, and when and where to publish the corresponding RIA, in preparing to adopt better regulation standards on public procurement reforms. A full set of questions for consideration was provided in the OECD review.

Building regulatory quality capacities could be a dimension of a wider effort to professionalise the procurement workforce, which is addressed in Chapter 6. Finally, in considering a streamlined approach to ex ante impact analysis, the DGRM could look at the example of the Regulatory Criteria Checklist used in British Columbia, Canada, which provides a simplified model to consider the impact of new regulations on SME.

1.4. Co-ordinating and communicating the role of each institution in the centralised scheme

Box 1.4. Recommendation 4 and its actions

The Government of the State of Mexico should improve co-ordination and communication relative to the centralised procurement scheme by raising awareness about the role of each institution to make it a success:

- The Government of the State of Mexico should reinforce the idea that the centralised procurement scheme will only be successful and deliver the expected benefits if all the stakeholders assume their responsibilities.
- The State of Mexico would benefit from establishing a high-level group to engage all the relevant stakeholders in the strategic steering of the centralised procurement scheme.

Source: (OECD, 2021^[1])

As recognised in the OECD review, a common flaw of centralised procurement systems, particularly of emerging ones, is the lack of clearly defined roles, not only for the central purchasing body (CPB), but actually for all stakeholders including users, hindering co-ordination. Without clear governance and every institution assuming its responsibility for success, the scheme may become a “blame game”, in which users blame the CPB of being unresponsive or too slow, the CPB blames users of submitting incomplete files or flawed information, the treasury (i.e. the unit paying the suppliers) blames the CPB of incomplete files for processing payments and the CPB blames the treasury of being too formalistic, and so on. In the end, it is the citizens who need the public services who suffer from such lack of co-ordination, as well as suppliers who do not get their payments on time. Hence, the Government of the State of Mexico should reinforce the idea that the centralised scheme will only be successful and deliver its intended benefits if all the stakeholders assume their responsibilities.

A high-level strategic steering group could contribute to good governance by engaging relevant stakeholders in the management of the centralised procurement scheme, developing ownership, communicating its benefits, and assigning clear roles to achieve whole-of-government objectives. Such a high-level group could work through technical committees, involving operational staff and even external stakeholders (i.e. suppliers), to address the main concerns, reforms, and challenges relative to the centralised procurement scheme. Such mechanisms would reiterate the idea that the success of centralised procurement lies not only in the DGRM, but also in the commitment by all stakeholders. Likewise, they would bring to the forefront a new perception of public procurement as a strategic activity for the achievement of public policy objectives, beyond a mere administrative function.

1.4.1. Progress achieved

As highlighted in the progress achieved to recommendation 1, the DGRM has placed special emphasis in communicating the benefits of the centralised procurement scheme to OPD. However, the spirit of recommendation 4 lies on raising awareness among the different stakeholders about the role they have to play for centralised procurement to deliver its benefits. This is important as centralised procurement requires a solid governance framework, where each stakeholder recognises its role. This spirit has not been advanced in the communication with OPD or other stakeholders (i.e. ministries, municipalities, suppliers, etc.).

Regarding the recommendation to establish a high-level strategic steering group, the DGRM met with CEMER on 23 February 2023 to discuss alternatives. The conclusion was that setting up such a group would require amendments to the LCPEMyM.

1.4.2. Proposals for future action

The actions to address this recommendation have been limited. The DGRM still has to raise awareness among the different stakeholders of the centralised procurement scheme about their roles to make it a success. The engagement with OPD and the Administrative Units of ministries of the central public administration could be useful to advance such effort. Furthermore, the market engagement strategies recommended in the OECD review could be leveraged to extend the message to the private sector. In fact, the setup of the high-level strategic steering group would also serve this purpose. As in many other contexts, it is important for all stakeholders to realise the strategic nature of public procurement, meaning that it could be leveraged to pursue public policy objectives such as social inclusion, growth, sustainability, and innovation. A concerted effort to raise public procurement in the public policy agenda would help to leave behind the perception that it is merely another administrative task.

1.5. Summary of follow up recommendations

The main achievement relative to the recommendations in this chapter consisted of the definition of the value-added of the centralised procurement scheme adopted by the State of Mexico, as well as the kickoff of the collection of data to illustrate such value-added, particularly regarding savings. Now, the DGRM should work to also provide evidence on the benefits of the centralised scheme in terms of, for example, standardisation, mitigation of integrity risks, expertise, and access to quality goods and services. Likewise, the DGRM should be more proactive in communicating such benefits widely, not only to OPD, but also municipalities and suppliers, for example. If the DGRM is successful in demonstrating the value-added of the centralised scheme, more OPD and even municipalities may join, creating additional economies of scale and realising the potential for further savings. Similarly, if the suppliers and the business community trust the processes carried out by the DGRM, more of them will be willing to bid, increasing competitive pressures to offer better quality and prices.

With regards to the recommendation to review the normative framework, the DGRM has taken stock of the regulatory instruments governing public procurement. The next step should be an analysis of the priority reforms to tackle systemic obstacles hindering efficiency. Notably, the analysis should determine at what level of the regulatory ladder the reforms should take place (i.e. State Constitution, primary laws, secondary laws, etc.) and kick off the processes accordingly, considering that reforms requiring legislative action may take time and political capital.

No progress was reported with regards to the implementation of better regulation standards to reforms to the normative framework for public procurement, creating capacities for doing that, or adopting streamlined tools to assess specific impacts (i.e. on SME) stemming from reforms or new regulation initiatives. The same lack of progress is seen for the setup of a high-level steering group for the centralised procurement scheme, which could actually be a useful mechanism to communicate the value-added of the processes carried out by the DGRM and the role of the different stakeholders.

2. Leveraging on e-procurement to increase efficiency and transparency of public procurement

E-procurement can significantly increase efficiency of public procurement procedures by eliminating paper-based processes that bear a high administrative burden. Decrease in administrative burdens stimulates greater competition in public procurement and delivers better procurement outcomes. In addition, e-procurement systems allow governments to increase the transparency of public procurement activities, as well as to collect consistent, up-to-date and reliable data.

E-procurement also promotes integrity in procurement processes by increasing traceability and strengthening internal controls that ease the detection of integrity breaches. It also reduces corruption opportunities by preventing unnecessary physical contact between prospective suppliers and public servants during the tender process.

In 2013, the State of Mexico enacted the Public Procurement Law of the State of Mexico and Municipalities (*Ley de Contratación Pública del Estado de México y Municipios*, LCPEMyM). This Law aimed to facilitate the digitalisation of public procurement procedures through the gradual introduction of COMPRAMEX, the e-procurement system of the State of Mexico. However, COMPRAMEX reform marked a limited improvement due to its restricted transactional functions such as the lack of an e-submission capacity.

2.1. Establishing a plural working group for e-procurement reform

Box 2.1. Recommendation 5 and its actions

The Government of the State of Mexico could establish a plural working group (PWG):

- The State of Mexico could establish a PWG for the communication and feedback on future e-procurement reforms. The members of the PWG could be different relevant stakeholders, including representatives of the public sector, business, and civil society.
- A plural working group could be organised into sub-groups.

Source: (OECD, 2021^[1])

Any future e-procurement reforms should be backed by the different stakeholders of the public procurement system. Actually, the reforms could be steered by a vision setting up the principles to be observed for e-procurement. A PWG could be the mechanism to establish the vision and define issues

such as the technical functionalities for the future of COMPRAMEX, including transactional ones to be introduced.

The OECD review provided the experience of the CompraNet reform (the e-procurement platform of Mexico's federal government) as a best practice for inclusion and collective thinking to advance e-procurement. In 2018, Mexico's Ministry of Public Administration (*Secretaría de la Función Pública*, SFP) convened a multi-stakeholder group for the reform of CompraNet. This multi-stakeholder group included representatives from the public sector, business, and civil society, and worked towards the development of a shared vision statement regarding e-procurement in Mexico. The PWG consisted of six subgroups: information disclosure, interaction with suppliers, competition and capacity building, efficiency and effectiveness, management of complaints, and integrity and trust in the tool. Each subgroup worked on specific key issues and themes.

2.1.1. Progress achieved

No progress was reported with regards to this recommendation, besides consultations between the DGRM and the State of Mexico Commission for Better Regulation (*Comisión Estatal de Mejora Regulatoria*, CEMER). However, in the feedback provided by the DGRM there seems to be a confusion between the PWG and the high-level steering group suggested in recommendation 4. On the one hand, the high-level steering group would be a permanent group to engage all relevant stakeholders in the strategic steering of the centralised procurement scheme, develop ownership, communicate its benefits and assign clear roles to achieve whole-of-government objectives. On the other hand, the PWG is rather oriented towards a specific objective, which is developing the vision for the future of e-procurement and the principles to be followed for the reform of COMPRAMEX and following up the process. While the high-level steering group would work on the governance of public procurement, the PWG is specifically focused on e-procurement and COMPRAMEX.

2.1.2. Proposals for future action

In the work plan stemming from the OECD review, this recommendation was defined as a short-term one, as it was considered that it did not require legislative reforms or very complex preparations. Despite this lack of complexity, no significant progress was reported. The PWG could deliver many benefits including a shared understanding of COMPRAMEX limitations, a set of principles to guide its reform, and a follow up mechanism to facilitate accountability during the process. Furthermore, the PWG allows seeking these objectives in a participatory and inclusive manner. In fact, the OECD report *Building trust to reinforce democracy* found that citizens in the OECD area feel governments are falling short of meeting their expectations on participation, representation and responsiveness and, therefore, governments should invest in improving the mechanisms through which they give all people a voice and are responsive to those voices. (OECD, 2022^[2]) In this sense, the PWG could be an effective mechanism to take inputs from the stakeholders of e-procurement.

Once the group is established, the next step would be to define its governance. In the case of the CompraNet reform, dividing the PWG into subgroups proved to be an effective strategy to leverage on the expertise of each stakeholder and ensure accountability for the deliverables of the working plan.

2.2. Defining COMPRAMEX's vision

Box 2.2. Recommendation 6 and its actions

The Government of the State of Mexico could define the vision for COMPRAMEX:

- The State of Mexico could establish the vision statement for COMPRAMEX.

Source: (OECD, 2021^[1])

As discussed in the previous section, the establishment of the PWG was an indispensable element to set up a shared vision statement for Mexico's e-procurement system CompraNet. The vision defined the principles for the reform of the e-procurement platform: Transactional, standardised, transparent, trustworthy, interconnected, co-ordinated, user friendly, instrumental for users, accountable, dynamic and innovative, geared towards economic competition, and exemplary. For each principle, the vision statement explains what it means for future e-procurement reforms.

The CompraNet vision is an example that could be illustrative of the task at hand for the DGRM.

2.2.1. Progress achieved

Not surprisingly, no progress was reported with regards to this recommendation, as it is dependent on the set up of the PWG.

2.2.2. Proposals for future action

After the convocation to different stakeholders of the public procurement system of the State of Mexico and the establishment of the PWG, it should be clear that the first task at hand is the definition of the vision statement for the reform of COMPRAMEX. Such vision statement will be useful to stay focused on the priority reforms and the outcomes expected, as well as to build ownership and a shared understanding of the aspirations for COMPRAMEX to become a model e-procurement system for Mexico's federal states.

2.3. Calling a meeting of the State Council on Digital Government to develop the Digital Agenda of the State of Mexico

Box 2.3. Recommendation 7 and 8 and their actions

The Government of the State of Mexico should call a meeting of the State Council on Digital Government:

- The State of Mexico should call a meeting of the State Council on Digital Government to address the digital agenda, in line with legal requirements.

The Government of the State of Mexico should develop a Digital Agenda:

- The State Council on Digital Government should develop the Digital Agenda of the State of Mexico, including COMPRAMEX reform, to gain political buy-in from the whole-of-government.

Source: (OECD, 2021^[1]).

Article 9 of the Law on Digital Government of the State of Mexico, issued in 2015, stipulates that the State Council on Digital Government should approve a Digital Agenda. However, as of May 2023, the Council has not taken the decisions to move forward this Agenda. This lack of initiative is illustrative of weak commitment with e-procurement and other digital government reforms. Therefore, the State of Mexico should convene the State Council on Digital Government, in accordance with the Law, to discuss and develop the Digital Agenda, including e-procurement reform.

The Council consists of 31 institutions: the heads of the Ministry of the Interior, the Ministry of Economic Development and the Ministry of Finance, as well as the heads of the remaining fifteen ministries, four mayors, the head of the Human Rights Commission, and the State's Attorney General, among other stakeholders. The membership of the Council creates an opportunity to gain strong political buy-in from the whole-of-government. Strong institutional support would bolster the reform of COMPRAMEX as an advanced e-procurement system with improved transactional functionalities, interconnection with other government databases, and open data platforms.

2.3.1. Progress achieved

No progress was reported with regards to these recommendations, the State Council has not been established and the Digital Agenda, including e-procurement, has not been designed and approved.

2.3.2. Proposals for future action

One of the key elements for any successful public sector reform is high-level leadership. Strong leadership is critical to mobilise resources and build cohesion in support of the reform. If the government is not united around a reform proposal, it sends out mixed messages, and divisions come up; failure is usually the result. The call for strong reform support should not be understood as endorsing a top-down approach to reform or suggesting a preference for unilateral action. While unilateral reforms are sometimes the only way forward and reformers may need both toughness and political cunning when dealing with opponents, the OECD experience suggests that successful leadership is often about winning consent rather than securing compliance. This is particularly the case where those directly affected by a reform will play a role in implementing it. (OECD, 2010^[31])

Formally establishing the State Council on Digital Government and adopting a decision to include e-procurement reform as part of the State's Digital Agenda would send strong messages to all stakeholders, but particularly to the public institutions in charge of e-procurement, that the reform is a priority, that it will be periodically assessed to keep accountability, and that the whole-of-government is expected to mobilise to ensure its success. Technical complexities, insufficient resources, and the potential of e-procurement to eliminate corruption opportunities may create resistances, which is why the State of Mexico should take action to clearly demonstrate high-level political support for e-procurement reform.

2.4. Establishing a website to follow up e-procurement reform

Box 2.4. Recommendation 9 and its actions

The Government of the State of Mexico should establish a website dedicated to e-procurement reform:

- The State of Mexico should set up a website to follow up e-procurement reform.
- The website should clearly describe the vision, strategy, programme, and timeline of e-procurement reform to ensure that government efforts are visible to the public.

Source: (OECD, 2021^[11]).

In order to demonstrate strong political commitment with e-procurement reform, the State of Mexico would benefit from establishing a website dedicated to it, which clearly outlines the reform vision, strategy, programme and timeframe to ensure that the efforts of the government are transparent and visible to the public.

2.4.1. Progress achieved

No progress was reported with regards to this recommendation, the website has not been established and no plans have been developed for that purpose.

2.4.2. Proposals for future action

A website to follow up e-procurement reform is not a complex undertaking, but it would deliver at least three benefits. First, as mentioned above, it would be illustrative of political commitment at the highest level. Second, it would facilitate the transparency of the reform process, so that all stakeholders can monitor and assess progress against established goals, resources invested, and actions taken. Finally, the website would be key to promote accountability of the different stakeholders with respect to the actions under their responsibility. E-procurement reform can be a major initiative of the State Government and such dimension calls for a mechanism to keep all stakeholders accountable of their contributions and progress. Lack of accountability could hinder co-ordination and commitment of line ministries, for example, rendering the reform ineffective or incomplete. An open website reporting progress by each stakeholder would be a way to motivate engagement beyond mere compliance, so as to avoid the “naming and shaming” of those falling behind their commitments.

2.5. Reviewing the regulatory framework for e-procurement

Box 2.5. Recommendation 10 and its actions

The Government of the State of Mexico could review the current regulatory framework of public procurement:

- The State of Mexico could review the current regulatory framework of public procurement, in accordance with the vision statement.

Source: (OECD, 2021^[11]).

E-procurement reform may entail amendments to the regulatory framework in force. The LCPEMyM states that full digitalisation will be completed gradually. Potential amendments to the current LCPEMyM could involve different aspects, to be identified by the PWG and reflected in the vision statement, to feed into the normative review recommended in recommendation 2.

2.5.1. Progress achieved

As acknowledged previously, the DGRM has completed the first step for the normative review, which consists of taking stock of the regulatory framework for public procurement in the State of Mexico. It also introduced two proposals in the Ministry of Finance's Internal Committee for Better Regulation (*Comité Interno de Mejora Regulatoria*, CIMR) for review. The second proposal, consisting of updating the Bylaws to the Public Procurement Law of the State of Mexico and Municipalities, could be particularly leveraged for e-procurement reform.

2.5.2. Proposals for future action

The missing element to fulfil this recommendation is the alignment with a vision for COMPRAMEX built inclusively and with the participation of the different stakeholders. Once the PWG is set up and the vision statement developed, the DGRM would have to analyse which normative reforms are necessary and at which level (primary laws, secondary regulations, etc.).

2.6. Defining and introducing new transactional functions for COMPRAMEX

Box 2.6. Recommendations 11 and 12 and their actions

The Government of the State of Mexico could define new transactional functions for e-procurement processes:

- The State of Mexico could define new transactional functions for e-procurement processes, which may include:
 - The submission of electronic documents.
 - E-signature.
 - Automated feeds on bidding opportunities for suppliers.

The Government of the State of Mexico should introduce new transactional functions to e-procurement processes:

- The State of Mexico should introduce new transactional functions to e-procurement processes.

Source: (OECD, 2021^[1]).

The OECD review documented the current functionalities of COMPRAMEX (see Table 2.1).

Table 2.1. Functionalities of COMPRAMEX

Public procurement procedures	COMPRAMEX
Supplier registration	X
Publishing annual procurement plans	X
Market research	X
Reference prices	X
Tender notice/call for tender	X
Automatic notification system of tender opportunities	
Upload/download of tender documents	X
Organising clarification meetings	
Reception of minutes of clarification meetings	X
Reception of bid proposals	
Organising tender opening meetings	
Reception of minutes of tender submission and opening	X
Analysis and evaluation of bid proposals received	
Organising meetings for contract award notice	
Sending of contract award	X
Contract signature	
Submission of invoices by suppliers	
Payment procedures to suppliers	

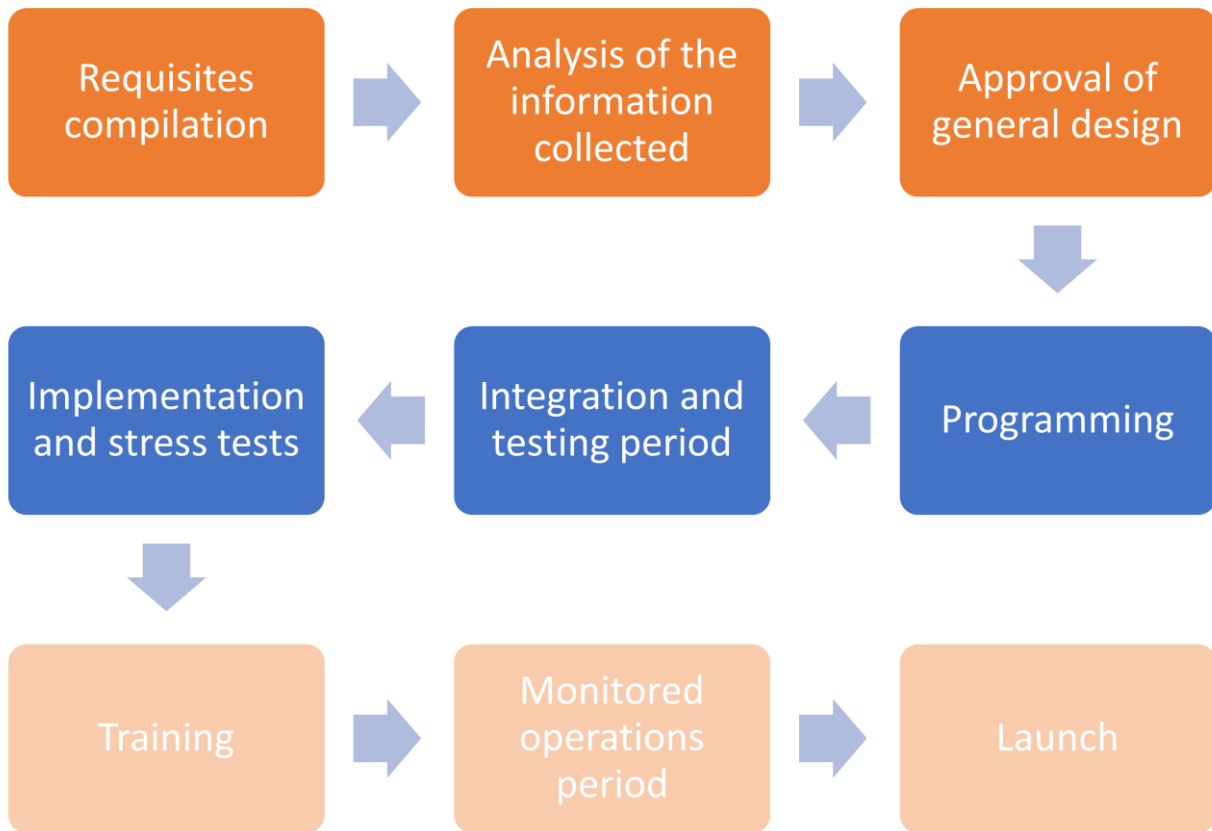
Source: (OECD, 2021^[1])

It also recommended that new transactional functions should be identified and introduced in a phased approach, supported by a piloting period with the participation of selected stakeholders.

2.6.1. Progress achieved

The DGRM is developing a pilot platform called Digital COMPRAMEX, under the following plan (see Figure 2.1).

Figure 2.1. Plan for the development of the Digital COMPRAMEX platform



Source: Information provided by the DGRM.

The project is currently in the integration and testing period, in which pilot tests will be carried out several times to ensure user validation and swift implementation. However, it is important to highlight that legislative reforms are needed for the DGRM to move on with the next stages.

- The pilot design envisions several additional functionalities such as:
- Access to information about procurement processes, description, and stage (see Figure 2.2).
- Access to information about the processes in which a supplier has bid and the documents submitted (see Figure 2.3).
- Procurement processes:
 - Date of events.
 - Actions to follow.
 - Code of the procurement process.
 - Description of the good or service procured.
 - Stage of the process.
 - Payment status.
 - Download tender documents.
- Purchase of call for tender (see Figure 2.4).¹

¹ If a supplier is interested in bidding in a given process, it must purchase the call for tender with all the details and requirements for participation.

- Clarification meetings: Bidders will be able to electronically submit questions and the minutes with answers will be uploaded (see Figure 2.5).
- Submission and opening of bids (technical and economic offer) (see Figure 2.6).
- Award notice (see Figure 2.7).
- Contract: To be downloaded (see Figure 2.8).

Figure 2.2. Digital COMPRAMEX: Access to information about procurement processes, description, and stage



Source: Information provided by the DGRM.

Figure 2.3. Digital COMPRAMEX: Access to information about supplier participation



Source: Information provided by the DGRM.

Figure 2.4. Digital COMPRAMEX: Purchase of call for tender



Source: Information provided by the DGRM.

Figure 2.5. Digital COMPRAMEX: Clarification meetings



Source: Information provided by the DGRM.

Figure 2.6. Digital COMPRAMEX: Submission and opening of bids

Para realizar la carga de propuestas es necesario iniciar sesión en la "Bóveda".

Acceso a la bóveda

Nombre

Contraseña

SALIR

Siempre así

Source: Information provided by the DGRM.

Figure 2.7. Digital COMPRAMEX: Award notice

Procedimientos

Proveedor: COMERCIALIZACION Y DISTRIBUCION DE PRODUCTOS PARA SOLUCIONES EMPRESARIALES S.A. DE C.V.

Fecha de Sesiones	Acciones Disponibles	Procedimiento Adquisitivo	Descripción	Etapas del Procedimiento	Estatus del Pago	Descargar Archivos de Licitación
	VER FALLO	LPNE-001-2023	SISTEMA DE AUDIO, CAMARA PROFESIONAL NIKON	Evento Finalizado	No se encontro pago	

Adjudicación del Bien

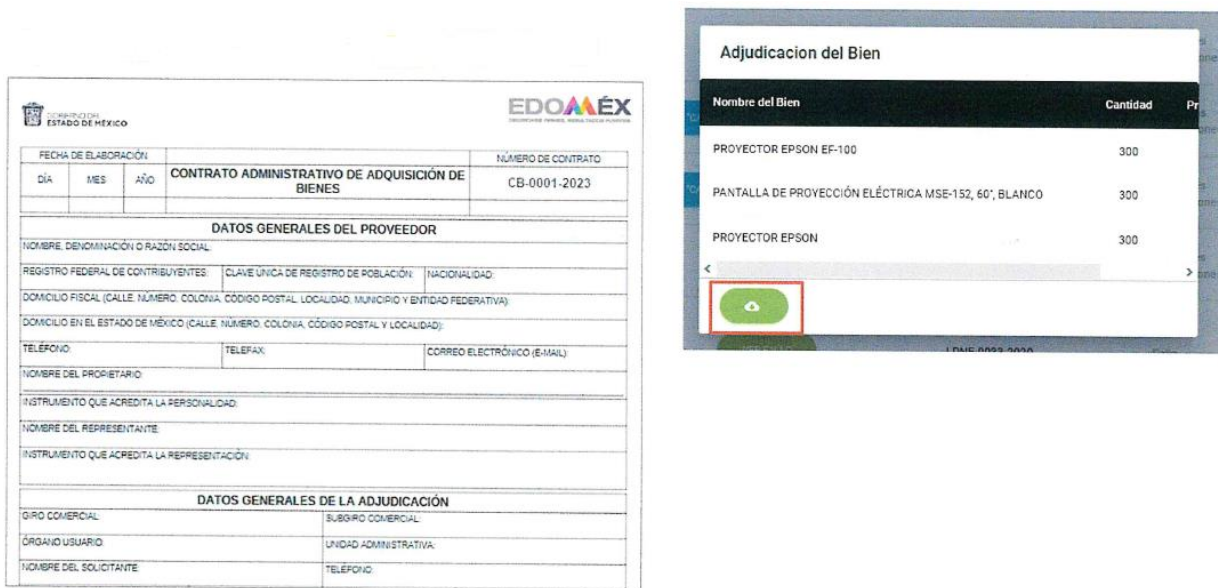
Nombre del Bien	Cantidad	Precio Unitario	Proveedor Adjudicador
SISTEMA DE AUDIO	100	55000	MICROSOFT MEXICO PRUEBA
CAMARA PROFESIONAL NIKON	1000	4000	MICROSOFT MEXICO PRUEBA

Al dar clic se mostraran los siguientes datos:

- Nombre del Bien o Servicio
- Cantidad
- Precio Unitario
- Proveedor Adjudicado

Source: Information provided by the DGRM.

Figure 2.8. Digital COMPRAMEX: Contracts (to be downloaded)



Source: Information provided by the DGRM.

Notably, the new Digital COMPRAMEX platform would include some of the transactional functions missing at the time of the OECD review, including the holding of clarification meetings, the submission of bids by suppliers, and the notification of contract awards. Furthermore, documents submitted through the platform would be signed electronically, which contributes to streamlining the process. On top of that, the electronic organisation of clarification meetings decreases risks of supplier collusion as there would be one less chance for them to meet physically. Likewise, the electronic submission of bids would help to avoid physical contact between suppliers and between them and public officials.

2.6.2. Proposals for future action

The next immediate action is to introduce and get the approval of the legislative reforms required to move on with the next stages of Digital COMPRAMEX. Evidently, its full implementation must be a priority as it would create significant gains in terms of simplification and efficiency. In addition, during the pilot phase, the DGRM would benefit from launching public consultations on the new Digital COMPRAMEX so that it could receive feedback from stakeholders, including economic operators and contracting authorities. This process would mitigate the potential impact arising from insufficient coordination due to the absence of the PWG.

Once the system is fully operational, the DGRM could explore additional functionalities that would maximise efficiency gains and address the concerns of different stakeholders. For example, Digital COMPRAMEX could send suppliers notifications of bidding opportunities according to their business. This would likely increase supplier participation and competition, a key recommendation of the OECD review. Likewise, Digital COMPRAMEX could facilitate payments by allowing bidders to send invoices and contracting authorities to manage the payment process. This would tackle a concern by suppliers, documented by the OECD review, and advance the transparency of the payment process. By increasing the efficiency and reducing the time for payment, Digital COMPRAMEX would also create incentives for suppliers to participate in the public market, leading to competition and access to better goods and services at better prices for contracting entities.

2.7. Interconnecting COMPRAMEX with other digital government systems

Box 2.7. Recommendations 13 and 14 and their actions

The Government of the State of Mexico should define the digital government systems to be interconnected with COMPRAMEX:

- The State of Mexico could suggest the digital government systems to be interconnected with COMPRAMEX, which could include the budget system (*Sistema de Planeación y Presupuesto*, SPP), the business and tax registries, the complaints system (*Denuncia EdoMex*), and the transparency portal (IPOMEX).

The Government of the State of Mexico should integrate COMPRAMEX with other digital government systems:

- The State of Mexico should implement the interconnection of COMPRAMEX with other digital government systems identified as per the previous recommendation.

Source: (OECD, 2021^[1]).

Integrating an e-procurement system with other government IT systems to share information and data, such as those for public financial management (i.e., budget system, business and tax registries, and social security databases), leads to greater efficiency in the use of public funds. It would help aligning COMPRAMEX with the international trend to cover the entire public procurement cycle with fully-fledged e-procurement solutions, from planning and preparation to contract execution and payment.

Furthermore, integration is also aligned with the state regulations. For example, the Law on Digital Government of the State of Mexico (*Ley de Gobierno Digital del Estado de México y Municipios*) calls for the interconnection of different government systems. Section XI of Article 9 of this Law stipulates that the State Council on Digital Government should promote interoperability of ICT available at federal, state and municipal levels. Likewise, Article 19 of the LCPEMyM requires COMPRAMEX to be interconnected with the budget system.

2.7.1. Progress achieved

The DGRM set up links in COMPRAMEX to take the user to IPOMEX and the System for Citizen Contact (*Sistema de Atención Mexiquense*, SAM). However, the systems do not share information and data, which is the spirit of the recommendation.

On 20 January 2023, the DGRM requested the technical opinion of the General Directorate of the State Information System (*Sistema Estatal de Informática*, SEI) on the requirements to interconnect COMPRAMEX with other digital government platforms. In its reply of 3 February 2023, the SEI establishes some pre-conditions:

- Determining the legal feasibility for the connection.
- External platforms should be defined in a WEB architecture.
- Taking security measures such as protocols for certificates SSL and data encryption.
- Determining the feasibility to consult and extract data from the databases of the interconnected platforms.
- Ensuring compliance with access and privacy regulations.

2.7.2. Proposals for future action

The communication between the DGRM and the SEI was just the first step in a road that requires several preliminary actions, as defined by the SEI. The next step would be to determine which digital government systems are technically feasible to be interconnected with COMPRAMEX, and particularly its new version under development, Digital COMPRAMEX. Second, if legal reforms are needed, these could be part of the normative review recommended in Chapter 1. Finally, the challenge of implementation will come with the need to get all the technical features right to allow the seamless and secure exchange of data and information.

The interconnection of the different digital government systems would also add clarity with regards to which stages of the procurement cycle are creating obstacles for the efficient management of the process. Likewise, it would contribute to defining the roles of the different stakeholders of the procurement system. For example, the interconnection of COMPRAMEX with SPP will allow the DGRM to check if the user requesting participation in a procurement process has the budget to pay for the goods or services being procured. In this sense, users would be more aware that an important part of their role in the governance of public procurement is to ensure they have the available budget to participate in a process ran by the DGRM.

The interconnection could be facilitated by the fact that several of the platforms to be interconnected, such as the SPP and the tax registry, are managed by the Ministry of Finance, which is the umbrella institution for both the DGRM and the SEI. Strong political commitment by the Ministry of Finance is therefore an important pre-requisite to progress with the fulfilment of these recommendations.

2.8. Promoting e-procurement for public works

Box 2.8. Recommendations 15 and 16 and their actions

The Government of the State of Mexico should define the future of the e-procurement platform with respect to public works:

- The State of Mexico should consider the possibility of using COMPRAMEX not only for the procurement of goods and services, but also for public works.
- Meanwhile, the Ministry of Control of the State of Mexico (SECOGEM) could use its website to publish calls for public works tenders.

The Government of the State of Mexico should establish a digital platform for the procurement of public works:

- The Government of the State of Mexico should establish electronic processes for public works procurement.

Source: (OECD, 2021^[1]).

Regardless of the high number and volume of procurement for public works, the OECD review found that the State of Mexico did not have an e-procurement system for public works. Indeed, the sole e-procurement system of the State of Mexico, COMPRAMEX, is an e-procurement platform exclusively for goods and services. This meant that an essential part of the public procurement market does not benefit from the

efficiency and competition that an e-procurement platform could bring to the State of Mexico. Indeed, the state regulatory framework for public works does not refer to the use of e-procurement systems.

Addressing these recommendations could imply leveraging on COMPRAMEX for public works procurement or, alternatively, developing a brand-new platform. Developing a separate e-procurement system would have the disadvantage of creating financial and administrative burdens for both government and bidders, as contracting authorities and suppliers would need to learn how to use two separate e-procurement platforms. Mexico's national e-procurement platform, CompraNet, for example is used for both goods and services, and public works.

2.8.1. Progress achieved

SECOGEM fulfilled the action relative to publishing the calls for public works tenders in its website. During February 2023, SECOGEM informed the ministries and OPD that execute public works that calls for public works tenders have to be communicated to it for publication in SECOGEM's website on the same day they are submitted to local and national newspapers. Indeed, SECOGEM set up the space in its platform to publish the calls for public works tenders and it is fully operational as of 9 March 2023 (see Figure 2.9).

Figure 2.9. Space in SECOGEM's website for the publication of calls for public works tenders



Source: SECOGEM's website, www.secogem.gob.mx.

2.8.2. Proposals for future action

While publishing the calls for public works tenders in SECOGEM's website adds to their transparency and wide communication, it is necessary to get to a transactional stage where public works procurement processes can actually take place electronically. The failure to consider so far an e-procurement platform for public works stems from the fact that there is no legal requirement, so this could be one more point to address in the normative review recommended in Chapter 1. Then, a decision would have to be made of whether to leverage on Digital COMPRAMEX or on some other platform.

Just like in the case of goods and services, electronic processes will likely lead to more participation by bidders and, therefore, to increased competitive pressures for better bids in terms of the quality and cost of public works.

2.9. Defining the information to be published in COMPRAMEX

Box 2.9. Recommendation 17 and 18 and their actions

The Government of the State of Mexico should define the information to be published in COMPRAMEX:

- The State of Mexico could define the public procurement information to be published in COMPRAMEX.
- The State of Mexico could consider publishing in COMPRAMEX all the public procurement information currently published in IPOMEX.
- Consider more flexible options to search and allow users to collect data in re-usable and machine-readable formats.

The Government of the State of Mexico should publish information in COMPRAMEX:

- The State of Mexico should publish in COMPRAMEX the public procurement information identified as per the previous recommendation, with flexible searching alternatives.

Source: (OECD, 2021^[1]).

E-procurement systems allow governments to provide information related to public procurement in open and machine-readable formats. Thus, they contribute to increasing transparency, as well as collecting consistent, up-to-date and reliable data on procurement processes. Even though governments may produce large amounts of information related to public procurement, they face challenges relative to quality and coverage. These data are often incomplete (as they do not cover all procurement stages), fragmented across numerous public entities (not all entities publish information), or have been left largely unused for research and policy purposes. When public sector information is proactively published in open and machine-readable formats and, where possible, free of cost, it becomes open government data, facilitating its reuse by anyone – anywhere – without legal or technical limitations.

However, the OECD review found that this concept of open data had not been applied in public procurement in the State of Mexico, in particular in machine-readable characteristics, given the situation where only the PDF data of some documents related to tenders were available. The State of Mexico has two principal platforms that disclose information related to public procurement: COMPRAMEX and IPOMEX, the transparency portal of the State of Mexico.

The OECD review also found that COMPRAMEX provided PDF formats of some documents related to public procurement for goods and services. IPOMEX provided more comprehensive coverage of information than COMPRAMEX in excel formats and it also disclosed information related to the procurement of public works. However, both platforms faced common challenges. Not all public entities comply with transparency obligations through COMPRAMEX and IPOMEX, some do not disclose the information or publish low-quality information. In addition, both platforms lacked user-friendliness in collecting information in re-usable and machine-readable formats. Even though IPOMEX provided more comprehensive coverage of information than COMPRAMEX, users needed to download multiple excel files to analyse aggregated information because downloading options were limited with the combination of

one public entity, one type of procurement methods, and one fiscal year of one individual procurement procedure.

The OECD recommended that the State of Mexico should provide reusable, higher quality and machine-readable data in a format that allows for analyses. For the time being, the State of Mexico could consider the possibility of publishing in COMPRAMEX all the public procurement information that is currently available in IPOMEX. Furthermore, more flexible search options should be added in order to provide machine-readable and re-usable information. Search categories could comprise, although not be limited to, the combination of procurement information (such as contract amount, number of bidders), public entity (entity A, B, C), type of procurement procedures (open tender, restricted invitation, and/or direct award), and fiscal year (2018, 2019, 2020, 2021, 2022, etc.). The interconnection of COMPRAMEX with IPOMEX should also be considered.

2.9.1. Progress achieved

The duplicity of information in COMPRAMEX and IPOMEX creates the risk of inconsistencies, which is why the interoperability of both platforms would be ideal. However, it might be difficult to achieve it since IPOMEX functionalities are regulated by Law. An alternative would then be to include in COMPRAMEX all public procurement-related information currently published in IPOMEX. The current process to upgrade to Digital COMPRAMEX opens up the opportunity to do it.

Aside from the potential to grab this opportunity, there is no progress regarding the incorporation of more flexible searching alternatives to facilitate the aggregation and analysis of data and publishing public procurement data in re-usable and machine-readable formats.

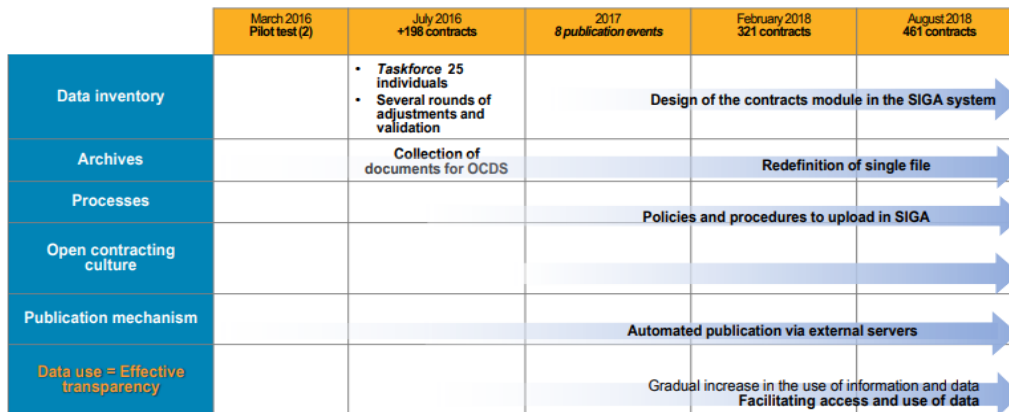
2.9.2. Proposals for future action

Despite all its virtues, transparency does not come by itself and necessarily requires an investment in information systems, organisation, and human resources. Organisations need to develop a system of archives, set up the information systems to manage them in an efficient manner and, of course, hire the staff with the skills to manage both, the archives and the information systems.

The process to publish procurement information in open data format can require significant resources in the beginning, but once the practice is fully standardised in the organisation, it becomes much easier and less intensive in resources. The OECD supported the Airport Group of Mexico City (*Grupo Aeroportuario de la Ciudad de México*, GACM) in adopting the Open Contracting Data Standard (OCDS) for the project of the New International Airport of Mexico (NAIM). The experience provided rich lessons. At the beginning, during 2015 and 2016, the management of information was carried out manually. When GACM started publishing contract information following the OCDS, the exercise was resource intensive and prone to errors. Information had to be uploaded manually in databases, making it inefficient, intensive in man hours, and exposed to a high risk of mistakes.

Gradually, GACM staff went through the learning curve and built the information systems necessary to automatise the process (see Figure 2.10). Eventually, contract information was extracted automatically from information systems to be uploaded in the Open Data website of Mexico's Government (datos.gob.mx). Notably, OECD documented the shortage of staff GACM experienced since it was entrusted the responsibility of building NAIM. If GACM was able to publish all its contracts following the OCDS, even with such a limited allocation of staff, there is really no excuse for any other public authority not to do it.

Figure 2.10. Process of capacity-building for the adoption of the OCDS by GACM



Source: (OECD, 2018^[4])

Just like GACM did, the State of Mexico could follow an incremental approach, based on a staged process of capacity-building, to adopt an Open Data standard for the publication of procurement information. This would be a highly innovative practice among Mexico’s federal states and would demonstrate that such an undertaking is not only possible, but desirable to build trust in the public procurement system and systematise data for performance management and decision making.

According to international experiences of implementation of the OCDS, a staged approach could follow the steps below: (Open Contracting Partnership, 2017^[5])

- Design your engagement and make a commitment: identify the key goals to be achieved, engage with stakeholders and assemble a team with technology and policy skills.
- Map the readiness for open contracting in your organisation: map data and documents to the OCDS to identify what data is required to meet user needs and what is missing.
- Build your OCDS implementation: create data releases by amending existing tools or using new ones in order to transform data and documents.
- Publish contracting data: publish in line with a policy that dictates how information is kept up to date and how privacy and confidentiality are managed.
- Use information to monitor government contracts and fix problems: build tools that make the data usable and leverage it to encourage accountability.
- Learn and innovate government contracting: make adjustments to ensure a continuous improvement cycle.
- Show and share what you have learned with others: document progress and monitor against original objectives.

2.10. Developing training on the use of COMPRAMEX

Box 2.10. Recommendation 19 and its actions

The Government of the State of Mexico should develop training on COMPRAMEX:

- The State of Mexico should design capacity building activities on how to use the new COMPRAMEX functions. Target audiences include public procurement officials and suppliers to facilitate change management.

Source: (OECD, 2021^[11])

Successful implementation of e-procurement reform requires a change management process. Governments should ensure that public procurement officials, as well as any other stakeholders (i.e. suppliers), are not only aware of the strategic importance of e-procurement but also have the right skills and knowledge of the processes and functionalities of the e-procurement system. Therefore, it will be highly important to provide capacity-building opportunities, particularly when the new Digital COMPRAMEX starts operations.

2.10.1. Progress achieved

The DGRM, along with the Institute of Professionalisation of Civil Servants of the State of Mexico (*Instituto de Profesionalización de los Servidores Públicos del Poder Ejecutivo del Gobierno del Estado de México*, IPSPEM), has organised training for procurement officials on the contents of the LCPEMyM. However, such training is concentrated on the regulatory framework, not on the functions of COMPRAMEX. Furthermore, no training has been developed to facilitate the use of COMPRAMEX by suppliers.

The DGRM also designed a graphic slide on the process suppliers should follow to sign up in the suppliers' registry (*Padrón de Proveedores y/o Prestadores de Servicios del Estado de México*), which is hosted in COMPRAMEX.

2.10.2. Proposals for future action

Developing training on e-procurement for state officials could be linked to the recommendations in Chapter 6, particularly those regarding building a competency framework and a certification model for procurement officials. As mentioned previously, this would be particularly critical once Digital COMPRAMEX is operational.

On the other hand, the DGRM should facilitate the uptake of COMPRAMEX by the supplier community by raising awareness and training business staff in charge of organising participation in procurement opportunities. For example, OECD documented that to facilitate the use of CompraNet, Mexico's national e-procurement system, the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP) trained more than 14 000 suppliers between 2012 and 2017. However, considering the total amount of suppliers registered in CompraNet back then (over 215 000 as of 2017, with over 3 000 new users registering each month), these efforts were intensified through online training. (OECD, 2018^[6])

2.11. Summary of follow up recommendations

The main progress regarding e-procurement reform is the development of the pilot platform of Digital COMPRAMEX, which would add transactional functions to the current COMPRAMEX version, including the holding of clarification meetings, the submission of bids by suppliers, and the notification of contract awards. Among other benefits, these new functionalities, once operational, would streamline processes and reduce administrative burdens for both the public sector and the suppliers. Additionally, it would reduce the opportunities for direct contact between the suppliers themselves and with the public sector, mitigating risks of collusion and other irregularities. However, Digital COMPRAMEX is still not operational.

Also on the side of progress, SECOGEM set up the space in its website to publish calls for public works tenders, which would add transparency and facilitate communication to the contractor community. However, ideally, the entire procurement cycle would be digitised, either in COMPRAMEX or in another platform exclusive for public works procurement.

Besides the previous two elements, there is very limited effective progress. The main current weakness for e-procurement reform is the lack of political support, which is evidenced by the failure to call a meeting of the State Council on Digital Government, set up a PWG, develop a vision and a plan for the reform, and establishing a mechanism for follow up. The State Council is even established by law and it is mandated to meet regularly, which has not happened, implying that the problem is not necessarily related to a regulatory vacuum. Raising such political support is the first step to mobilise the different stakeholders and promote e-procurement as part of the state's priorities in its reform agenda.

There is also much pending technical work to do to improve the governance of digital services in the state. This includes the possibility to set up interoperability between COMPRAMEX and other e-government platforms (budget, business and tax registries, etc.) and the adoption of an open contracting data standard to allow users to use, re-use, and analyse data published in machine-readable formats. Indeed, while legal requirements to publish information may be satisfied, limited searching possibilities for the data and the formats in which it is published hinder the scope of transparency practices and the possibility to make them an instrument for effective accountability.

3. Enhancing the effectiveness of centralisation of procurement in the State of Mexico

Centralisation of public procurement expenditure is a key tool used to deliver savings generated by streamlining, rationalising, and consolidating expenditure. It involves aggregating procurement demand from different entities by using various efficiency tools, notably centralised purchasing and framework agreements.

While centralisation provides clear benefits to a procurement system, it also needs to be carried out effectively to deliver on the savings and rationalisation that are associated with it. In fact, putting in place a centralising institution without proper knowledge, tools, processes and the institutional framework may not produce desired results.

Centralisation can only be effective to the extent that appropriate institutional structures, efficiency tools and governance systems are in place. Under such circumstances, centralisation provides opportunities to increase competition, and thereby generate value for money in public procurement in the State of Mexico.

3.1. Expanding the scope of procurement centralisation

Box 3.1. Recommendation 20 and its actions

The DGRM could expand the scope of centralisation:

- The DGRM could include new users (e.g. municipalities) and expand the participation of auxiliary bodies (*organismos públicos descentralizados*, OPD) in the centralised scheme to widen its scope.
- In practical terms, this could imply the organisation of focus groups with procurement officials from OPD and municipalities to get a clear overview of their needs.
- An awareness-raising and communication conference could also be organised to share the benefits of centralisation and the service provided by the DGRM.
- Based on the feedback collected, the DGRM could adapt its services to the users' needs: Reviewing available product categories, calculating savings from centralised contracts, and proposing voluntary framework agreements for standardised goods and services (after the legal reforms to establish framework agreements).

Source: (OECD, 2021^[1])

The DGRM acts as the central purchasing body (CPB) for goods and services for ministries of the state government. The ministries are obliged to purchase via the DGRM with the exception of *contratos pedidos*, i.e. purchases of less than MXN 570 000 (USD 33 000 approximately) carried out via direct awards. Otherwise, the DGRM executes all other purchases of goods and services required by the ministries. In contrast, OPD and municipalities are allowed to carry out procurement of goods, services, and public works independently. This also applies to entities that have a decentralised status, such as entities under the portfolio of a particular state ministry. These entities are allowed to join centralised purchases by the DGRM, upon signature of a co-ordination agreement.

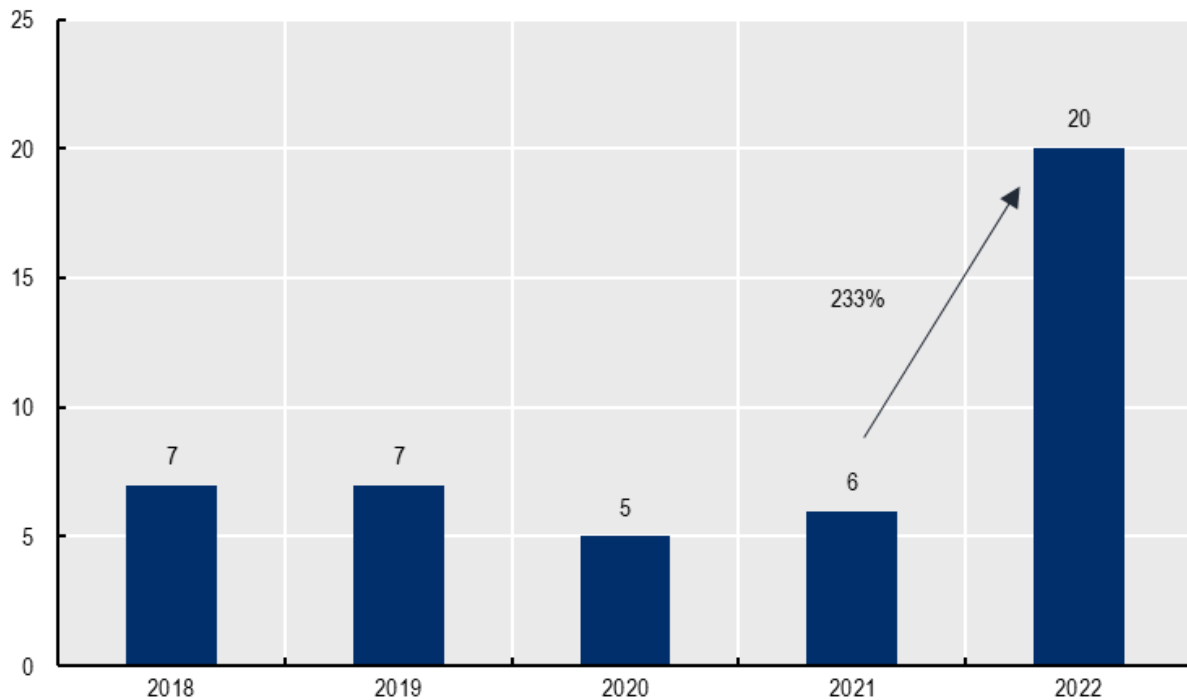
The OECD review concluded that opportunities for greater centralisation were still available and could be exploited. Two main areas of additional procurement expenditure emerged when examining the overall procurement expenditure in the State of Mexico, namely procurement conducted by OPD and by municipalities. To integrate these entities more fully in the centralised purchasing scheme, the DGRM would need to set up a dedicated structure that is capable of analysing their specific needs and offering them attractive conditions.

In order to make a wider centralisation scheme operational, the DGRM would need to focus on understanding the needs of auxiliary bodies to ensure that its current offer of centralised purchases matches their demand. The DGRM could also focus on providing auxiliary bodies with an estimate of potential savings to be achieved through its centralisation scheme. This is likely to generate interest in centralisation, in particular for product categories that may not be essential to the core tasks of auxiliary bodies. Likewise, awareness-raising and information activities regarding the benefits of centralisation would need to underpin this effort.

3.1.1. Progress achieved

The DGRM invites OPD to participate in centralised procurement processes each year. For example, in January 2022 the DGRM invited OPD to participate in the centralised process to procure different insurance services (i.e. life, cars, and equipment). The DGRM also requests information on the users' needs through the invitation letters.

The number of co-ordination agreements between OPD and the DGRM could be an indication of the perception of the value added created by the centralised scheme. Forty-five co-ordination agreements were formalised from 2018 to December 2022. Notably, in 2022 the number of co-ordination agreements grew atypically by 233% (see Figure 3.1).

Figure 3.1. Number of co-ordination agreements between the DGRM and OPD formalised per year

Source: Information provided by the DGRM.

The increasing number of co-ordination agreements will allow more OPD to participate in the processes organised by the DGRM and will likely lead to the realisation of further savings and efficiencies.

3.1.2. Proposals for future action

The increasing number of co-ordination agreements is, without a doubt, good news. Besides analysing the reasons behind the atypical growth in 2022 and whether this has to do with the perception of value added of the centralised scheme, future actions could focus on two initiatives. First, seeking the participation of municipalities in the centralised scheme. The State of Mexico has 125 municipalities, each carrying out its own procurement, which is indicative of the potential for further aggregation of demand. However, municipalities need to be convinced that it is convenient for them to join the centralised scheme and enter into a co-ordination agreement with the DGRM.

Second, it is pertinent to insist on establishing feedback loops between OPD and the DGRM so that the second gets a better understanding of OPD's needs and concerns regarding the centralised scheme, the opportunity areas, and the incentives that would make more attractive to procure through the tenders organised by the DGRM. Focus groups and user satisfaction surveys could be useful for this purpose, while a conference could be an adequate mechanism to raise awareness and communicate the benefits of centralised procurement among the wider universe of OPD and municipalities.

3.2. Establishing framework agreements in the state legislation

Box 3.2. Recommendation 21 and its actions

The Government of the State of Mexico could upgrade centralised procurement through framework agreements:

- The State Legislature should reform the regulatory body to allow using framework agreements. International practices and the federal legal framework for public procurement provide models to follow.
- At the same time, the DGRM could build its capacities for market research and engagement to develop framework agreements that are fit-for-purpose. This may imply training the staff on good international practices for market research and organising exchanges with CPBs using framework agreements.
- The specialised unit for market research will be responsible of making sure that framework agreements have enough supplier participation. This may imply organising market consultations and engagement sessions (e.g. meet-the-buyer events).

Source: (OECD, 2021^[1])

At present, framework agreements are not allowed by the legal body for public procurement in the State of Mexico, and state procurement officials are largely unfamiliar with their modalities of application and the benefits they can bring to the centralisation of public procurement.

International good practice shows that selecting the appropriate efficiency tools allows generation of savings whilst meeting user needs, thereby creating value for money. Indeed, framework agreements could help the DGRM to optimise some of the aspects that lead to inefficiencies when implementing centralised purchases. For instance, framework agreements can provide increased flexibility to meet various types of demand over longer periods of time, thereby alleviating pressure to have a predefined amount of goods and services available at specified times. Framework agreements would also allow for greater visibility of available goods and services upfront. Contracting authorities such as OPD or municipalities could make an informed decision on whether centralisation via framework agreements is of value to them.

Furthermore, framework agreements reduce the number of procurement processes to be organised each year, as they are usually drawn up for longer periods of time. This would further allow the DGRM to streamline its operations, shifting efforts from conducting repetitive procedures to creating well-designed framework agreements for its users. Other common benefits of framework agreements result from the faster procedure to receive goods and services for final beneficiaries. However, not all goods and services are suitable for the use of framework agreements. Goods and services under a framework agreement should be fairly standardised and represent sizeable demand in terms of needs aggregation.

3.2.1. Progress achieved

The OECD review suggested the following steps to move towards a reform of the regulatory body to allow framework agreements:

- Drafting a reform bill
- Introducing the bill in the State Congress
- Discussion and approval

Even though the process for a legislative reform could be complex and lengthy, progress has been quite limited. The only step taken so far consisted of the DGRM asking the Ministry of Finance's Unit for Evaluation and Monitoring to include reforms to the Public Procurement Law of the State of Mexico and Municipalities (*Ley de Contratación Pública del Estado de México y Municipios*, LCPEMyM) and its Bylaws, with regards to framework agreements, in the regulatory agenda. No bill has been drafted or introduced in the State Congress to kick off the legislative discussion. Likewise, no progress was reported with regards to building capacities for market research and organising market consultations or other forms of engagement.

3.2.2. Proposals for future action

Framework agreements are a key tool to operationalise centralisation in an effective manner. In the State of Mexico, they could contribute to capturing additional procurement expenditure from OPD and municipalities. Moreover, by designing framework agreements appropriately, the DGRM can expand its product offer, generate savings for its users as well as achieve operational savings for its own organisation. However, implementing framework agreements requires an enabling environment. At present, a key obstacle to the use of framework agreement in the State of Mexico is the lack of a legal basis. Thus, as the first step to take advantage of the benefits of framework agreements, authorities in the State of Mexico need to reform the law to allow the use of this tool. Furthermore, as there is little direct experience with implementation of framework agreements, organisational readiness and capacity also need to be considered. This involves developing expertise for the design of framework agreements, for example by reinforcing capacity on market research and needs analysis, as well as enhancing capacity during the contract management phase. Indeed, when an organisation uses framework agreements, significant effort shifts to managing the contractual relationship with the supplier.

Notably, framework agreements can help tackling a critical issue for public procurement in the State of Mexico: competition. As the OECD review documented from a sample of tenders, there is a need to increase competitive pressures (i.e. the average number of bidders) to realise the full potential for efficiency. A key aspect in strengthening competition through framework agreements rests on the attractiveness of the framework for suppliers. Several factors play into the attractiveness of a framework agreement. The uniform terms and conditions for purchases, for instance, reduce costs for suppliers and thereby make a framework appealing. Likewise, one of the main characteristics of the attractiveness of framework agreements rests on the certainty of revenue stemming from the agreement.

Market analysis and market engagement are essential to determine the parameters of a framework agreement that maximises competition. The contracting authority needs to have a strong view of what conditions are attractive for the market suppliers to set the right incentives for participation. Not least, it should also keep in mind that participation has a cost for suppliers, and therefore the procedure should be as simple as possible from an administrative point of view.

Unfortunately, the excessive focus on control in the Mexican context has created an environment where public procurement officials prioritise compliance over value for money considerations, hindering practices such as market engagement. While it is true that market engagement entails risks, this should not prevent the State of Mexico from gaining from its benefits, while also taking specific actions to mitigate the risks. Currently, contracting authorities of the State of Mexico do not have a comprehensive strategy for market engagement beyond the publication of annual procurement plans and basic market research.

As it is expected that a legal reform to allow framework agreements would take time, the DGRM could take advantage of that time to prepare the ground for implementation, notably by building its capacities for market research through formal training, secondments of staff in other national or international procurement authorities, and exchanges of information. For example, the DGRM could explore the possibility of secondments in the procurement authorities of other Latin American countries, where market research is more consolidated, for example, *ChileCompra* or *Colombia Compra Eficiente*.

Likewise, the DGRM could develop a market engagement framework, envisioning its objectives and the strategies to be deployed, while being mindful of integrity risks. The DGRM could learn from the Emerging Markets Initiative organised by the United States' National Association of State Procurement Officers (NASPO), where public buyers and suppliers exchange information to match supply and demand in an open and transparent environment (see Box 3.3).

Box 3.3. NASPO's Emerging Markets Initiative

Procurement organisations have limited resources to decide which procurement solutions to pursue that will bring the greatest benefit to the public sector. The Emerging Markets Initiative (EMI) requests insights directly from the private sector, offering an opportunity to provide ideas that are innovative and forward thinking, to anticipate and proactively meet the needs of multiple governmental entities throughout the United States.

This has proven to be an extremely valuable and innovative initiative on many levels. First, it provides a unique opportunity for supplier innovation in the public sector on a national scale, with potential impact at all levels of government; as well as providing a broader perspective for concepts and ideas not previously contemplated.

Secondly, it takes advantage of corporate capital and produces a wealth of information on the inner workings and nuances of a particular industry. Understanding this element prior to solicitation development is vital for a healthy agreement as the most productive public contracts work for both public and private sectors.

Finally, many potential beneficiaries in the private sector are small and medium size enterprises (SME) which in of itself produces benefits. This initiative provides helpful insights for ways to reduce or eliminate the barriers this group faces when attempting to participate in public procurement.

In a nutshell, the consultation process benefits the public sector as it provides information on market capacities and innovations, and also benefits the private sector by letting it know the main problems faced by governments and allowing it to come up with solutions and compete in the public market.

Source: (OECD Observatory of Public Sector Innovation, n.d.^[7])

3.3. Facilitating competition

Box 3.4. Recommendation 22 and its actions

The DGRM could facilitate competition to create value for money in centralised procurement:

- As a first step, the DGRM could concentrate on understanding the factors behind low levels of competition, including frequent bidder disqualification (*desechamiento*) and void tenders (*desierto*).
- Procurement officials should be trained to identify collusion patterns and design tenders to minimise collusion risks.
- The DGRM should also privilege competitive tendering in its procurement processes, limiting direct awards to exceptional circumstances.
- When possible, the DGRM could consider announcing tender opportunities in other markets, at federal level or in neighbouring states. In order to facilitate such wider announcements, the

State Legislature could undertake reforms to the regulatory framework, providing more flexibility.

- The DGRM could strive to achieve greater digitisation through e-procurement, as a means to facilitate participation by more bidders.

Source: (OECD, 2021^[1])

One of the main goals of any procurement authority should be to maximise efficiency using competitive forces in the market to generate the best value for money. Nonetheless, ensuring competition is not always an easy task, particularly when procuring large quantities of goods and services.

The OECD review analysed a sample of 196 service purchases of years 2015-2019 representing 50.4% of the yearly average number of procedures by the DGRM. It found that the supplier pool is often small and tenders often receive only one bid. For 2018, the average number of bids received amounted to 2.4 and 1.7 for goods and services, respectively. This prompted the recommendation to widen the pool of suppliers as an important source for efficiency. On top of that, the OECD review found that disqualification of bidders and void tenders are also undermining competitive pressures, even if the disqualification is in line with legal requirements.

There are multiple factors that may be behind limited responses to a tender. For instance, the contracting authority may not be successful in publicising opportunities through the right channels, i.e. businesses are not aware of the calls for tender issued by the public administration. A limited number of bidders for a contract may be also linked to the market structure, as it is the case in monopolistic and oligopolistic markets. At the same time, the features of the contract may not be attractive for potential suppliers. Late payments by the public administration are also a factor that may reduce incentives for supplier participation. Finally, collusion among suppliers could play a role in limiting the number of suppliers participating in a tender.

Indeed, patterns in which the level of competition is dwindling throughout the procedure can raise a red flag with respect to potential collusion. Procurement officials need to be aware of the potential red flags and be informed about the administrative procedure to take if they suspect any issues.

The use of competitive procedures is the starting point for ensuring maximum competition. These procedures place no restrictions on the market and therefore facilitate the largest participation. Procedures that limit competition such as a restricted tender or even direct award should be reserved for exceptional circumstances.

The State of Mexico's calls for tender are published in one of the newspapers with the largest circulation in the State Capital and in one of the newspapers with the largest national circulation, as well as through COMPRAMEX. With this dissemination established by law, it is expected that all bidders considered capable of meeting the requirements indicated in the call for tender are able to participate. However, procurement officials in many OECD countries go beyond the publicity requirements stipulated by law.

Finally, by simplifying tender procedures and allowing participation from remote locations, e-procurement can be leveraged to increase the average number of bidders in tenders.

3.3.1. Progress achieved

The DGRM analysed void tenders for 2021-2022. The results from the analysis are illustrated in Table 3.1.

Table 3.1. Analysis of void tenders in the State of Mexico, 2021-2022

Type of procedure	2021		2022	
	Number of procedures	Void procedures	Number of procedures	Void procedures
Public tender	81	7	78	8
Restricted invitation	21	2	16	2
Direct award (exception to public tender)	37	0	39	0
Total	139	9	133	10
Percentage void	6.5		7.5	

Source: Information provided by the DGRM.

From the analysis, the DGRM concluded that out of the nine void processes in 2021, one is due to the fact that no bids were submitted and the other eight have to do with lack of qualitative compliance with bid requirements, which led to disqualification. For 2022, out of the 10 void processes, two are due to lack of submitted bids, in one case the only bidder was blacklisted in the Registry of barred and sanctioned companies, suppliers and contractors (*Registro de empresas, proveedores y contratistas objetados y sancionados*) and the bid could not be accepted, and in the other seven cases the issue was lack of qualitative compliance with bid requirements, leading to disqualification.

Regarding understanding and tackling risks of collusion, during the first semester of 2022, 30 DGRM officials took the course *Designing competitive public procurement procedures and identifying collusion*, organised by Mexico's Competition Authority (*Comisión Federal de Competencia Económica, COFECE*). The DGRM areas participating were the directorates for Market Research, Procurement Processes A, Procurement Processes B, and Procurement Processes for the Auxiliary Sector and Inter-sectorial Support. Additionally, the DGRM produced an informative slide which explains what collusion is, what forms it takes, what it is used for, the applicable penalties, and the corresponding authority (see Figure 3.2). It was approved for publication in December 2022.

Figure 3.2. Informative slide on collusion, produced by the DGRM

COLUSIÓN

¿Qué es?
Acuerdo ilegal entre agentes económicos que dañan la competencia económica.

Para qué es utilizada:

- Dividirse el mercado.
- Manipular precios.
- Ganar de forma fraudulenta licitaciones públicas.
- Manipular la oferta y la demanda.
- Intercambiar información para conseguir las acciones mencionadas.

¿Quién sanciona estas conductas?

- Ley Federal de Competencia Económica (art. 53).
- Ley de Responsabilidades Administrativas del Estado de México y Municipios (arts. 68 y 74).

Colusión en procedimientos de contratación pública
Obstaculiza los esfuerzos de los compradores para obtener bienes y servicios al mejor precio posible.

Se da de las siguientes formas:

- Ofertas de resguardo: las empresas acuerdan presentar ofertas complementarias, de cortesía o simbólicas.
- Asignación de mercado: los competidores se reparten el mercado o ciertas zonas geográficas y acuerdan asignarse ciertos clientes.
- Supresión de ofertas: las empresas acuerdan retirar una oferta presentada con anterioridad de manera que se adjudique la licitación al ganador designado.
- Rotación de ofertas: las empresas acuerdan tomar turnos para ganar.

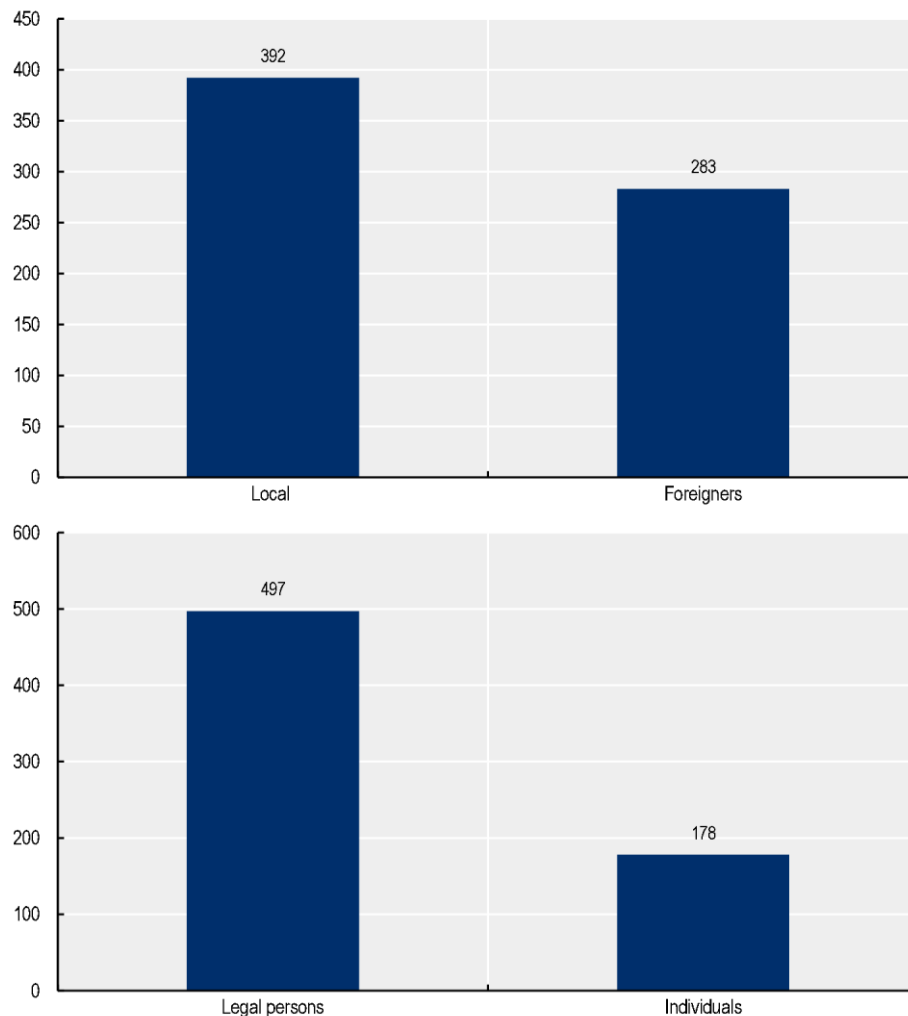
Agentes económicos:
Multa del 10% de los ingresos.

Directivos que participaron en estos acuerdos:
Inhabilitación hasta por 5 años para ejercer como directivo.

Source: Information provided by the DGRM.

Regarding the recommended action to seek greater publicity of calls for tender, upon a suggestion by the OECD, the DGRM modified the template to register participating bidders for the session to submit and open bids by adding a question to get to know how the bidder learned about the tender opportunity. During the period June-December 2022, 101 bidders participated in the national public tenders organised by the DGRM, out of which 87 (86%) learned about the opportunities through COMPRAMEX and 14 (14%) learn from the newspapers. The results indicate that COMPRAMEX has been much more effective to inform the supplier community about tendering opportunities. The DGRM also analysed the supplier universe incorporated to the Supplier Registry (*Catálogo de Proveedores y de Prestadores de Servicios*). As of January 2023, 392 (58.1%) suppliers are local and 283 (41.9%) are from out of the State of Mexico, while 497 (73.6%) are legal persons and 178 (26.4%) are individuals (see Figure 3.3).

Figure 3.3. Suppliers incorporated in the supplier registry of the State of Mexico, by origin and type, as of January 2022



Source: Information provided by the DGRM.

3.3.2. Proposals for future actions

A deeper analysis is due to understand the factors behind low levels of competition in tenders and what is really hindering a higher participation of bidders. For example, some questions to answer would be:

- Are there any red flags for collusion?
- Are payment times to suppliers demotivating participation?
- Are the processes perceived as too complicated and burdensome?
- Are the communication channels to announce public tenders being effective?

In addition to analysing the underlying reasons hindering participation, the DGRM could also suggest solutions and implement them. For example, the DGRM could provide training for the supplier community (online and/or physical formats) on how to put together a successful bid, so that qualitative omissions do not lead to disqualifications and less competitive pressures. As for void tenders, it is convenient to analyse if the reason behind this situation is that reference prices are set too low due to a deficient market analysis.

Even if the number of void procedures is low, the potential for efficiency gains in procurements involving high amounts may be significant.

Training and informative materials on collusion are good first completed steps towards raising awareness of this risk. The recommendation for the future is to persevere and expand the scope of training so that the staff who prepares tender documents know how to draft them to prevent collusion and the officials in charge of analysing bids and procurement procedures have the skills to identify red flags for this risk.

Out of the pool analysed of participating bidders, the reach of newspapers to inform about tendering opportunities was very limited. COMPRAMEX proved to be the source of choice. However, for the size of the State of Mexico's economy, a supplier registry of 675 companies and the participation of 101 bidders during the second half of 2022 seems to be suboptimal. The DGRM could undertake a more aggressive campaign to invite the business community to participate in the public market, while addressing those factors that demotivate participation. This includes stepping up the e-procurement reforms discussed in Chapter 2, as it would significantly simplify the procedures, reduce burdens, and allow reaching suppliers from all the municipalities in the State of Mexico, and even from other states.

3.4. Upgrading processes and capacities for contract management

Box 3.5. Recommendation 23 and its actions

The DGRM could strengthen its internal processes and capacities relative to specialisation and contract management:

- The DGRM, along with the Institute of Professionalisation of Civil Servants of the State of Mexico (*Instituto de Profesionalización de los Servidores Públicos del Poder Ejecutivo del Gobierno del Estado de México*, IPSPEM), could consider investing in specialising procurement staff according to specific functions through tailored training.
- The DGRM could consider building capacities on contract management, as well as developing expertise on specific categories.
- The DGRM could also provide users with detailed guidelines on contract management practices to ensure consistency and facilitate improved contractual performance, beyond mere compliance.

Source: (OECD, 2021^[1])

Effective contract management contributes to overall efficiency gains in public procurement. This is particularly important in the case of a large purchaser, such as the DGRM. With effective structures in place, buyers can ensure that suppliers deliver on the requested performance, or corrective action can be taken on time. Conversely, the lack of appropriate contract management increases the risk of sub-optimal results. The OECD review suggested that the DGRM could enhance its contract management function to focus on delivering good performance in co-operation with the user areas. In accordance with the regulations established to date, the user areas are responsible for monitoring, compliance and payment of the contracts made by the DGRM.

Within the organisational structure of the DGRM, there are several so-called Departments of Contracts dedicated to contract management according to product categories. These departments are responsible for preparing and signing contracts derived from purchasing procedures, as well as keeping track of them, ensuring, for example, compliance or archiving.

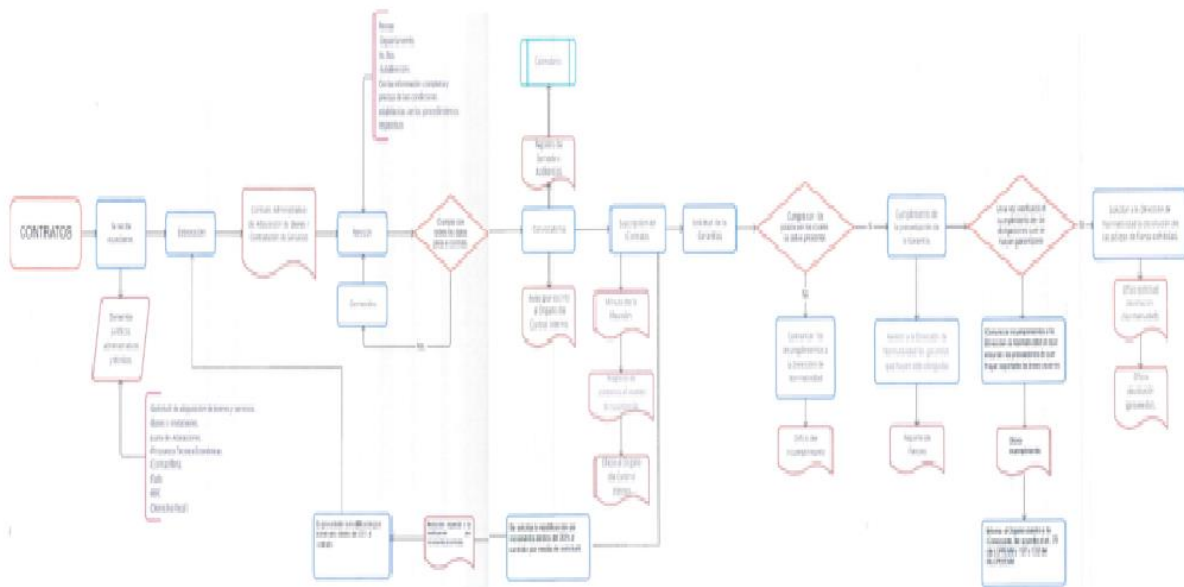
While the most basic functions of contract management are ensured by the presence of these departments, it is less clear whether contract management is understood as a function where value can be generated. The OECD review suggested that there is room for improvement in terms of capacity of staff and co-ordination, as well as specific guidelines for contract management.

A number of specific areas to be addressed by improved contract management include the reception of goods and services, payment delays, and supplier assessment. Effective contract management in the DGRM needs to be structured around its organisational set-up, taking into account the fact that users play an important role in the execution of the contract. Indeed, contract follow-up is mostly handled by users, with support by the DGRM.

3.4.1. Progress achieved

The DGRM prepared and issued guidelines for contract management, which address topics such as open contracts, fulfilling contractual obligations of the user and the contracting areas, and contractual modifications. The OECD then suggested to accompany the guidelines with user-friendly tools such as a manual or flow charts. In order to address such additional suggestion, the DGRM prepared a flow chart describing the processes to draft, subscribe, follow up, and extend procurement contracts (see Figure 3.4).

Figure 3.4. Flow chart of the contract management processes



Source: Information provided by the DGRM.

3.4.2. Proposals for future actions

The OECD agreed with the DGRM concrete steps to address the action relative to investing in the specialisation of procurement officials, including analysing current available competencies and gaps remaining, as well as organising training aligned with the findings of such analyses. Even though the DGRM has organised training, it has mainly focused on compliance of the regulatory framework, not necessarily on specific product categories or contract management. Such training would nicely

complement the guidelines and the flow chart already produced by the DGRM and would facilitate their full implementation. No progress was reported regarding the competencies and gap analyses.

As illustrated by the international experience, many risks could materialise during the contract management phase, including operational, financial, integrity, and co-ordination risks. In fact, an important aspect of contract management lies in anticipating potential issues by strengthening the relationship with suppliers and taking a risk management approach. With such an approach, sub-optimal results and inefficiencies are minimised. Moreover, it is important for users to be able to easily access the contract specifications, as well as the administrative terms and conditions to be able to determine whether goods and services should be accepted or penalties should apply. Establishing relationships with suppliers also allows to solve potential issues with dialogue ahead of resorting to contractual penalties. Finally, the feedback from users on contract performance could be used to inform new contracts.

All these activities are not intuitive and can be better performed if the officials in charge have the right competencies. Furthermore, since users perform several of the activities in the contract management phase, for example, the reception and acceptance of procured goods, strong co-ordination with the DGRM is a must. The DGRM could, for example, collect feedback from the users relative to their experiences in applying the guidelines on contract management, so that future editions take care of unclear or problematic issues.

3.5. Assessing public procurement performance

Box 3.6. Recommendation 24 and its actions

The DGRM could use data to assess performance and facilitate continuous improvement:

- The DGRM could establish a key performance indicators (KPI) framework defining organisational objectives beyond current practices.
- The DGRM could evaluate its performance on an annual basis and using pre-defined metrics, facilitating continuous improvement, as well as the highest impact of its activities.
- KPIs could be used for communication with users and stakeholders, highlighting the performance of centralised procurement.

Source: (OECD, 2021^[11])

An important element to improve efficiency of the operations of the DGRM is making use of internal data for decision-making, performance measurement and tracking, as well as communication with stakeholders. The OECD review found that the DGRM makes limited use of an established system of KPI that would allow specific target setting and performance measuring. Moreover, gathering insights from its internal data seemed cumbersome. It also found that the performance of the DGRM was assessed on the basis of annual operational targets, which focused on the number and value of public procurement procedures to be executed each year. Specifically, yearly objectives of the DGRM involved the definition of the total number of tenders and the number of open tenders, as well as the budget for the foreseen tenders. A comparison of planned and actual is carried out each year.

Measuring key indicators gives quick insight on the performance of an organisation with respect to its targets. Managers and decision-makers can identify which areas need further attention and are able to take action quickly. For instance, an indicator on the number of bids received may be tracked. If the number is below a certain threshold, procurement officials can analyse the causes for this, compare with tenders

in other product groups or beyond the state borders, and take corrective action. Similarly, easily accessible historic data is valuable for the purposes of market research and understanding the pricing strategies of suppliers.

KPI also allow for the measurement of savings or other key benefits of centralised purchasing. These kinds of indicators are valuable in the communication with users or potential users, notably to provide them with incentives for participation in centralised procurement. To this end, the OECD recommended that a performance evaluation system should be in place, showing the results of the procurement process periodically and consistently, and generating insights for areas of improvement. Such a performance system built on the regular monitoring of relevant KPI and based on consistent, up-to-date and reliable information could ideally stem from digital sources such as the e-procurement system.

3.5.1. Progress achieved

During 2020, the Internal Control Body (*Órgano de Control Interno*, OIC) of the Ministry of Finance carried out a performance assessment to the DGRM's Directorate for Market Research. Notably, the OIC raised the issue of the lack of KPI and feedback mechanisms for user areas. This evaluation is consistent with the findings and recommendations of the OECD review. No further progress was reported regarding this recommendation.

3.5.2. Proposals for future actions

Measurement frameworks are needed to i) assess progress and achievements periodically and consistently and ii) identify potential gaps against objectives and targets. This will enable governments, contracting authorities and other key stakeholders to take relevant actions and/or to tailor specific strategies. (OECD, 2023^[8])

Given the limited progress in tackling this recommendation, it is adequate to reiterate that the DGRM could make better use of its internal data for understanding, tracking and improving the performance of its own organisation. This would also allow it to communicate this performance, notably savings from centralised procurement, to the entities that make use of its services, thereby potentially increasing its portfolio and achieving larger-scale savings. Operational effectiveness as well as the contribution to strategic policy goals could also be part of the framework for measuring the performance of the DGRM.

There are different considerations that need to be addressed when setting an effective performance measurement framework. First of all, policymakers need to think about the governance of such framework. This includes questions related to leadership, capacity, data, and implementation plan. Likewise, to be comprehensive, the measurement framework should:

- Ensure the measurement of the performance of public procurement at different levels (from the tender level to the aggregated level);
- Cover different categories of indicators, in relation to public procurement objectives (e.g. efficiency/effectiveness, compliance, and public policy ones);
- Address the whole public procurement cycle; and
- Be tailored to different relevant stakeholders of the public procurement system (e.g. procurement authorities, contracting authorities, control authorities, etc.).

The OECD published the report *Towards the development of a comprehensive measurement framework*, which the DGRM could use to guide its efforts. The framework consists of a total 259 indicators divided into three categories: compliance, efficiency, and strategic ones. As indicated in Table 3.2, the efficiency dimension has 128 indicators, while compliance and strategic procurement account for 68 and 63 KPIs, respectively. Some indicators in the framework have sub-indicators, i.e. suggested breakdown for an indicator. An example of indicator with sub-indicators is the “share of public procurement irregularities by

type of contracting authority" (indicator), which is broken down into four sub-indicators: central government level, municipality level, utilities, and others. The compliance and efficiency categories have each 10 and 3 indicators with sub-indicators, respectively. In contrast, the strategic category does not include any indicator with sub-indicators. In total there are 32 sub-indicators for the compliance category and 13 for the efficiency category. The OECD has used this performance measurement framework to establish KPI for countries such as Malta (measuring the public procurement system) and Lithuania (measuring the performance of central purchasing bodies).

Table 3.2. Indicators constituting the OECD performance measurement framework

Category	Total indicators	Number of single indicators	Number of indicators with sub-indicators	Number of sub-indicators
Compliance	68	49	10	32
Efficiency	128	119	3	13
Strategic	63	63	0	0
Total	259	231	13	45

Source: (OECD, 2023^[8])

3.6. Summary of follow up recommendations

On the side of achievements, there is a notable growth of 233% in the number of co-ordination agreements between the DGRM and OPD. Greater participation of OPD in centralised procurement procedures will likely result in savings due to demand aggregation, which in turn makes the centralised scheme more attractive for other OPD and stakeholders.

The DGRM also took steps to train its officials to better understand and identify red flags for collusion. Such steps consisted of participation by DGRM staff in the training *Designing competitive public procurement procedures and identifying collusion*, organised by Mexico's COFECE and the elaboration of a graphic slide with basic information to raise awareness about collusion.

The analysis performed on how bidders were informed about tender opportunities demonstrated that COMPRAMEX is the source of choice by far for most bidders, more than any local or national newspaper. This reiterates the need for an updated and user-friendly COMPRAMEX, with transactional functions so that it has a role beyond providing information.

Regarding contract management, the issuance of the guidelines and the flow chart produced by the DGRM are called to become recurrent tools for procurement officials in the DGRM and in the user units, as several of the contract management functions are responsibilities of the users.

On the side of future actions, there is important potential to realise further savings from incorporating municipalities into the centralised scheme. A similar effort to that done for OPD should be undertaken to convince municipalities and show them the benefits of participating in centralised procurement processes. Likewise, the DGRM could set up a feedback loop for current users of the centralised scheme to suggest improvements and areas of opportunity, so that the DGRM can be more responsive to such concerns.

A more thorough analysis of the reasons behind sub-optimal levels of competition, beyond the number of void tenders, is due to identify the issues and propose solutions. Many potential factors may be hindering bidder participation and limiting competition such as complex and burdensome procedures, collusion, delays in payment times, ineffectiveness of the channels to inform about tender opportunities, etc. As higher competition intensity is key to realise efficiency, this is a critical analysis for the DGRM.

Another important analysis to complete is the one relative to competencies and gaps for contract management. A well-trained contract management workforce would be better placed to implement the guidelines and improve supplier performance, beyond mere compliance.

The two main shortcomings regarding this chapter have to do with the lack of significant actions towards preparing and completing the reforms to allow the use of framework agreements and establishing a performance measurement framework, including KPI. The framework proposed by OECD can be the guiding tool for the DGRM to move in this front.

4. Ensuring integrity and accountability in public procurement in the State of Mexico

Public procurement is one of the government activities with the highest risks of integrity failures. On the one hand, risks stem from the high volume of resources involved in procurement operations. On the other hand, the complexity of public procurement creates risks at the different stages of the procurement cycle, from needs analysis and planning, going through the tender stage, up to contract management and closure. Furthermore, the interactions of different stakeholders involved, each one with specific interests, may create risks of corrupt behaviour.

Corruption in public procurement can both occur at the national and subnational levels. On the one hand, decentralisation may narrow the scope for corruption, in line with the assumption that politicians and public servants at local levels are more accountable to the citizens they serve. Voters may be better able to discern the quality of their leadership and the results they deliver. Likewise, local politicians and civil servants can be more in touch with specific needs and contexts of their constituencies. However, greater opportunities and fewer obstacles to corruption may be at play at the subnational level, due to weaker governance capacity (through for example less developed auditing functions, limited legal expertise or low IT capacity) or closer community contacts between public officials and business representatives.

4.1. Facilitating ethical reasoning by public procurement officials

Box 4.1. Recommendations 25 and 26 and their actions

The State of Mexico, through collaboration of the relevant institutions, could balance the rules-based approach of some provisions, such as the Protocol for public servants intervening in public procurement or granting licenses, permits, authorisations or concessions, by recognising the limits of excessive controls and prompting ethical reasoning by procurement officials:

- Facilitate ethical reasoning by procurement officials through case studies, checklists, and practical manuals that illustrate common ethical dilemmas faced by procurement staff.

The State of Mexico should develop its framework to manage conflicts of interest with a shared definition (including actual, apparent and potential conflicts of interest), practical illustrations applicable to public procurement processes (e.g. revolving door, gifts) and how to manage them, and systematic training for procurement officials:

- Establish definitions of actual, apparent and potential conflicts of interest, and incorporate such definitions in the relevant tools (Code of Ethics, Code of Conduct, etc) as well as set up the measures to manage conflicts of interest.
- Produce practical materials that illustrate the risks stemming from the “revolving door” and gifts for procurement officials. Materials produced by the OECD could be adopted.

Source: (OECD, 2021^[11])

The State of Mexico has developed rules and tools to advance ethics in the public service, such as the Law of Administrative Responsibilities for the State of Mexico and its Municipalities, the Code of ethics for public officials of the executive power and auxiliary bodies, the codes of conduct of ministries and auxiliary bodies of the Executive branch, and the Protocol for public servants intervening in public procurement or granting licenses, permits, authorisations or concessions.

While the Protocol addresses some of the main risks of interactions between procurement officials and the private sector, it has weaknesses that may hamper its potential to achieve the intended effect (i.e., positively influencing the behaviour of public servants) and may even be counterproductive. In fact, the Protocol would benefit from a more balanced approach between rules and values, as there is a limit to what can be achieved from traditional controls and sanctions. The OECD review concluded that the Protocol is rules-based, minimising a more values-based approach which could lead to negative consequences for motivation and commitment of public servants under the belief that they are intrinsically considered as corrupt.

An alternative approach to balance controls is by facilitating ethical reasoning of procurement officials. The Ministry of Control of the Government of the State of Mexico (*Secretaría de la Contraloría*, SECOGEM), in collaboration with the Co-ordination Committee of the Anticorruption System of the State of Mexico and its Municipalities (*Sistema Anticorrupción del Estado de México y Municipios*, SAEMM) and other relevant institutions, could develop case studies, checklists, and practical manuals illustrating typical ethical dilemmas of procurement officials and prompting them to solve such situations applying not only the rules, they cannot foresee every possible scenario, but also the values contained in the Code of Ethics and the codes of conduct.

Furthermore, a basic and shared definition of conflict of interest is critical, as it helps public servants determine objectively whether they can execute their duties and functions in situations where there appears to be a conflict of interest, but this is not or may not be the case. The definition adopted by the State of Mexico should label the situation above as an “apparent conflict of interest” – which could be as serious as having an actual conflict. Since potential or apparent conflicts of interest are not listed in the State of Mexico regulations, detection and enforcement may be difficult. Whichever approach the State of Mexico adopts in its framework for the management of conflicts of interest however, it is important to ensure that it clearly defines the concept in its legislative framework as related to public procurement.

The OECD report *Managing Conflict of Interest in the Public Service: OECD guidelines and country experiences* makes a distinction between actual, apparent and potential conflict of interest in various situations and could serve as the basis for modelling the definitions in the State of Mexico and producing support materials. For example, the State of Mexico authorities should be particularly vigilant of cases in which potential bidders are former public servants or when newly hired public servants have experience in the private sector (for instance, in public works). This practice, of working with actors who are closely linked to the sector in which procurement will occur, is known as a “revolving door”, and is not fully anticipated by the state law. “Revolving door” practices increase the risk of integrity breaches and opportunities for conflicts of interest.

Likewise, elaborating and further developing the conflict-of-interest rules applies for gifts. The OECD toolkit *Managing Conflict of Interest in the Public Sector* proposes a checklist for public servants to reflect on the potential implications of a gift and could serve as a basis to develop practical guiding materials.

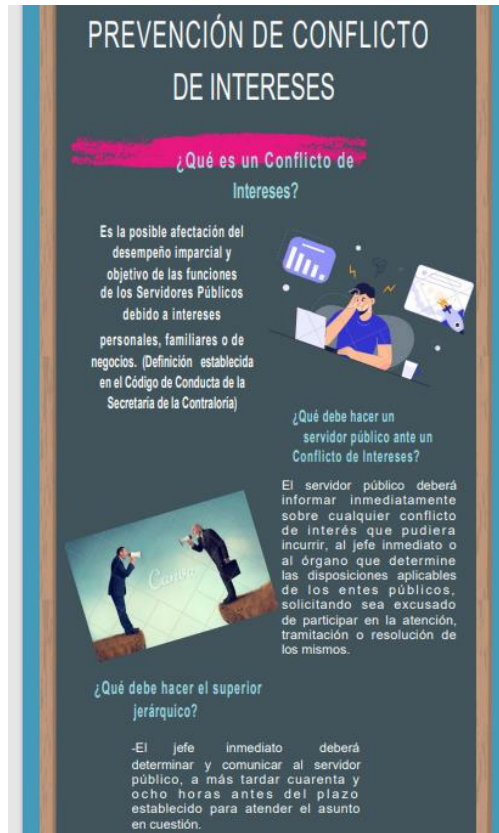
4.1.1. Progress achieved

SECOGEM and, in particular, the Unit for Ethics and Corruption Prevention carries out training for public officials, for example, on the identification and management of conflicts of interest. The materials discussed during training include topics such as the definitions of actual, apparent and potential conflicts of interest, what public officials should do when facing a conflict-of-interest situation, what managers should do when their subordinates report to them a conflict-of-interest situation, guidance on gifts and post-public employment (revolving door). The training is also practical in nature in the sense that it provides opportunities to discuss cases to prompt public officials to reflect on ethical dilemmas.

For example, the Unit for Ethics and Corruption Prevention advises public officials to report to their supervisors about conflict-of-interest situations and exclude themselves from participating in the corresponding decisions or processes. The manager, in turn, is advised to provide guidance and instructions, in written form, to his subordinate on how to manage the situation. On issues related to post-public employment and gifts, the training is aligned to the regulatory framework, so it advises public officials not to accept any gift under any circumstance related to their functions and not to use for their own benefit information obtained in public employment during the year after leaving the public position.

The Unit for Ethics and Corruption Prevention also produced graphic materials to communicate the basics about conflicts of interest, including definition and the duties by public officials and managers (Figure 4.1), as well as the main rules about gifts and post-public employment (Figure 4.2). For public procurement officials specifically, the materials remind them to abstain from participating in procurement processes when there are conflict of interest situations. Likewise, the Unit produced a brief video explaining what a conflict of interest is and the commitment of the State Government with public integrity.

Figure 4.1. Graphic materials to communicate basic rules about the management of conflicts of interest



Source: Information provided by SECOGEM.

Figure 4.2. Graphic materials communicating the basic rules about gifts and post-public employment



Source: Information provided by SECOGEM.

The State of Mexico Anticorruption Policy (*Política Estatal Anticorrupción del Estado de México*, PEA), published in July 2020, and its implementation programme, published on October 2022, address OECD recommendations regarding conflict of interest (see Table 4.1).

Table 4.1. Priorities and actions in the PEA Implementation Programme addressing OECD recommendations relative to conflict of interest

Priority	Action
27. Designing integrity policies to identify, prevent, assess, and communicate conflicts of interest in public entities through Ethics Committees or similar bodies	<ol style="list-style-type: none"> 1. Putting together a catalogue of good practices on prevention and management of conflicts of interest for implementation in public entities 2. Establishing homogeneous criteria to train public officials of the Executive power of the State of Mexico on public integrity and prevention of conflicts of interest through Ethics Committees 4. Establishing a monitoring mechanism to assess the integration and operation of Ethics and Integrity Committees in the Executive power of the State of Mexico
49. Promoting the creation and standardisation of normative principles on lobbying and conflict of interest aimed at the prevention and sanction of corrupt behaviour	<ol style="list-style-type: none"> 1. Introducing a legislative bill to review regulations on lobbying and conflict of interest in the Ordinary Commission for transparency, freedom of information, personal data protection, and anticorruption of the Legislative branch of the State of Mexico 2. Promoting the implementation of mechanisms to prevent conflict of interest in decision making of collegiate bodies
56. Identifying, from the perspective of public ethics and integrity, conflicts of interest in the public administration to make sure it is declared by public officials acting in such situations and, when applicable, sanctioned by the corresponding authorities	<ol style="list-style-type: none"> 1. Developing standardised training, including the communication of awareness-raising contents on conflict of interest, to prevent corruption in the public service 2. Training public officials on conflict of interest to promote public ethics and integrity 3. Produce user-friendly materials on the definition of conflict of interest, how it should be declared, and sanctions, and communicate them to public officials

Source: Official Gazette of the State of Mexico (7 October 2022), *Agreement by which the Co-ordination Committee of the State and Municipal Anticorruption System approves the Implementation Programme of the State Anticorruption Policy, as well as its indicators and monitoring variables*, https://sesaemm.gob.mx/documentos/PEA/00-inicio/00i_PI_PEA_Gaceta_Gobierno.pdf.

Finally, SECOGEM is evaluating on an annual basis the Code of Ethics, the codes of conduct, and the Ethics Committees through a platform called System for the Ethics Committees (*Sistema de los Comités de Ética*, SICOE), which was developed by SECOGEM's ICT Unit. During the 2023 evaluation, participation reached 59 087 public officials from ministries and auxiliary bodies of the Executive branch. 79% of the participating public officials declared that they are familiar with the Code of Ethics and the code of conduct of their ministries or auxiliary bodies. Out of the 15 codes' principles, the five most important selected by the participating public officials were honesty, professionalism, legality, loyalty, and discipline. Likewise, out of the eight codes' values, the three considered most important by public officials were equality and non-discrimination, respect, and consideration for human rights.

4.1.2. Proposals for future actions

The main challenge is to bring some of the innovations and practices SECOGEM is introducing in its training and support materials into the regulatory framework. This can be difficult as the state regulatory framework, for example, on administrative responsibilities, has to be consistent with the national framework. This implies that the definitions of actual, apparent, and potential conflict of interest need to be introduced first in the national framework, and then in the state one. Likewise, any reform for the rules on gifts would need to be done first in the national General Law on Administrative Responsibilities (*Ley General de Responsabilidades Administrativas*, LGRA) and then in the state one. Therefore, it is advisable to wait for the approval of the new Guidelines to issue ethics codes, referred in Article 16 of the LGRA, on which the Executive Secretariat of the National Anticorruption System (*Secretaría Ejecutiva del Sistema Nacional Anticorrupción*, SESNA) is working.

An absolute prohibition of gifts may not be the best solution, as public officials may, for example, participate in an event and be given a notebook or simple portfolio and it would be reasonable to assume that these would not influence the objectivity of their decisions. The best practices on gifts usually include a public registry, where the public officials declare gifts received and their features (i.e. estimated value, who offered the gift, in what context, etc.) (see Box 4.2 for the case of Argentina). There is often a monetary threshold

above which gifts are prohibited but, even if the threshold is not exceeded, the public official must reflect if a reasonable person could think that the gift might influence the impartiality of public decisions. For example, the Code of Conduct of the Slovak Republic's Public Procurement Office advises to be aware of "grooming". "Grooming" refers to gaining gradual influence on a person with authority to steer his future decisions, for example, through gifts and gratuities. (OECD, 2022^[9]) In any case, any reform would have to be started in the national framework, where the State of Mexico can suggest reforms, but their final approval is not under its control.

Box 4.2. Argentina's public registry of gifts

In Argentina, all public servants, including procurement officials, must register gifts or financed travel permitted by law. For this purpose, the Anticorruption Office (*Oficina Anticorrupción, OA*) set up the Gifts and Travel Registry, following the mandate of Decree 1179/2016, which regulates Article 18 of Public Ethics Law 25188.

The registry is accessible on the Internet and includes the following information:

- Description of the gift
- Public official who received the gift
- Position of the public official
- Institution
- Date of reception of the gift
- Place (event, if applicable) where the gift was received
- Estimated value
- Destination of the gift
- Donor (either a moral or a physical person)
- Motivation for the gift

For the case of paid travel, the information includes the following items:

- Event
- Nature of participation (i.e. speaker, participant, etc.)
- Destination
- Public official
- Position of the public official
- Institution
- Dates of beginning and end of travel
- Sponsor
- Means of transport
- Contact reference of the donor and his position.

Source: (OECD, 2022^[9])

Another important recommendation for the future is to persevere in the capacity-building activities and producing materials to further promote ethical reasoning. SECOGEM could develop training and materials more focused on the specific risks and situations procurement officials may face. Such activities could be

linked to the ones recommended to professionalise the procurement workforce so that they are institutionalised and remain despite changes in administrations.

4.2. Allowing visibility of the registry of blacklisted companies

Box 4.3. Recommendation 27 and its actions

SECOGEM could give better visibility to the registry of blacklisted companies by setting a hyperlink from its website, as well as expand its functionalities so that procurement officials can use the information for decision-making:

- Give more visibility to the registry of blacklisted companies by setting up a hyperlink in the websites of SECOGEM, the Ministry of Finance, the Government of the State of Mexico, and COMPRAMEX.
- Including information about suppliers' contractual performance or setting up an alternative website with such information so that it can be useful for procurement officials.

Source: (OECD, 2021^[1])

SECOGEM has the responsibility of monitoring compliance of duties by suppliers and contractors. The registry (*Sistema Electrónico para el Registro de Empresas y Personas Físicas Objetadas y Sancionadas*) records individuals or businesses in the following situations:

- Suppliers or service providers who incurred in delays in the delivery of goods or services, as a result of their own fault;
- Those who had a contract rescinded, as a result of their own fault;
- Those who provided false information or behaved in bad faith in any stage of the process to award a contract, its formalisation, execution or during the process of filing a complaint (*inconformidad*);
- Those who have established contracts violating the statements of this Law, as demonstrated with information held by Internal Control Bodies (*Órganos Internos de Control, OIC*).

SECOGEM, specifically the General Directorate of Administrative Responsibilities, manages the information from ministries and auxiliary bodies to put together this registry and shares it with them.

The registry is not easy to find on the Internet. For this reason, the OECD review recommended SECOGEM to give it more visibility by creating links from the entry point of its own webpage (www.secogem.gob.mx), the e-procurement platform COMPRAMEX or the website of the Government of the State of Mexico (www.edomex.gob.mx). Such "bad publicity" for blacklisted companies would in itself create incentives for good behaviour from suppliers.

Likewise, OECD recommended SECOGEM to expand the functionalities of the registry to make it more useful for procurement officials. For example, it could provide the option to download documents containing resolutions sanctioning companies so that procurement officials could have complete information on the irregular situation leading to sanctions and the implications for future procurement procedures. Moreover, the recommendation suggested that the registry could go beyond being a blacklist to become a source of information on supplier performance, by incorporating information on contract performance so that procuring authorities could identify risks when awarding a contract to a specific company.

4.2.1. Progress achieved

A link to the Registry of barred and sanctioned companies, suppliers and contractors is already incorporated in COMPRAMEX, which should give it more visibility.

4.2.2. Proposals for future actions

The Government of the State of Mexico could still give the registry more visibility by linking it to the website of the State Government or the Ministry of Finance.

Not much progress was reported regarding the possibility to incorporate information about suppliers' performance in the registry or creating a new database with the same purpose. The latter alternative seems to be preferred by state authorities. The DGRM requested a meeting with SECOGEM's General Directorate for Administrative Responsibilities, which suggested date, time, and place for the meeting, but the DGRM was not responsive.

While the information contained in the registry is useful and indicates procurement officials when they should abstain from contracting a supplier, it would be better if procurement officials also had information on suppliers' performance. For example, even though such information cannot currently be used to assess bids, it could provide officials managing contracts with warning signals to be particularly vigilant of companies that have had poor performance in the past. On the contrary, it would also indicate low levels of risk for those companies that have had positive performances. In this way, contract management efforts could focus where the greatest risks lie and make a better use of limited resources.

4.3. Developing an agenda on business integrity

Box 4.4. Recommendation 28 and 29 and their actions

The Government of the State of Mexico should partner with the business community to develop and advance an agenda for business integrity, particularly in procurement activities:

- Establishing a programme or agenda on business integrity, including public procurement activities.
- Developing a proposal for basic monitoring to ensure compliance by businesses.

The Government of the State of Mexico could advance other measures to promote business integrity, such as integrity pacts, anticorruption clauses and supply-chain transparency:

- Establishing measures to promote integrity among suppliers, such as those illustrated in Figure 4.6 of the OECD review and integrity pacts.
- Widening the scope of the Certificates of Independent Bid Determination, establishing that suppliers will not incur in corrupt behaviour.

Source: (OECD, 2021^[1])

At the time of the OECD review, the State of Mexico did not have an agenda or programme to promote business integrity, despite the existence of a programme at the federal level called Business Integrity Programme (*Programa de Integridad Empresarial*), managed by the Ministry of Public Administration (*Secretaría de la Función Pública, SFP*), and initiatives undertaken by business organisations such as the Business Co-ordination Council (*Consejo Coordinador Empresarial, CCE*) and the Mexican Chamber of

the Construction Industry (*Cámara Mexicana de la Industria de la Construcción*, CMIC). The OECD also suggested reflecting on how the verification process would work for businesses incorporated into an integrity registry or programme.

Among other measures to support business integrity, the OECD recommended that procurement contracts could include "no corruption" warranties and measures to verify the truthfulness of suppliers' commitments that they have not and will not engage in corruption in connection with contracts. Integrity pacts were also suggested as a tool to preserve the integrity of public procurement. They consist of agreements between the government entity offering a contract and the companies bidding for it, that they will abstain from bribery, collusion and other corrupt practices for the extent of the contract.

The OECD review confirmed that the State of Mexico made it mandatory for participants in tenders to sign a Certificate of Independent Bid Determination (CIBD). These signed documents are important deterrents of anticompetitive practices and bind legal representatives of firms to penalties and sanctions included in the anti-trust frameworks to increase the likelihood of competitive tenders. This instrument is a good practice and is recommended by the OECD *Guidelines on Fighting Bid Rigging*, as it makes firms' legal representatives aware of, and directly accountable for, unlawful behaviour. The OECD also recommended that the State of Mexico consider extending the scope of CIBD so that the bidder states that it has not engaged in anti-competitive conducts with other bidders (i.e. by exchanging bid information related to their offers or by discussing the bid strategy) and it will not engage in other forms of corrupt behaviour (i.e. bribery, providing false documents and information), turning them into far-reaching integrity pacts.

4.3.1. Progress achieved

No progress was reported with regards to setting up a programme for business integrity. However, the DGRM is including in calls for tender the requisite of a statement, under oath, by the suppliers in which they acknowledge the acts or omissions linked to serious administrative offences, dictated in Article 68, Chapter III, of the Law on Administrative Responsibilities of the State of Mexico and Municipalities, as well as the integrity policy described in Article 26 of the same Law. Regarding the recommendation to widen the scope of CIBD, the DGRM is also requiring a statement, under oath, by the suppliers declaring that the company is not in any of the situations described in Article 74 of the Public Procurement Law of the State of Mexico and Municipalities (*Ley de Contratación Pública del Estado de México y Municipios*, LCPEMyM). Those situations are the following:

- Companies in which a public official intervening in any of the stages of the procurement procedure has a personal, family, or business interest;
- Suppliers or service providers who incurred in delays in the delivery of goods or services, as a result of their own fault;
- Suppliers or service providers who have not formalised contracts awarded within the deadline established by law, as a result of their own fault;
- Those who had a contract rescinded, as a result of their own fault;
- Those who provided false information or behaved in bad faith in any stage of the process to award a contract, its formalisation, execution or during the process of filing a complaint;
- Those who have established contracts violating the statements of this Law, as demonstrated with information held by OIC;
- Those barred from participating as a result of a resolution by a competent authority;
- Those which have used privileged information, unduly obtained, by any means;
- Suppliers or contractors subject to a procedure for administrative responsibility (*responsabilidad administrativa resarcitoria*); and

- Suppliers or contractors which have been declared guilty of administrative responsibility until they pay the corresponding compensation.

Likewise, there is a requirement for a statement on business relations, which consists of a declaration, under oath, that no individual serving in a job, position or commission in the public service is a partner or shareholder to the bidding company. If this is not the case, the statement should include the name, position, institution, and code of the public official who is a partner or shareholder to the bidding company, so that the procurement entity seeks clearance to move ahead with the process.

4.3.2. Proposals for future actions

The integrity of the public procurement system depends on the behaviours of the different stakeholders involved. For this reason, it is important to have a shared commitment between the public sector and the supplier community with integrity standards. The lack of a formal business integrity programme is the main shortcoming regarding these recommendations. SECOGEM could leverage on the efforts advanced by SFP and business chambers, or even on the initiatives undertaken by other countries (see Box 4.5 on Argentina's RITE), to design its own programme and implement it, including monitoring and verification mechanisms.

Box 4.5. Argentina's Registry for Integrity and Transparency for Businesses and Entities

The Registry for Integrity and Transparency for Businesses and Entities (*Registro de Integridad y Transparencia para Empresas y Entidades*, RITE) is a platform promoted by the Anti-Corruption Office to contribute to the development and improvement of integrity programmes, the exchange of good practices, and the promotion of transparent environments in businesses and markets.

RITE's approach works through two main tools: the Registry itself, which allows companies and entities to make visible their commitment to business ethics; and the Toolkit, to accompany the development of integrity and allow public organisations throughout Argentina to have a better knowledge of the integrity of companies in their contracts and operations.

RITE is aimed at companies -private, public and with state participation-, co-operatives and non-profit entities, whatever their size, interested in demonstrating their commitment to the development of integrity plans to improve the transparency of their operations. It is also aimed at public organisations interested in gaining a better knowledge of the integrity of companies for their procurement operations.

The toolkit provides a space to learn, share and promote the development of integrity. Capacity-building is considered an enabler for engaging small businesses and other entities to commit to the transparency and integrity agenda. The toolkit offers support materials and training aimed at the implementation of good practices and integrity policies in companies and entities.

The materials offered are not mandatory. Organisations can choose to use them, adapt them to their needs and even follow them as guides, since each topic addressed in the registry is associated with documents, models and/or training that complement the progress of organisations in integrity matters. The toolkit also provides alternatives for self-monitoring and assessment of progress by businesses incorporated into the registry.

Source: (OECD, 2021^[10])

4.4. Reforming the social witness programme

Box 4.6. Recommendations 30 and 31 and their actions

SECOGEM should advance the process of reform of the social witness programme applied in the State of Mexico to strengthen its independence, communication and engagement of the social witnesses throughout the procurement cycle and in different procurement modalities, not only in public tenders:

- Introduction of the reform bill, described in Box 4.8 of the OECD review, in the State Legislature.
- Approval of the reform.
- Implementation of the reform.

The State of Mexico could explore alternative mechanisms for civil society engagement in procurement procedures, particularly for public works, such as integrity monitors, social contracts and social participation frameworks:

- Developing the basis and rules for the implementation of the alternative mechanisms.
- Piloting implementation.

Source: (OECD, 2021^[1])

Civil society oversight is a commonly used tool to further integrity in public procurement. It can not only play a role of scrutiny and monitoring, but also in increasing the transparency of government activities, and, as such, help restore public trust in government. As the OECD report *Building Trust to Reinforce Democracy* suggests, governments need to connect and engage better with citizens in policy design, delivery, and reform. (OECD, 2022^[2])

The Administrative Code of the State of Mexico (First Book, Title X) establishes the “social witness”, which is a mechanism to engage civil society in procurement procedures that imply serious risks of corruption or opacity due to their complexity, impact or the amount of resources involved. The social witness has the right to provide comments and opinions in procurement procedures and drafts a report at the end of his intervention with suggestions to improve transparency, efficiency, effectiveness and impartiality. Such a report must be made public on the webpage of the contracting authority. If the social witness identifies any irregular situation, he has the duty to promptly notify SECOGEM.

An individual or organisation interested in serving as a social witness must register with the Committee for the Registration of Social Witnesses (*Comité de Registro de Testigos Sociales del Estado de México*, CRTSEM), composed by the Autonomous University of the State of Mexico (*Universidad Autónoma del Estado de México*, UAEM) and the Institute for Transparency and Access to Public Information of the State of Mexico and its Municipalities (*Instituto de Transparencia y Acceso a la Información Pública del Estado de México y Municipios*, INFOEM), which keeps a registry of social witnesses and makes it public on their websites (www.testigosociales.org.mx/TestigosSociales/#tesSocRegis). The registration is valid for one year and can be extended year upon year for up to four years, depending on the performance of the social witness.

The OECD review concluded that even though there are benefits from the social witness programme, there are also opportunities, such as the following:

- The work of the social witness concentrates mainly on the tendering phase, with some participation in the pre-tendering phase, but no involvement in the post-tendering stage. There is an opportunity to widen the scope of the involvement of social witnesses to include the pre-tendering (i.e.,

reviewing market analyses, award criteria, technical specifications) and the post-tendering stages (i.e. contract management, social audits, delivery of goods, services or works, closure of the contract and payment).

- The responsibilities for the programme are shared between UAEM, INFOEM and SECOGEM. It is said that charging UAEM and INFOEM with the registration of social witnesses is to keep them at arm's length from the institutions of the executive branch of government. However, the control institution (SECOGEM), as a result of the nature of its work, might be better placed to assess and develop the expertise of social witnesses in terms of integrity risks.
- The State of Mexico regulations do not establish a clear threshold for the mandatory participation of social witnesses.
- The independence of social witnesses might be jeopardised by the fact that the contracting authority, whose procurement procedure the social witness is observing, hires and pays him.
- Social witnesses may be quite knowledgeable about the engineering of public works or specific markets, but not about integrity risks.

In contrast to social witnesses, who concentrate on one phase of the cycle, the integrity monitor is particularly relevant for public works and follows the entire process, including tendering, contract management, fiscal oversight, records compliance and onsite construction monitoring. Corruption and mismanagement can stem from lack of information and internal communication. An integrity monitor following the entire process thus reduces such risks.

4.4.1. Progress achieved

The State of Mexico, through SECOGEM, drafted a reform on the functioning of social witnesses, which benefited from consultation with UAEM and INFOEM. The reform proposal is under analysis at the Ministry of Justice and Human Rights (*Secretaría de Justicia y Derechos Humanos, SJDH*), which has to review and clear it before sending it to the State Legislature. On 13 February 2020, SECOGEM ratified the reform proposal requesting the review by the SJDH.

The reform proposes the creation of two committees, one for the registration of social witnesses, which would incorporate SECOGEM alongside UAEM and INFOEM, and another to appoint social witnesses, which would be led by SECOGEM and incorporate the participation of either business chambers or the Citizen Participation Committee of the Anti-corruption System of the State of Mexico and Municipalities (*Sistema Anticorrupción del Estado de México y Municipios, SAEMM*). The registration committee would call a public process to recruit social witnesses annually or depending on need.

The reform also aims to strengthen the profiles of social witnesses by requiring a minimum experience of five years dealing with procurement matters. This need was identified by SECOGEM as it observed that the reports by social witnesses often do not make any relevant recommendations and quite frequently are “copy-paste” versions of previous reports. Likewise, the reform would require social witnesses to prepare interim reports in each stage of the procurement process, in addition to the final report.

With regards to alternative mechanisms to engage civil society in procurement operations, no progress was reported.

4.4.2. Proposals for future actions

Despite the fact that there is a reform bill drafted, it still has to be cleared by the SJDH, then introduced, discussed and approved by the State Legislature. This is yet another case that illustrates that high-level political support is required to raise public procurement in the reform agenda of the State Government and mobilise political capital to make reform happen.

Concerning alternative mechanisms to engage civil society in public works procurement, the choice for which there is more experience in Latin America is integrity pacts, so the State of Mexico could start developing the rules to apply this model. Integrity Pacts oblige government officials and companies to adhere to an ethical conduct. The three main objectives are to enable: (OECD, 2014^[11])

- Companies to abstain from corruption by providing assurance to them that the competitors will similarly refrain from corruption, and that government agencies are also committed to prevent corruption;
- Governments to reduce the high costs and the distortion effect of corruption in public procurement; and
- Citizens to more easily monitor public decision-making and their government's activities.

4.5. Making challenge processes more accessible

Box 4.7. Recommendation 32 and its actions

The State of Mexico could make challenge processes more accessible for bidders by allowing electronic filing and providing the necessary information in tender documents:

- Developing a platform to submit challenges by electronic means.
- Including in calls for tender and other tender documents more information about challenges and other complaint alternatives to review award decisions.

Source: (OECD, 2021^[11])

An accountable public procurement system provides bidders with the opportunity to claim for the review of procurement processes and challenge award decisions. To be effective, a remedy system must be well designed, capable of offering protection, accessible to suppliers, uncomplicated, inexpensive and efficient in processing cases. Any stakeholder, including unsuccessful tenderers, who believe that the public procurement process has been conducted in violation of relevant laws must have access to effective review and remedy mechanisms.

The LCPEMyM (Articles 90 to 94) and the Administrative Code of the State of Mexico (Twelfth Book) establish the administrative challenge called *instancia de inconformidad* (INI). INI is the procedure to challenge acts or decisions in a public tender or restricted invitation, including the call for tender, the event to present and open bids, inspections, clarification meetings, the bid assessment and the award. SECOGEM (*General Directorate for Administrative Responsibilities*, DGRA) is in charge of processing the INI. Although filing an INI in electronic form is anticipated in the LCPEMyM, in practice the procedure must be completed in written form.

4.5.1. Progress achieved

Up to June 2023, the INI cannot be filed by electronic means. The DGRA carried out a normative analysis to understand what would be needed to operationalise the electronic processing of INI. It concluded that, due to recent normative reforms, filing an INI requires the signature of the complainant, either hand signature or electronic signature. However, the use of the electronic signature is not commonplace for procedures and services with the State Government. Furthermore, given the low incidence of INI during the period 2017-2022 (13, 26, 31, 11, 16, and 13 INI filed per year, respectively), the DGRA claims that the cost-benefit of setting up the electronic procedure may not be justified.

On the positive side, the DGRA advanced an important communication effort to inform bidders about the existence of INI and how it works. On September 2021, the DGRA asked the DGRM to include in the calls for tender information about INI. Likewise, the DGRA asked the OIC in OPD to ensure that Administrative Units include in the calls for tender information about INI. In both cases, the requests include calls for public tenders and restricted invitations.

In February 2023, the DGRA informed about the production of a brochure and posters explaining what an INI is and how to file it, including deadlines and contact points for more information (see Figure 4.3 and Figure 4.4). These materials were distributed among the DGRM and OPD to inform bidders participating in tender procedures.

Figure 4.3. Brochure produced by the DGRA on how to file an INI

La **inconformidad** es un medio que tienen los y las licitantes o invitados(as) en un procedimiento de licitación pública o invitación restringida que realicen la Secretaría de Finanzas, dependencias, organismos auxiliares o fideicomisos públicos del Gobierno del Estado de México; así como, aquellos que celebren los ayuntamientos, cuando ejerzan recursos estatales, que podrán promover en contra de dichos procedimientos, cuando se consideren afectados por contravención a las disposiciones de la Ley de Contratación Pública del Estado de México y Municipios, o al Libro Décimo Segundo del Código Administrativo del Estado de México y sus respectivos reglamentos.

CUENTAS CON 10 DÍAS HÁBILES
siguientes a la fecha en que se dé a conocer públicamente el fallo de adjudicación, para presentar tu inconformidad ante la instancia correspondiente.

El libro décimo segundo del Código Administrativo del Estado de México, en su artículo 12.67, así como el artículo 90 de la Ley de Contratación Pública del Estado de México y Municipios, establecen la presentación de Inconformidades en contra de procedimientos de licitación pública o de invitación restringida, para la realización de obras públicas y servicios relacionados con las mismas, así como para la adquisición de bienes o la contratación de servicios.

¿Qué autoridad la recibe?

Si se trata de **recursos de carácter estatal, total o parcialmente, aun cuando la convocante sea un ayuntamiento**, el escrito de inconformidad se presentará ante la Dirección General de Responsabilidades Administrativas de la Secretaría de la Contraloría, o bien, ante el órgano de control interno de la dependencia, organismo auxiliar o fideicomiso público convocante.

Si **los recursos provienen total o parcialmente de fondos federales**, deberá tramitarse ante la autoridad administrativa competente de la Secretaría de la Función Pública.

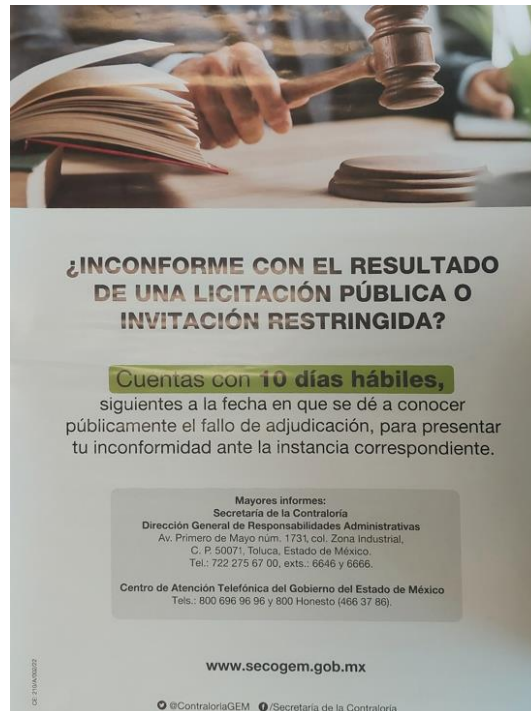
Cuando sea un procedimiento que realicen las autoridades municipales con **cargo total a recursos propios**, se presentará por escrito ante el ayuntamiento correspondiente.

¿Cuál es el procedimiento que sigue una inconformidad?

- 1 La Unidad Administrativa competente de la Secretaría de la Contraloría requerirá información a la instancia convocante, la cual deberá contestar en un plazo máximo de 5 días hábiles.
- 2 También se notificará a los licitantes o a los convocados que hayan resultado ganadores(as) para que concurren a exponer, en un plazo similar, lo que a sus intereses convenga.
- 3 Posteriormente, se realizará el análisis jurídico de la documentación presentada por el inconforme, la convocante y los licitantes o convocados que hayan resultado ganadores(as), a fin de emitir la resolución correspondiente en la que se determinará la procedencia o improcedencia de la inconformidad.

Source: Information provided by SECOGEM.

Figure 4.4. Poster produced by the DGRA on how to file an INI



Source: Information provided by SECOGEM.

4.5.2. Proposals for future actions

It could be argued that one of the possible reasons for the low number of INI filed is precisely the complexity of the process. In any case, it makes sense for the State Government to promote a greater use of digital services and tools, including electronic signature, and the electronic filing of INI could be part of such greater effort.

In the meanwhile, the communication campaign has been an important step to inform bidders about their alternatives to challenge tender processes. Without a doubt, such communication campaign should be permanent and eventually evaluated to make sure it is effectively reaching the bidder community and it is well aware of the existence of the INI and how to use it.

4.6. Exploring non-adversarial methods for conflict resolution

Box 4.8. Recommendation 33 and its actions

The State of Mexico could explore non-adversarial methods for conflict resolution during the execution of contracts such as conciliation, mediation, and arbitration, providing review alternatives that might be less costly and burdensome than traditional legal means:

- Analysis of alternatives and necessary reforms to establish non-adversarial methods.
- Drafting reform bill.
- Introduction of reform bill.
- Approval of reform.

Source: (OECD, 2021^[1]).

SECOGEM, specifically the General Directorate for Investigations, is in charge of receiving and managing reports and complaints by suppliers relative to lack of compliance in contracts by ministries and auxiliary bodies. At the time of the OECD review, the regulatory framework for public procurement in the State of Mexico did not anticipate alternative (non-adversarial) methods for dispute resolution during contract execution. These can be good alternatives to the traditional legal mechanisms as they can be less burdensome and provide faster solutions.

4.6.1. Progress achieved

In February 2018, SECOGEM submitted for review by the SJDH a reform package including amendments to the LCPEMyM and the Administrative Code of the State of Mexico. In February 2022, the reform bill was introduced in the State Legislature and forwarded for discussion to the commissions on Government and Constitutional Affairs; Citizen Participation; Transparency, Freedom of Information and Personal Data Protection; and Anticorruption. The reform would establish the alternative of conciliation for suppliers, contractors, and contracting authorities of the State Government for disagreements on contracts to seek a solution through an agreement (*convenio*), which would be facilitated by SECOGEM. (Poder Legislativo del Estado de México, 17 February 2022^[12])

4.6.2. Proposals for future actions

Now that the reform bill establishing conciliation has been introduced, the State Government should aim to advance its discussion and approval. After that, SECOGEM would have to issue the rules and frameworks for implementation and it might also consider other alternative methods, such as mediation and arbitration.

4.7. Linking internal control with public procurement

Box 4.9. Recommendation 34 and its actions

The Government of the State of Mexico should go beyond mere compliance in its internal control tasks and implement specific tools to identify and mitigate risks of corruption and fraud:

- Link more clearly internal control with public procurement activities.

Source: (OECD, 2021^[11])

Since public procurement is one of the government activities most exposed to the risks of corruption and fraud, linking risk management and internal control with procurement activities is critical for good governance.

The OECD review found that there was no clear and direct link between the management of the procurement system and the internal control function, understood as a process and a system aimed at achieving the objectives of the Government of the State of Mexico. In other words, it concluded that risk management could still be linked with public procurement in each ministry or body and the internal control system could be implemented comprehensively in the respective departments.

The previous assertions were based on the finding that even in ministries, where control was usually stronger than in auxiliary bodies, evaluations of the level of maturity of the internal control system were not applied to the procurement system itself, but only as a possible unit to be considered in the identification and evaluation of risk, together with others. For example, out of a sample of administrative audits carried

out on procurement by the DGRM in 2017 and 2018, it was clear that they were aimed at formal compliance with the legal provisions and in almost all cases yielded no findings, which implied that they were not being useful to spot management failures in the procurement cycle.

4.7.1. Progress achieved

Most of the OECD recommendations on risk management and internal control were addressed through the Agreement that issues guidelines on internal control for ministries and auxiliary bodies of the Government of the State of Mexico (*Acuerdo por el que se emiten las disposiciones en materia de control interno para las dependencias y organismos auxiliares del Gobierno del Estado de México*, the Agreement hereinafter), published in the Official Gazette of the State of Mexico on 18 June 2021.

The Agreement sets the State of Mexico as a pioneer in internal control amongst Mexico's federal states. It is the most recently designed norm by a state control body and is aligned with the Integrated Internal Control Framework (*Marco Integrado de Control Interno*, MICI)² and the guidelines of the national anticorruption and audit systems.

The Agreement's objectives are establishing, updating, strengthening, and keeping in operation an institutional internal control system that reasonably allows achieving institutional objectives and goals, safeguarding public resources, and promoting and strengthening an ethical environment, efficiently and orderly, within a framework of transparency and accountability. It defines internal control as the process carried out by the head of an institution and its public officials to provide reasonable assurance about the achievement of institutional objectives and goals and the safeguard of public resources, as well as to prevent integrity failures.

Even though the Agreement goes beyond procurement operations, it emphasises public procurement as an activity that must always be considered in the risk management and internal control strategies. For example, the Agreement establishes that the evaluation of Institutional Internal Control Systems (*Sistemas de Control Interno Institucional*, SCII) should include the verification of the existence and operation of control elements at institutional level, as well as in at least five priority processes (substantive or administrative), including necessarily the processes to procure goods and services and contract public works. The evaluation of SCII implies the determination of the efficiency and effectiveness in complying with the General Rules for Internal Control (*Normas Generales de Control Interno*, NGCI) and the control elements in three levels, strategic, directive and operative, to reasonably ensure achievement of the objectives of internal control. According to the Agreement, the evaluation should take place every year, in November, by the public officials responsible for administrative units and substantive processes.

- The evaluation process should comprise the following steps:
- Determining the priority processes to be assessed: Some of the criteria set to select priority processes clearly apply to public procurement such as a high volume of budgetary resources allocated and vulnerability to integrity failures.
- Validating the existence of controls and, if applicable, monitoring their effectiveness;
- Identifying control failures and communicate them to the responsible administrative units; and
- Establishing the improvement actions to be included in the Programme of Work on Internal Control (*Programa de Trabajo de Control Interno*, PTCI) to strengthen control elements.

During 2023, 79 public institutions carried out their SCII evaluations, out of which 65 have developed their PTCI and 63 their Programme of Work on Risk Management (*Programa de Trabajo de Administración de*

² MICI is based on the Committee of Sponsoring Organizations of the Treadway (COSO), which allows organisations to effectively and efficiently develop internal control systems that adapt to their contexts, mitigate risks to acceptable levels, and support decision-making and governance.

Riesgos, PTAR), which indicates internal control is being incorporated in the day-to-day procurement activities of the Government of the State of Mexico. Indeed, the Agreement mandates for the continuous monitoring and assessment of PTCI, as a progress report must be produced every three months by the Internal Control Co-ordinator of each institution.

4.7.2. Proposals for future actions

The Agreement clearly mandates the consideration of public procurement activities in the verification and assessment of control elements. This should help strengthening the link between risk management, internal control, and public procurement. Indeed, some of the criteria set to select priority processes for the evaluation of SCII clearly apply to public procurement but, beyond that, Chapter II, Section I of the Agreement explicitly mandates to include public procurement in the evaluation.

As mentioned previously, the Agreement was just published in June 2021, so the practice deploying internal control elements still has to evolve. It is worth highlighting that 80% of the ministries and auxiliary bodies are already carrying out their SCII evaluations and that the implementation process could be gradual. The challenge is to get to a point in which internal control supports the achievement of procurement objectives and goals and, above all, helps building an ethical environment, where integrity and management failures are prevented and, where applicable, identified and corrected. It would be advisable to review, every once in a while, how the PTCI are contributing to address this challenge.

4.8. Implementing the institutional internal control systems

Box 4.10. Recommendation 35 and its actions

The Government of the State of Mexico should deepen the implementation of institutional internal control systems, especially in the areas related to public procurement:

- Linking institutional internal control systems with public procurement activities:
 - Risk identification and management
 - Control activities linked to public procurement
 - Information and communication about the activities
- Reiterating the commitment by senior management in ministries and agencies with internal control in public procurement.
- Reviewing the governance and operations of COCODI to build ownership of control activities, particularly as applied to public procurement.

Source: (OECD, 2021^[11])

Internal control should be conceived as an ongoing activity of the various units involved in the procurement process and at their respective decision levels, aimed at ensuring compliance with organisational objectives through efficient and transparent management.

The OECD review advised that the senior management of the state government institutions reiterates an attitude of control and communicates this constantly within their organisations. This is known as “tone from the top,” which reflects the leadership and commitment of the administrative bodies (the government) and the management (the heads of ministries and entities). The Government of the State of Mexico should continuously ensure that the senior management of each entity, as well as the intermediate managers, are

aware of the systemic nature of internal control, the impact of the control measures of a unit, or their omission, on the rest of the organisational units and on institutional results, and the need to systematically apply internal control mechanisms in procurement processes.

Likewise, the OECD recommended, from an organic perspective, a consistent effort so that the members of the Institutional Control and Performance Committees (*Comités de Control y Desempeño Institucional*, COCODI) fully understand their functions and the expected results of their work, with special attention on procurement and services provided to the population. This is because the OECD review found that there was an insufficient understanding and appropriation of the control work by the COCODI and their members, despite the important role they can play in institutional performance. A COCODI is the governing body of a SCII, co-ordinates risk management and follows up the PTCI and the PTAR.

Another issue identified is that COCODI did not include the heads of executive areas, which might contribute to the lack of appropriation of control by those who direct the areas that lead to results, resulting in insufficient coherence between the “action” of the organisation and the “control” of it. COCODI were often delegating their analyses and decisions on the advice provided by OIC, increasing the disconnection between management and control.

4.8.1. Progress achieved

The Agreement set the foundations to address this recommendation and the suggested actions. In November 2021, SECOGEM established its Unit for Internal Control (*Unidad de Control Interno*, UCI), as part of the Deputy Secretariat for Control and Evaluation. UCI’s objective is providing advice to ministries and auxiliary bodies to implement and strengthen their SCII.

SECOGEM is offering training to ministries and auxiliary bodies to emphasise that internal control should be horizontally incorporated into all administrative units and vertically at all levels, so that the participation of all public officials is needed to identify risks and suggest control measures. As of July 2023, UCI had provided 275 advice and training sessions to 3 082 public officials with responsibility for the implementation of SCII. This support has been critical to achieve the establishment of COCODI in 16 ministries (100%) and 87 OPD (94%).

Engagement by senior management in the SCII implementation is advanced by their participation in COCODI meetings (the head of each institution chairs the corresponding COCODI), as well as through the appointment of Internal Control Co-ordinators and champions (*Enlaces*) in ministries and auxiliary bodies, with whom SECOGEM has continuous communication. Indeed, the Agreement establishes that institutional heads, as well as all the other public officials, are responsible to establish and update the SCII, assess and supervise its performance, ordering the actions for its continuous improvement, and implement the mechanisms, processes and actions to comply with its mandates. For example, institutional heads are mandated to appoint an Internal Control Co-ordinator, who should have a hierarchical position one level below, to support and follow up the implementation of the Agreement’s mandates.

The Agreement opens the possibility to invite internal and external experts as needed, for example:

- Public officials responsible for the institutional areas relevant to the issues to be discussed;
- Public officials of the state administration who, due to their functions, are related to the issues to be discussed and can contribute to addressing or solving them; and
- External experts on key issues for the institution, as necessary, after a proposal by members of the committee and the approval of the Chair.

The invitees can participate with voice but cannot vote in COCODI sessions. They can also suggest risks for immediate attention or integrity risks not contemplated in the risk matrix.

The Agreement goes on to reiterate the importance of the engagement of senior management and even allocates the main responsibility to implement internal control to the heads of institutions, who will be

supported by management and all public officials. It stresses that the institutional head, the management, and the Board, where applicable, should establish and safeguard a control environment throughout the institution, including support to internal control policies, and supervise their implementation and operation, according to the following principles:

- Demonstrating support and commitment: The head of the institution, the management, and the Board, where applicable, should demonstrate their commitment to integrity, ethics, rules of conduct, the prevention of administrative irregularities and integrity failures.
- Exercising the surveillance responsibility: The head of the institution and the Board, where applicable, will be responsible for monitoring the performance of internal control.
- Establishing structures, responsibilities, and authority.
- Demonstrating commitment with professional competencies.
- Establishing the structure to strengthen accountability.

In October 2021, SECOGEM and the Ministry of Finance teamed up to launch the Professionalisation Strategy on Internal Control, in an event that gathered 403 public officials, including heads of control and evaluation areas, heads of OIC, internal control co-ordinators and champions, and COCODI members. The event was presided by the SECOGEM and Finance ministers, who highlighted the importance of internal control to meet the objectives of the State Development Plan and the participation of all public servants, as internal control is not an exclusive SECOGEM responsibility. The participation of the highest-level officials (i.e. ministers) in this kind of events and messages is key to strengthen the tone from the top and stress that internal control should not be considered as a mere administrative formality.

The event also served to announce four initiatives:

- A workshop on internal control, which was held on 11 October 2022 with the participation of the Head of UCI and an external expert.
- The seminar “Institutional Internal Control System”, which took place during October-November 2022 in the Institute of Professionalisation of Civil Servants of the State of Mexico (*Instituto de Profesionalización de los Servidores Públicos del Poder Ejecutivo del Gobierno del Estado de México*, IPSPPEM), with the participation of 76 public officials.
- A second phase of the seminar “Institutional Internal Control System” took place during May-June 2023, with the participation by 155 public officials.
- The launch of the online training course “The ABC of the institutional internal control system of the State of Mexico”, whose objective is helping participants identify the theory and practice to establish, update, strengthen, and keep in operation the SCII (see Figure 4.5).

Figure 4.5. The online training course “The ABC of the institutional internal control system of the State of Mexico”



Source: Information provided by SECOGEM.

Notably, the progress achieved implementing internal control in the State of Mexico is serving as a reference for other institutions such as the Administrative Tribunal of the State of Mexico (*Tribunal de Justicia Administrativa del Estado de México*, TJAEM), the municipality of Tlalnepantla de Baz, and the Executive Secretariat of the Anticorruption System of the State of Mexico and Municipalities (*Secretaría Ejecutiva del Sistema Estatal Anticorrupción del Estado de México y Municipios*, SESAEMM) (see Box 4.11).

Box 4.11. Institutions leveraging on the internal control policies of the State of Mexico

TJAEM

On 4 February 2022, the TJAEM published in the State of Mexico Official Gazette its Guidelines on Internal Control, which were modelled after the rules set by the Agreement for ministries and auxiliary bodies of the Government of the State of Mexico. The COCODI was established on 21 June 2023, making it the third administrative tribunal to institute its committee at national level.

Municipality of Tlalnepantla de Baz

In June 2022, with SECOGEM's advice and support, the municipality established its Committee for Control and Municipal Performance, which was the first to be formally set in a municipality in Mexico.

SESAEMM

SECOGEM reviewed and commented the Model to Manage Integrity Risks for the Public Sector of the State of Mexico, which was approved by the Co-ordination Committee of the Anti-corruption System of the State of Mexico and Municipalities on 15 December 2022 and published in the Official Gazette on 12 January 2023. The Model explicitly cites the Agreement as one of its main references.

Source: Information provided by SECOGEM.

4.8.2. Proposals for future actions

Setting the tone from the top and building ownership for internal control are not “one-off” activities. They have to be nurtured every day for internal control to be incorporated into the DNA of an organisation and contribute to the achievement of its objectives. The participation of senior management in COCODI meetings, opening workshops, or giving speeches to launch special initiatives or celebrate internal control results are all means to reiterate its commitment. Likewise, devoting resources to communicate internal control objectives and performance, raise awareness about their importance, and train public officials to contribute to internal control confirm not only senior management commitment, but also stress that internal control is a responsibility of every public official. The Professionalisation Strategy on Internal Control, for example, is a valuable initiative, which allowed SECOGEM and the Ministry of Finance to partner to advance internal control.

The setup of COCODI has also strongly advanced. In addition to completing the COCODI in the 6% of OPD that have not established one, it will be important to build the evidence base of good practices and even a community of practice, where COCODI members could share achievements, challenges, and solutions. The possibility to invite external and internal experts will help COCODI engage officials from executive areas and, since public procurement now has to be considered in the evaluation of SCII and in PTCI, it should become a standard practice to invite procurement and contracting officials to the COCODI meetings.

4.9. Promoting a risk culture

Box 4.12. Recommendation 36 and its actions

Facilitating the development of a risk culture and providing technical resources to identify integrity risks would help the Government of the State of Mexico to anticipate and improve accountability in public procurement:

- Upgrading risk analysis and management through tools such as the Public Sector Risk Self-Assessment Guide (developed by Mexico’s Superior Audit Institution – ASF).
- Raising awareness, dialogue, and training on risks for contracting units.
- Preparing the risk maps for public procurement activities, including integrity risks and tabling the maps and the PTAR for discussion and consensus.
- Co-ordinating and exchanging information with the State of Mexico Superior Audit Institution (*Órgano Superior de Fiscalización del Estado de México, OSFEM*)

Source: (OECD, 2021^[11])

Risk analysis and management is above all a preventive tool that makes it possible to anticipate and take corrective or mitigation measures. It is systemic in nature and contributes to good procurement planning, management, and control. A good risk map is capable of detecting the main operations affected by risks, including integrity risks, while identifying the risk points, practices and actors. In this way, it is possible to take action before the anticipated events occur. In addition, an adequate risk management plan decisively contributes to achieving institutional results and goals.

The OECD review found that many public organisations did not fully understand the importance of risk analysis and how it relates to their functions, identifying routine risks or relying too heavily on the experience of OIC. It also concluded that these organisations lacked resources for awareness-raising and

training for the units and leaders in charge of identifying risks and mitigation measures, who had experience in their respective areas but were unaware of the best techniques and good practices to deliver and use information on risks.

Furthermore, the OECD review found that despite that operational, financial, legal and reputational risks are constant in public procurement, they were not usually found in the risk maps of ministries and auxiliary bodies. In consequence, it suggested to ensure that the risk maps and the programmes for the treatment of risks deal comprehensively with the risks of such an important area of management as procurement. Specifically, it recommended greater appropriation and use of risk maps by the COCODI, including public procurement risk maps and integrity risks.

Likewise, the OECD review pointed out to an additional high-impact measure in establishing closer co-ordination of the activities for control, analysis and exchange of information about contracts between SECOGEM, OSFEM, SFP and ASF, in order to implement co-ordinated control plans, leverage training resources and share information about control and risks in public procurement.

4.9.1. Progress achieved

The Agreement includes an Annex I, which fully describes the General Methodology for Risk Management (hereinafter the Methodology), which addresses the topics discussed in ASF's Public Sector Risk Self-Assessment Guide. A series of templates facilitates the risk management process for public officials.

Risk management is defined as the dynamic process developed to contextualise, identify, analyse, assess, respond, supervise, and communicate risks, including integrity risks, inherent or associated to the processes by which ministries and auxiliary bodies fulfil their mandates, through the analysis of the different factors behind such risks, with the objective of defining strategies to mitigate their effects and probability of occurring, so that reasonable assurance can be attained about the fulfilment of organisational objectives and goals, in terms of efficiency, effectiveness, and economy, in a framework of transparency and accountability. Its objectives include:

- Establishing a reliable and orderly basis for decision-making, improving responses to risks.
- Strengthening the perception, reputation, and sustainability of institutions.
- Promoting a trustworthy, transparent, and ethical environment, minimising integrity risks.

The Methodology explicitly mandates the consideration of integrity risks such as fraud, abuse, waste, and other irregularities related to the use of public resources in processes such as budgeting, procurement, and public service provision. Embedding fraud and corruption into the management of risks can ensure that internal controls are equipped to prevent, detect, and ultimately address any potential risks and that the appropriate corruption prevention, detection, and responses are integrated into the control environment. Integrity risks are to be considered serious and institutions should be particularly mindful of such risks in the processes for the procurement of goods and services and the contracting of public works. In consequence, integrity risks do not allow for tolerance.

The number of institutions drafting their PTAR indicates risk management is gaining traction. By the fourth quarter of 2021, 55 institutions (ministries and auxiliary bodies) drafted and approved their PTAR in the corresponding COCODI. Sixty-five institutions did it by the first quarter of 2023. The Agreement stresses that staff from all administrative units and hierarchical levels should participate in the preparation of PTAR. It also explicitly mandates that risks associated to the processes for the procurement of goods and services and the contracting of public works should be included in PTAR.

To kick off the PTAR process, internal control co-ordinators establish a working group with the participation of senior management, public officials from any hierarchical level with relevant knowledge and experience, and the head of OIC, to put together the risk matrix. The exercise should consider at least the following stages:

- Communication and consultation.
- Context.
- Risk analysis.
- Controls assessment.
- Risk assessment vis-à-vis controls.
- Producing the risk map.
- Definition of control strategies and actions to mitigate the risks.

Just like in the case of PTCI, PTAR are monitored through progress reports that ought to be presented every three months by the Internal Control Co-ordinator.

During 2021, external consultants and public procurement officials worked together to produce the risk map for the public procurement process, identifying critical activities and designing controls to prevent the materialisation of the risks. All the activities were formalised in a programme of work.

The Methodology also establishes that all public officials are responsible for participating in training and awareness-raising activities on internal control, risk management, ethics, and integrity, to strengthen capacities for risk management and internal control. Indeed, one of the tasks of the Internal Control Co-ordinator is establishing a training programme on internal control and risk management to contribute to the control environment. In consequence, during 2021 SECOGEM organised a seminar on risk management for the process “Planning, programming, and executing procurement”, which was divided into three stages:

- Raising awareness about internal control: One session of five hours for 20 participants.
- Documenting the process: Two sessions of eight hours for 17 participants.
- Risk management: Three sessions of 12 hours for 12 participants.

Likewise, during the fourth quarter of 2022, the UCI organised a three-hour workshop, including participants such as heads of OIC, internal control co-ordinators and champions, to upgrade the knowledge and application of the Methodology, emphasising risks in the processes for the procurement of goods and services and the contracting of public works. More than 400 public officials participated from all the ministries and auxiliary bodies of the State Government.

For 2023, SECOGEM identified 39 ministries and auxiliary bodies reporting risks related to the procurement of goods and services and 10 reporting risks related to contracting public works. In both cases, the ministries and auxiliary bodies are those with the highest procurement budgets.

4.9.2. Proposals for future actions

Just like in the case of internal control, the publication of the Agreement was a significant steppingstone to strengthen risk management and link it more strongly with procurement activities. The Methodology is robust and complemented by templates that facilitate the process for public officials. SECOGEM has also advanced a socialisation and training process to facilitate the implementation of risk management. Evidently, this process should continue to build the capacities for a sustained risk management system.

The risk map for the procurement process was developed and it can help each individual contracting authority to identify its particular weaknesses and opportunities. The risk maps are discussed and benefit from the participation of public officials from different units and hierarchical levels.

One finding that deems further analysis is that for 2023 only 39 ministries and auxiliary bodies reported risks related to the procurement of goods and services. This could be due to the growing number of OPD signing agreements with the DGRM so that it centralises their procurement. However, even when the DGRM centralises the procurement operations of ministries and OPD, they still manage several steps of the pre- and post-tendering stages, where risks exist, including integrity risks. SECOGEM may want to

stress such risks so that the ministries and OPD that have not identified risks related to procurement go back to their matrixes and maps to incorporate them.

4.10. Promoting the appropriation of control

Box 4.13. Recommendation 37 and its actions

The Government of the State of Mexico should promote the appropriation of control by public servants and the proper use of the audit function, adopting the model of the Three Lines of Defense throughout the administration:

- Framing the functions of the OIC to avoid their substantive engagement in control management tasks in procurement procedures, so that the independence of the internal audit function is preserved.
- Socialising and training on the Three Lines of Defense model³ and ISSAI 10.

Source: (OECD, 2021^[1])

The OECD review found that the heads of unit and senior management levels were moving - to varying degrees - from a conception of control based on the OIC, where these bodies have the central or sole responsibility for implementing control tools, to one in which the administrators assume responsibility for control.

It highlighted the active participation of OIC in managing the control of procurement procedures as a factor that may affect their impartiality in their internal audit function and suggested that it would be beneficial to ensure that OIC neither carry out tasks belonging to the management, nor those that pertain to the units in charge of implementing the internal control system, such as the contracting units or the DGRM. One way to do this is by reducing OIC's interventions in procedures potentially subject to audit, such as procurement, supervision, and inspection processes, particularly in supervision tasks of the execution of public procurement procedures, which should be a task pertaining to line managers.

In addition, it is important not to lose sight of the fact that the OIC, by participating in the committees and meetings throughout the procurement process, are a direct part of it, carrying out first-line of control activities. This type of direct participation is not typical of units that carry out tasks of investigation, sanction, and even less of auditing, since it creates conditions that may reduce impartiality in the execution of their own tasks, especially in the case of internal audits. In accordance with generally accepted auditing standards, internal audit is usually an advisory unit, located at the highest level, independent of the first line, which makes impartial judgments based on audit techniques. Its tasks must be free from any potential conflict of interest and participating as an OIC in different phases of the procurement process leads to less impartial conditions in the event that it has to investigate processes and impose sanctions.

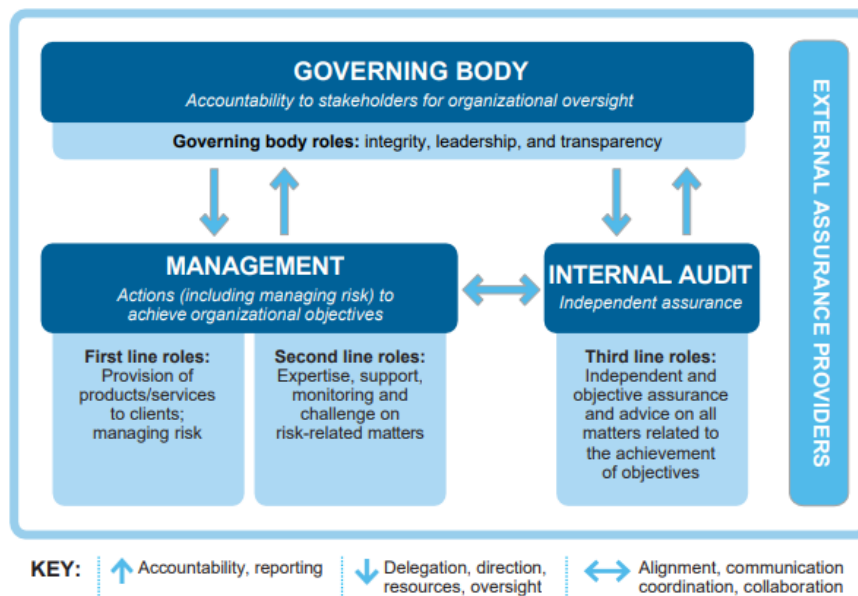
The International Organization of Supreme Audit Institutions (INTOSAI) agreed on international standards for supreme audit institutions. According to International Standards of Supreme Audit Institutions 10 (ISSAI 10), on the independence of Supreme Audit Institutions (SAIs), these "should not be involved or be seen to be involved, in any manner, whatsoever, in the management of the organisations that they audit," and also "should ensure that their personnel do not develop too close a relationship with the entities they audit,

³ The Institute of Internal Auditors (IIA) updated the Three Lines of Defense Model and it is now called the Three Lines Model.

so they remain objective and appear objective.” Even though OIC do not perform the supreme audit function, but the internal control and audit, their independence features should be shared with the good practice dictated by ISSAI 10.

The Three Lines of Defense Model is an acknowledged and valuable tool to improve the organisation of control. According to this model, three separate groups (or lines of defence) are needed within the organisation to effectively manage risk and control, where the board and senior management provide the guidelines and advice. According to the most recent update of the model, the responsibilities of each of the groups (or “lines”) are illustrated in Figure 4.6.

Figure 4.6. The Institute of Internal Auditors’ updated Three Lines Model



Note: This updated IAA’ “three lines” model is aimed to help differentiate between roles but should operate based on the principles of good governance, appropriate governing bodies, appropriate management and first- and second-line roles, an independent third line, and ensuring that all roles share common values to create and protect organisational value. Blue upward arrows indicate accountability/reporting lines, blue downward arrows indicate delegation, direction, resources, or oversight. Horizontal arrows indicate coordination and communication.

Source: (Institute of Internal Auditors, 2020^[13]).

The OECD review concluded that, in general, in the ministries and auxiliary bodies of the State of Mexico, the Three Lines of Defense model was technically unknown. However, auditors understood the need for a separation of roles and sought to contribute to promoting the appropriation of control in the first and second lines of defense.

Along the previous findings, the OECD recommended the State of Mexico to take some of the following measures to separate the internal audit role from the first line of control, thereby strengthening the independence of internal audit and risk appropriation by the first line:

- Reforming state regulations incorporating provisions that establish clear obligations and control and verification procedures for the managers and units of the contracting ministries and entities, and the DGRM, where appropriate, regarding the legality, efficiency and transparency of the procurement processes;
- Incorporating resources, mechanisms and training in procurement management policies aimed at ministries and entities for the systematic improvement of the management of public procurement, and the systemic analysis of the risks it involves;

- Strengthening control and evaluation led by SECOGEM and the OIC by applying audit techniques and procedures focused on risk areas susceptible to corruption and incorporating risk-based management audit techniques, and providing strategic recommendations for decision-making on improvements to the system; and
- Clearly identifying the functions and responsibilities of operation, supervision, and auditing of the procurement processes in each ministry and entity. To achieve this, the State of Mexico could consider the Three Lines model in the design of procurement regulations, policies, and practices, with special emphasis on strengthening internal control and the advisory and independent role of internal audit.

4.10.1. Progress achieved

Some provisions in the Agreement clarify the control management roles to avoid independence issues of the internal audit function, exercised by the OIC. On the one hand, for example, the norm on Control Environment states that management should evaluate the performance of internal control and hold all public officials accountable for their specific duties in the SCII, for example, by establishing the structure to hold staff accountable for internal control activities. Likewise, the norm on Supervision and Continuous Improvement mandates all public officials to communicate internal control failures to the officials responsible to take corrective actions. In this way, it defines management responsibility to correct the identified internal control failures and verify that the corrective actions were actually taken. On the other hand, the Agreement also frames the role of the OIC, for example, in reviewing the PTCl evaluation and producing a report on the issues discussed in it.

Regarding the Three Lines Model, in July 2021 SECOGEM organised training workshops on risk management and internal control aimed at internal control co-ordinators, COCODI members, and heads of OIC. The Three Lines Model and ISSAI 10 were part of the topics under discussion.

4.10.2. Proposals for future actions

The main issue pending is reviewing the specific role of the OIC in procurement activities, along the lines of the roles framed in the Agreement. It is advisable to reform Articles 43 and 44 of the Bylaws of LCPEMyM, which establish the participation of a representative from the corresponding OIC in the Committees for Acquisitions and Services. Likewise, it is worth evaluating a reform of Article 49 of the Law on Administrative Responsibilities of the State of Mexico and Municipalities, which assigns supervision tasks of the execution of public procurement procedures to SECOGEM and the OIC.

In order to continue raising awareness about the importance of the independence of the internal audit function, SECOGEM could make the updated Three Lines Model and ISSAI 10 a standard topic of its capacity-building activities.

4.11. Leveraging on big data and technology

Box 4.14. Recommendation 38 and its actions

The Government of the State of Mexico should take advantage of the opportunities provided by massive use of data and technology to increase the effectiveness of control:

- Adopting an open contracting standard.
- Adopting automated mechanisms to verify prohibitions, disqualifications, and incompatibilities in public procurement.
- Interoperability of public procurement databases, allowing the analysis of big data and the identification of red flags.

Source: (OECD, 2021^[1])

The OECD review found that OIC and SECOGEM lacked access to sufficient data, systems and technologies to enable them to properly carry out generic control tasks. For example, the State of Mexico lacked mechanisms to immediately and automatically identify the existence of grounds for prohibiting the reception of proposals and entering into contracts, such as suppliers in delay, those who have entered into contracts in contravention of the law, who include public servants among their partners, or who participate in expert opinions related to the procurement process.

The OECD review highlighted that some government units have useful information that allow verifying the existence of prohibitions and incompatibilities, but that is not public knowledge or is accessed through passwords limited to certain organisational units. In any case, most of this information was not interconnected and was not freely accessible by any contracting unit. There are incompatibilities and prohibitions that cannot be verified, as in the case of suppliers who have made improper use of privileged information or whose performance has been deficient, without necessarily incurring a sanction.

Hence, it suggested that the Ministry of Finance could allocate resources for the design, development and implementation of technological tools that, for example, automate processes for verifying compliance with bidder requirements, as well as for validating prohibitions, disqualifications and incompatibilities in procurement, including alerts about potential conflicts of interest. The Ministry of Finance OIC and SECOGEM would have their verification, analysis and auditing capacity strengthened as a result of full access to public procurement records and databases. SECOGEM would, with the support of database analysis and data mining technologies, conduct comprehensive assessments, relationship and correlation analysis and identification of relevant patterns in thousands of procurement procedures that raise warning flags for deviations and, potentially, irregularities. Such a measure would strengthen the capacities of the Ministry of Finance and SECOGEM to control procurement processes, while freeing up human resources to carry out risk-based audits of operations and strategic procurement processes. Taking such a measure would also relieve SECOGEM from the burden of maintaining direct control over operations and strengthen its capacity to issue alerts and carry out strategic analysis.

The incorporation of big data technologies and automation of operations would allow those in charge of the procurement process, along with the OIC, to get real-time verification of prohibitions, both when receiving bids and when signing contracts. In the same way, the State of Mexico could benefit from incorporating big data tools specially designed to issue early alerts about risks or anomalous situations in procurement procedures such as, for example, the division of contracts or the abuse of restricted invitations.

4.11.1. Progress achieved

On 28 July 2020, SECOGEM established the Tracking System of the State of Mexico (*Sistema de Trazabilidad del Estado de México*, SITRAEM), which is the electronic platform to upgrade auditing by keeping records, controlling, and tracking federal and state resources, from allocation to justification, spent by ministries and auxiliary bodies. The implementation of the Agreement, the risk management and internal control systems, as well as their evaluations, in particular with regards to public procurement, would significantly benefit from the availability of data, the interoperability of databases, and the adoption of an open contracting standard.

4.11.2. Proposals for future actions

In the section of proposals for future actions for recommendations 17 and 18, there is guidance on a gradual approach to adopt an open contracting data standard, which would not only maximise transparency, but also make data available for analysis and decision-making.

The use of big data is becoming more common for auditing purposes and to raise red flags, particularly for corruption risks. Indeed, proactive data monitoring and analysis is estimated to reduce fraud losses by 33%, according to the Association of Certified Fraud Examiners (ACFE). Mexico's Superior Audit Institution (ASF), for example, is leveraging on data analytics for the purpose of identifying red flags and structural weaknesses in public procurement (see Box 4.15).

Data-driven risk detection and analytics for identifying corruption, fraud, waste and abuse (i.e. integrity risks), could become critical elements of SECOGEM's strategy and activities to leverage data. However, making effective use of data and analytics requires more than simply introducing new tools, technologies or data sources to the work of control and audit institutions. It requires a strategy, with clear goals and objectives that all organisational levels, particularly line managers and those charged with strategy implementation, are aware of and can support. A strategy helps senior management to be effective stewards of taxpayer money by ensuring that clear objectives guide investments and decisions. A strategy also provides incentives for continuous learning and aligning of data and analytics to long-term goals. (OECD, 2022^[14]) SECOGEM could leverage the implementation of SITRAEM to take further steps towards a comprehensive strategy for digital transformation, including the use of data and analytics for strategic decision-making and control of public procurement activities and the interoperability of databases to make available large volumes of procurement data.

Box 4.15. ASF's use of data analytics to identify red flags and assess integrity risks in public procurement

The ASF, Mexico's Superior Audit Institution, developed the System for the Control, Administration and Audit of Federal Expenditure Resources (*Sistema de Control, Administración y Fiscalización de los Recursos del Gasto Federalizado*, SiCAF).

The SiCAF is an online platform for the administration, management, monitoring and control of public works and acquisitions in states and municipalities that are financed with federalised expenditures. It facilitates auditing tenders, different phases of the procurement process and payments. It will also have georeferenced maps of the location of public works. With the SiCAF, the ASF aims to enhance audit planning, promote real-time auditing and increase its territorial coverage of resources spent in states and municipalities.

The following are key sources of data for the system to process and store information, although not all of this information is available yet:

- The Treasury of the Federation (*Tesorería de la Federación*, TESOFE), an Administrative Unit of the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*, SHCP) in charge of the financial management of the resources and values of the Federal Government, including receipt of income, execution of payments charged to the expenditure budget and administration of the available resources of the TESOFE.
- The National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*, CNBV), a decentralised body of the SHCP with powers of authorisation, regulation, supervision and sanction on the various sectors and entities that make up the financial system in Mexico, as well as on those individuals and legal entities that carry out activities provided for in the laws relating to the financial system. The CNBV's databases offer names of account holders and data on movements of bank accounts.
- The Ministry of Economy (*Secretaría de Economía*, SE), a cabinet-level body responsible for economic policies and overseeing the economy, and it maintains a hotline for citizens to report suspected fraud.
- The Tax Administration Service (*Servicio de Administración Tributaria*, SAT), which maintains taxpayer records for individuals, tax vouchers, information on government suppliers, among other data.
- Unstructured data, such as audit reports and contracts.
- Social media outlets (e.g. Twitter, Facebook, Instagram, YouTube, and LinkedIn).

Source: (OECD, 2022^[14])

4.12. Summary of follow up recommendations

This is, without a doubt, the chapter in which more progress has been achieved, particularly regarding risk management and internal control. The publication of the Agreement and its implementation process have helped the Government of the State of Mexico tackle, to some extent, all the recommendations relative to these issues. Notably, the Agreement establishes a tighter link between internal control activities and public procurement operations, explicitly requiring the procurement of goods and services and the contracting of public works to be included in the evaluation of the SCII by verifying the existence and operation of control elements at institutional level. Likewise, the Agreement explicitly mandates that risk analyses include integrity risks.

The Government of the State of Mexico has also been quite active in setting the tone from the top and building the institutional structures for risk management and internal control to take root, including by strengthening the governance of COCODI, creating a network of internal control co-ordinators and champions, raising awareness, and building capacities, for example, through the online training course “The ABC of the institutional internal control system of the State of Mexico”, which is quite unique at the national level with regards to its design, contents, and scope.

On risk management, the General Methodology for Risk Management provides a robust foundation. The risk map for the public procurement process has been completed and an increasing number of institutions are drafting their PTAR.

With regards to other chapter recommendations, progress was achieved on raising awareness and training on conflict of interest management, widening the scope of CIBD by introducing new required statements from bidders relative to conflicts of interest and other potential integrity failures, drafting the social witnesses bill and introducing a bill to consider conciliation as an alternative means for the resolution of contractual conflicts, and the socialisation of INI through tender documents and a communication campaign.

On the side of shortcomings, there is notably an opportunity to partner with the business sector to uphold integrity in public procurement. Mexico's Business Integrity Programme and Argentina's RITE provide alternatives to move on in this front. There is also an opportunity to include supplier performance information in the Registry of barred and sanctioned companies to boost its usefulness for procurement officials (or, alternatively, building a new database with supplier performance information). This would help shifting the focus of supplier management practices from legal compliance to performance. Finally, while the bill on social witnesses is sitting in the SJDH and the one on conciliation has been introduced in the State Congress, it will be important to complete the legislative procedure for both.

5. Advancing efficiency throughout the whole procurement cycle

Efficiency is associated with implementation of sound procurement procedures that generate savings and value for money. The concept of efficiency is understood broadly and encompasses the legal and policy framework of procurement. In fact, setting a legal and policy framework is vital to drive efficiency throughout the procurement process. The legal framework defines provisions regarding the use of competitive procedures, openness, transparency, and access to public tenders, which contribute to the efficiency of procedures.

While efficiency has been at the heart of the State of Mexico's reform effort in recent years, significant opportunities remain for increasing the efficiency of its procurement system. Indeed, efficiency is relevant in all aspects of public procurement, from the legal and policy framework to the daily practices of procurement officials.

5.1. Improving needs analysis and procurement planning

Box 5.1. Recommendation 39 and its actions

The State of Mexico would benefit from strengthening needs analysis:

- The State of Mexico could assess compliance with the duty by contracting authorities to publish their annual procurement plans. By promoting this practice, the State Government would avoid transparency and participation gaps issues.
- The Government of the State of Mexico should develop a standard template for the annual procurement plans.

Source: (OECD, 2021^[11])

According to the Public Procurement Law of the State of Mexico and Municipalities (*Ley de Contratación Pública del Estado de México y Municipios*, LCPEMyM), there is a legal obligation for all ministries and auxiliary bodies to prepare an annual procurement plan based on the State of Mexico's Development Plan (*Plan de Desarrollo del Estado de México*), the regional plans and taking into account the austerity measures established in the corresponding Expenditures Budget. The annual procurement plans (*Programa Anual de Adquisiciones*, PAA) are to be uploaded to the COMPRAMEX system before 31 January of the corresponding year. Article 9 of the LCPEMyM contains information and characteristics that the annual plans must include; however, the OECD review found that every agency, ministry or municipality uses a different format for their procurement plans, and not all of them comply with the required information.

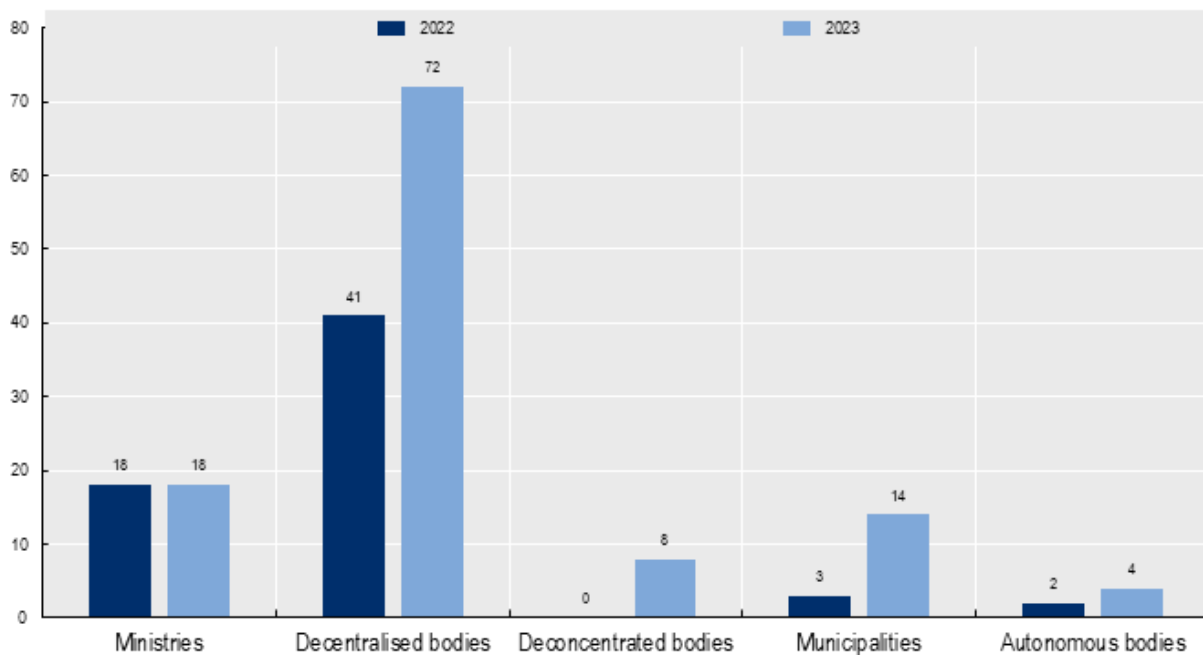
Furthermore, not all the plans were available in the COMPRAMEX platform for public consultation at the time of the OECD review.

The publication of procurement plans is an important practice that gives visibility to the market about upcoming procurement opportunities. Lack of transparency can have a negative impact on the level of participation of the potential suppliers in purchasing opportunities and therefore on the level of competition.

5.1.1. Progress achieved

Every year, the General Directorate of Material Resources (*Dirección General de Recursos Materiales, DGRM*) officially requires ministries, auxiliary bodies, and administrative tribunals of the Executive power, as well as municipalities, to comply with the publication of their PAA in COMPRAMEX by 31 January. The requirement letters in 2023 were issued on 9 January for ministries and on 10 January for auxiliary bodies, administrative tribunals, and municipalities. Compliance in terms of publishing PAA has increased during 2022-2023, particularly for decentralised bodies, which increased by 76% (see Figure 5.1).

Figure 5.1. PAA published in 2022-2023 by type of institution



Source: Information provided by the DGRM.

5.1.2. Proposals for future actions

First of all, the DGRM should continue stressing the importance of publishing PAA for all the institutions required. The compliance by 100% of ministries and decentralised bodies in 2023 is encouraging and provides inspiration to insist with other types of institutions that are not complying, notably municipalities, where significant procurement opportunities are present and, even so, only 14 out of 125 municipalities (11%) complied during 2023.

Second, it would be important to assess, based on consultations with municipalities and autonomous bodies, the reasons behind their lack of compliance. Several reasons may be behind, for example, lack of procurement planning capacities, complex procedures, and failure to understand legal requirements. Third, in order to tackle some of the potential issues, the DGRM could provide standardised templates to prepare

PAA. This would help overcome capacity or complexity issues by facilitating the process for procurement officials.

5.2. Upgrading market research

Box 5.2. Recommendation 40 and its actions

The State of Mexico would benefit from strengthening market research practices:

- In practice, contracting authorities should go beyond the objective of setting a reference price. The objective should be achieving value for money.
- A good understanding of technical specifications is critical for a thorough market analysis. For this reason, the DGRM market research guidelines could also address technical and normative specifications.
- Developing a training plan to improve the understanding and implementation of technical and normative specifications for market research.

Source: (OECD, 2021^[1])

The starting point for improving the efficiency of public procurement in the State of Mexico is to increase bidders' participation. One step towards expanding the pool of suppliers is to focus more on market analysis and market engagement. This would allow contracting authorities to have a better overview of which suppliers are left out and could therefore be brought into the procurement process.

Indeed, an essential aspect to carry out a successful procurement procedure is related to sound market analysis. Market analysis gives insight into the size, shape and competitiveness of a given market, as well as provides accurate information on a product, e.g. technical and functional features, quality elements and price. This information is then used to design the procedure that maximises value for money.

Market research is a mandatory process as per public procurement rules in the State of Mexico. However, the OECD review found that the focus of the market research carried out by the DGRM is to determine the so-called reference price of goods, works and services, the existence of goods or services, in the quantity and quality required, and verifying the existence of suppliers or service providers, as well as knowing the price prevailing in the market.

Consequently, the OECD review argued that, as defined by law, market analysis in the State of Mexico is understood in a narrow sense as the main objective is to obtain the reference price without taking into account broader considerations that can be valuable throughout the procurement process.

The State of Mexico developed a practical guide called "Procedures of authorisation and registration of market studies in the Integrated System of Procurement and Asset Administration of the State of Mexico (*Sistema Integral de Contratación y Administración Patrimonial del Estado de México*, SICAPEM), which indicates all the steps to follow, the tools and definitions to use throughout the market research process.

Likewise, the OECD review found that contracting authorities frequently resorted to a market analysis based on three quotations requested from suppliers, exposing themselves to certain risks. Even if suppliers who were approached for a quotation were chosen arbitrarily and were not aware that others have been invited to this procedure, there is a risk of inflated quotations, pre-arrangements and collusive practices.

In addition to desk-based market analysis, it is valuable to consult potential suppliers in order to be able to draft specifications and tender documents adapted to the reality of the market (structure, availability of

goods, suppliers), as well as to solicit interest from them. Knowing the market and available products is essential to generate value for money from procurement contracts. Only by knowing the market, the public buyer can design specifications that reflect quality.

The technical specifications are regulated in the rules of procedure (*Bases de Licitación*) of each process. According to the POBALIN-060, the contracting authority is the one that drafts the technical specifications, and the approval is the responsibility of the requiring entity (i.e. the users). The tender documentation should contain the technical specifications with a generic description of the goods or services, including presentation, unit of measure, quantity and, if applicable, specific information about maintenance, technical assistance and training; list of spare parts to be offered, as well as applicable standards. It also contains the specifications regarding clarification meetings, opening of proposals, applicable qualification criteria and reasons of possible disqualification. The OECD review suggested that more efforts could be done to upgrade market study in the State of Mexico, in order to have clear and adapted technical specifications.

5.2.1. Progress achieved

Progress is quite limited and the reported actions do not necessarily address the issues signalled in the OECD recommendations. For example, the DGRM produced a chart flow of the process to follow for market research (see Figure 5.2). However, the OECD recommendations do not refer to a procedural issue, but rather to the nature, the scope, and the objectives of market research as defined in Article 17 of the Bylaws to the LCPEMyM: “obtaining the maximum prices at which goods and services should be procured”.

As there is a normative factor hindering the scope of market research in the State of Mexico, the first step to address the OECD recommendation would be to amend the regulatory framework. In this sense, the DGRM introduced two proposals in the Ministry of Finance’s Internal Committee for Better Regulation (*Comité Interno de Mejora Regulatoria*, CIMR) for review. Such proposals were approved and included in the Ministry of Finance’s Annual Programme for Better Regulation 2023. The two proposals, which are to be completed by December 2023, are the following:

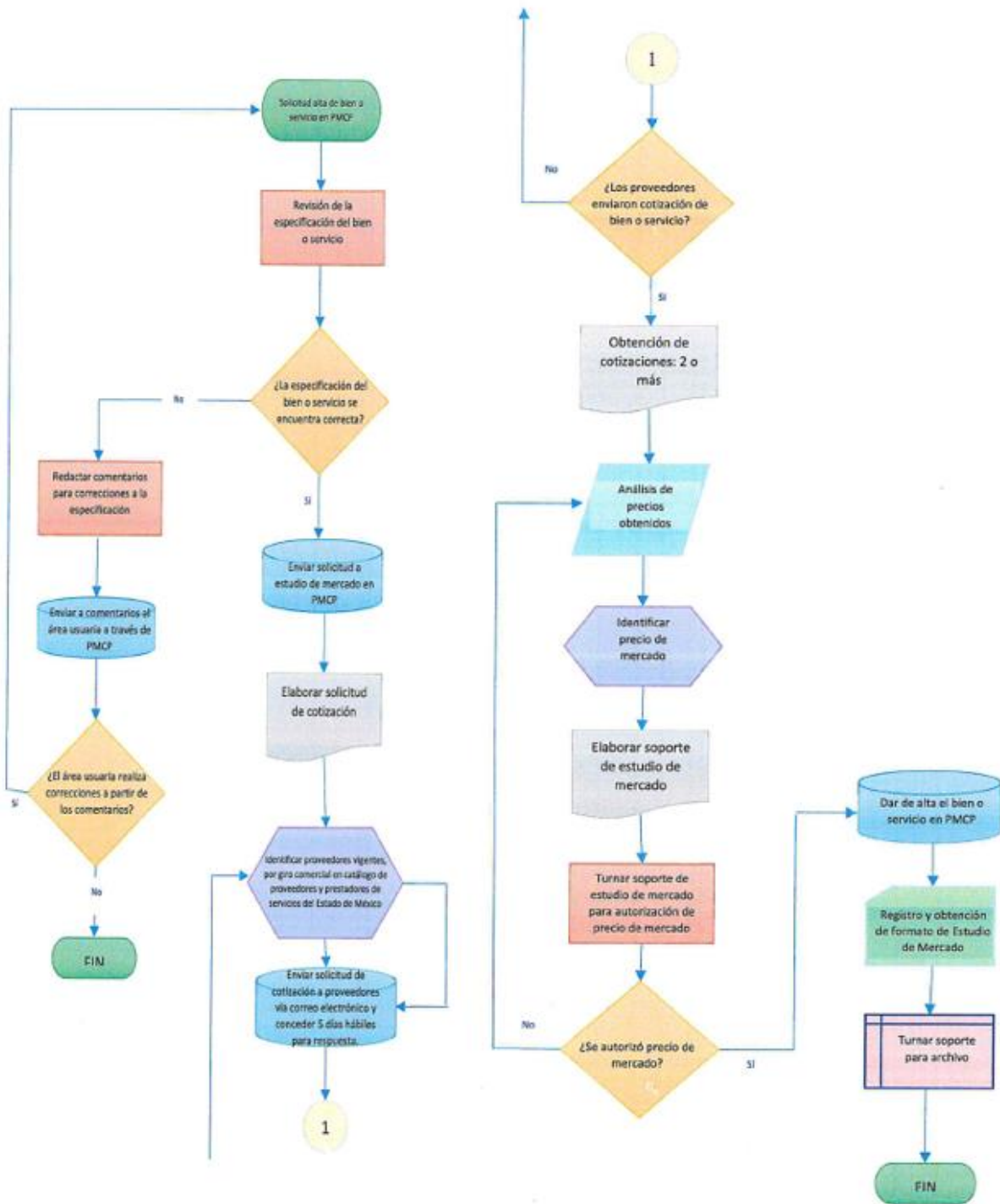
- Designing the process for the preparation and approval of market research
- Updating the Bylaws (*Reglamento*) to the Public Procurement Law of the State of Mexico and Municipalities.

At this moment, it is unclear to what extent the proposals will tackle the issues raised by the OECD or will only limit to reform procedural aspects.

5.2.2. Proposals for future actions

The proposals introduced in the Ministry of Finance’s Annual Programme for Better Regulation 2023 open the opportunity to address the issues suggested by the OECD. In this sense, the DGRM should make sure the reforms promote a more comprehensive understanding of market research, so that it is not only directed to provide reference prices, but also information on the number and characteristics of potential suppliers, alternative goods and services, supply and demand trends, market shares and dominant positions, and supply chain features, among others. Once this is done, the DGRM could facilitate the process of implementation of more comprehensive market analysis, including elements to design technical specifications, through guidelines (such as the market research guidelines), and systematic training.

Figure 5.2. Chart flow of the market research process



Source: Information provided by the DGRM.

5.3. Facilitating the participation of international bidders

Box 5.3. Recommendation 41 and its actions

Opening up public tenders funded with state resources to international bidders:

- The LCPEMyM articles relative to international tenders should be amended to allow participation of international bidders in public tenders funded with state resources.

Source: (OECD, 2021^[11])

Both the federal and the state legal frameworks establish that there are two different kinds of tenders depending on the bidders' nationality. If the bidder is a Mexican company, the tender is considered a national one; conversely, if the bidder is a foreign company, the tender is considered international. In the State of Mexico, the LCPEMyM restricts international tenders for goods and services. International tenders are only allowed when the good or service is not available in the country or when international treaties make it compulsory.

Restricting access to foreign companies as a policy is typically designed to favour the domestic economy. However, the implications can be far-reaching. By restricting access to public tenders for international companies, the State of Mexico is limiting competition in its own procurement markets, with potential repercussions on value for money and the efficient use of resources. Indeed, the OECD review found that no or few international tenders are carried out with state-owned resources.

5.3.1. Progress achieved

No progress was reported relative to this recommendation.

5.3.2. Proposals for future actions

Since contracting authorities cannot go beyond the limits of the law, a reform of the legal framework for public procurement in the State of Mexico should be envisaged to provide greater flexibility towards international tenders, which could help increase the number of bidders and, at the same time, enhance competition, a major issue signalled by the OECD review.

Since the LCPEMyM establishes the restricting rules for international tenders, reforms to the Bylaws or other secondary regulations would not suffice. The DGRM could start by identifying the laws and articles to reform. Then, it would have to draft a legislative reform bill, get the approval by the Ministry of Justice and Human Rights (*Secretaría de Justicia y Derechos Humanos*, SJDH), and introduce it in the State Legislature for discussion and, if successful, approval. This could be a lengthy process, so the suggestion is to start as soon as possible.

5.4. Promoting market dialogue

Box 5.4. Recommendation 42 and its actions

Promoting market dialogue:

- The dialogue between suppliers and contracting authorities during procurement processes could upgrade market research and hence the efficiency of the system, since contracting authorities would get a better understanding of the market and improve the drafting of tender documents. The setup of new communication channels with the market could be anticipated in a reform to the Protocol for public servants intervening in public procurement or granting licenses, permits, authorisations or concessions.
- The State of Mexico could consider the use of its e-procurement system to consult with suppliers, apply surveys, and announce meetings with the supplier community (expos) aiming to minimise information asymmetries.

Source: (OECD, 2021^[11])

Market dialogue or engagement is a process that allows public procurers, at all stages of the procurement cycle, to communicate institutional needs and requirements to suppliers, discuss possible solutions openly and transparently, encourage innovation in the design and delivery of a solution and understand market capacity, capability and trends. Governments, and particularly centralised purchasing bodies (CPB), should have a robust understanding of the size, composition and nature of their supply markets, keeping abreast of new developments and ideas, as well as emerging technologies that can help get better results.

As stressed previously, market engagement can not only complement market research and analysis and provide a better perspective of market trends, but also leads to multiple benefits such as allowing the market to understand better government needs; allowing public procurers discuss the outcomes needed and get feedback on their requirements as to inform the development of specifications and avoid limiting potential competition; and creating interest in government opportunities and allowing participation by SME.

On the other hand, market engagement may entail specific risks when poorly executed, such as giving unfair advantages to one or a few suppliers; encouraging accusations of favouritism from unsuccessful suppliers; raising trust issues as a result of integrity failures and alienating potential suppliers from participating in government procurement opportunities; and creating opportunities for collusive behaviour from suppliers.

There are some specific alternatives for the State of Mexico to easily implement with an aim to advance interest in government procurement and increase the average number of bids. For example, the DGRM could organise events to “meet the buyer” or an expo (*Expo Compras de Gobierno*) where it can discuss its different needs (not a specific contract) with potential suppliers and they can provide information about their products and services and present their solutions (“show and tell”). Likewise, it could organise workshops to train suppliers to prepare bids and avoid cases where they are disqualified for failing to meet a formality.

A comprehensive framework for market engagement should address the risks entailed. The Protocol for public servants intervening in public procurement or granting licenses, permits, authorisations or concessions (hereinafter, the Protocol) already provides measures to mitigate integrity risks by requiring public procurement officials to hold any meetings with private individuals in official premises, with the presence of an OIC representative, and favour written communication. However, in its current form, the Protocol may hinder market engagement activities. Therefore, the OECD review suggested that the Co-

ordination Committee of the National Anticorruption System (*Sistema Nacional Anticorrupción*), as the institution entitled to issue the Protocol, should aim for a framework that better balances control and the possibility to engage. The way to approach this balance may depend on the specific market engagement activities to be pursued but, for example, the regulatory framework (including the Protocol) may need to be reformed to allow procurement officials to meet business chambers, conduct workshops, or debrief unsuccessful suppliers.

5.4.1. Progress achieved

No significant progress was reported relative to this recommendation. Despite requests sent by the DGRM in August and December 2022, as well as in January 2023, to meet with the Directorate for Business Support of the Ministry of Economic Development of the State of Mexico (*Secretaría de Desarrollo Económico*, SEDECO), the latter has not been responsive. Although the DGRM could take some actions by itself, evidently the ideal is to leverage on the working networks with the business community that SEDECO has built.

5.4.2. Proposals for future actions

The OECD review found that procurement officials are sometimes fearful of engaging with the market because of beliefs that they may be perceived as granting undue advantages to specific suppliers or going against regulations. Certainly, the regulatory framework warns about “undocumented communications”, but the OECD suggested different engagement mechanisms that not only can be fully documented but also, given their collective nature, mitigate risks of undue advantages. For example, meetings with business chambers to discuss public sector needs, not specific tender procedures or contracts, would open the opportunity for dialogue and also for the private sector to provide innovative solutions to such needs. The cases of *Expo Mercado Público* in Chile and the U.S. National Association of State Procurement Officials’ (NASPO) Annual Exchange Conference provide good illustrations of major events (expos) to facilitate market engagement in a transparent environment (see Box 5.5).

Box 5.5. Major events to facilitate market engagement in a transparent environment

Expo Mercado Público (Chile)

Expo Mercado Público is an annual major event organised jointly by the public and private sectors with the following objectives:

- Matching suppliers and public buyers and communicating success cases: Facilitating networking and providing a space for dialogue between public procurement experts and help them to get to know the products and services offered by the industry.
- Capacity-building: Providing training opportunities for public buyers and suppliers, for example, on *ChileCompra*’s digital services, methodological, and regulatory updates.
- Suppliers’ display: Creating business opportunities for suppliers in a transparent environment, free from complex restrictions and formalities.
- Co-operation: Building a network allowing participants to maintain active communication according to their interests, both for suppliers and public buyers.

During 2023, the event will include seminars on how to participate in the public market, procurement strategies, the regulatory framework of public procurement, green public procurement, innovation, and inclusion.

NASPO's Annual Exchange Conference (United States)

The NASPO Exchange Conference helps building relationships among the supplier community and state governments, the largest consumers of goods and services in the United States. The Conference is a place where learning, networking, and partnering come together to develop business relationships to support public procurements that are effective, efficient, transparent, and fair. Its objectives include:

- Providing the business community with learning opportunities through dedicated and targeted education on current trends in state procurement.
- Facilitating networking throughout the conference in one-on-one appointments, educational sessions, and a networking lounge.
- Partnering between suppliers and state government representatives to support effective public procurement outcomes.

In order to address integrity risks, the Conference takes place following explicit standards and expectations:

- NASPO members, as public employees directly or indirectly involved in the expenditure of public funds through the state procurement process, must always conduct themselves in a manner that promotes the highest ethical standards.
- NASPO members shall at no time accept gifts, gratuities, or other things of value from suppliers, which might influence or appear to influence procurement decisions.
- NASPO members attending the Exchange Conference shall commit to fulfilling all scheduled one-on-one appointments. Members are expected to participate fully in programme elements for the purpose of fostering engagement and education of the supplier community.
- Suppliers shall refrain from offering gifts, gratuities, or other items of value to NASPO members.
- Suppliers shall refrain from contacting members in advance of, or during, the conference to arrange meetings outside the one-on-one system provided by NASPO.
- Suppliers shall ensure they are familiar with and abide by the one-on-one rules and guidelines associated with the selected registration type.
- Members and suppliers shall conduct themselves in a manner that promotes the highest ethical standards and avoids activities and behaviour that would place, or even appear to place, a NASPO member in a conflict of interest.

Source: *Expo Mercado Público* website, www.expomercadopublico.cl and NASPO website, www.naspo.org.

5.5. Setting up a notification system in COMPRAMEX

Box 5.6. Recommendation 43 and its actions

Incorporating a notification functionality in COMPRAMEX:

- The State of Mexico could develop a notification system as part of COMPRAMEX to inform registered suppliers about future opportunities.

Source: (OECD, 2021^[11])

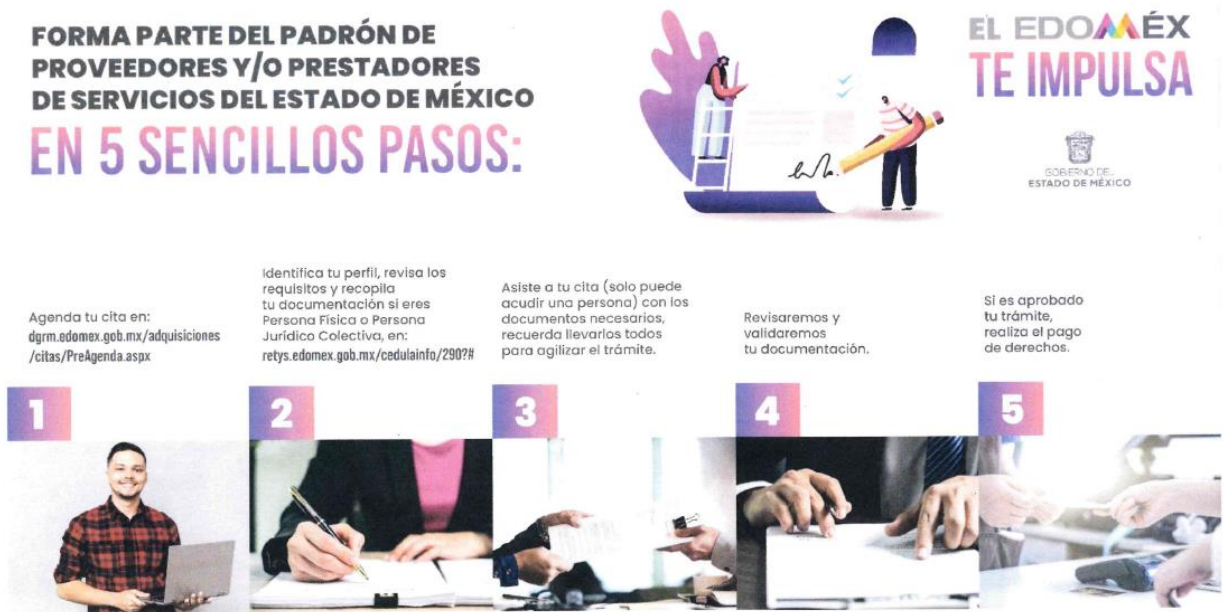
Low bidder participation may be due to different factors such as participation obstacles, weak market engagement, or lack of attractiveness of contracts. Raising awareness among potential suppliers about public market opportunities could close this participation gap, increasing the number of bidders and therefore competitive pressures.

5.5.1. Progress achieved

The only action reported by the DGRM that could be considered relevant to tackle this recommendation is the production of graphic material to promote registration in the suppliers' registry (*Padrón de Proveedores y Prestadores de Servicios del Estado de México*). It lists the steps to complete registration (see Figure 5.3):

- Scheduling an appointment through a website;
- Reviewing requisites and collecting the required documents for physical or moral persons, accordingly;
- Meeting the appointment with the required documents;
- The DGRM reviews and validates the registration request; and
- If approved, paying the corresponding fees.

Figure 5.3. Graphic material to promote registration in the suppliers' registry



Source: Information provided by the DGRM.

The action is relevant in the sense that the notifications of bidding opportunities would be sent to registered suppliers, according to their business. So, the more businesses registered, the more potential bidders informed about the opportunities offered by the public market. However, the notification system has not been set up.

5.5.2. Proposals for future actions

As suggested in the proposals for future actions to tackle recommendations 11 and 12, Digital COMPRAMEX could be leveraged to send suppliers notifications of bidding opportunities according to their business. This would close information asymmetries by letting suppliers know about upcoming processes in which they could bid. Ideally, the notification would take place with enough anticipation to allow bidders prepare their offers. Evidently, the more complexity and specialisation of the good or service to procure, the more anticipation should be given to potential bidders.

5.6. Establishing adequate award criteria

Box 5.7. Recommendation 44 and its actions

Establishing adequate award criteria:

- The Government of the State of Mexico would benefit from promoting that contracting authorities use more frequently the Best Price-Quality Ratio (BPQR) criterion through several selection criteria, as anticipated in the regulatory framework (points and percentages), particularly when procurement needs have a degree of complexity.

- The use of quality-related award criteria allows contracting authorities to consider strategic objectives in tenders such as supporting SME, sustainability, or innovation.
- Drafting a section in POBALINES mandating and guiding public officials on the strategic use of public procurement.

Source: (OECD, 2021^[1])

Award criteria are used to evaluate the different offers by bidders and to award the contract to the best offer. Internationally there are two types of award criteria, which are used to award contracts. First, the lowest price criterion, in which the contract is awarded to the lowest-priced offer. In this criterion, the only factor that is taken into account is price. On the other hand, there is the BPQR criterion, which takes into account other criteria in addition to or other than price, such as quality, delivery time and after-sales services. This criterion presents various advantages, particularly when the contracting authority is seeking for the best quality of products.

The legal framework in the State of Mexico allows for quality consideration in the evaluation of bids with the so-called 'points and percentages' award criteria (*puntos y porcentajes*). Despite this fact, the OECD review found that the binary criterion, i.e. lowest price, was by far the most used criterion and that even though contracting authorities seemed to be aware of the benefits of the BPQR criterion, in practice they did not tend to take advantage of it.

Going beyond the lowest price would allow contracting authorities to reward offers that best meet their needs regarding several quality-related dimensions, such as functional characteristics, design types, environmental and social characteristics, after-sales services and delivery terms. With appropriate award criteria, the contracting authority can prioritise those quality aspects that most respond to its needs.

Even though the BPQR criterion presents various advantages, it is not recommended to use it for all procurement procedures. The use of the lowest price criterion, besides the advantage of simplicity and rapidity, may be relevant in the case of purchases of highly standardised products with preestablished characteristics.

With regards to strategic public procurement, the OECD review found that in the State of Mexico, the adoption of complementary policy objectives remains low and awareness regarding the potential of public procurement in this field is limited. Procurement officials demonstrated little familiarity with the topic of strategic public procurement and how it could be implemented. Furthermore, many of the practices needed to successfully carry out strategic procurement are at early stage. For instance, as acknowledged before, market knowledge and market engagement were rarely practised, thereby making it difficult for procurement officials to request products that push the market towards a new standard. Not least, price was the predominant award criterion.

5.6.1. Progress achieved

No significant progress was achieved regarding this recommendation. The only action reported by the DGRM is requiring user units to justify the award criteria to apply. Indeed, POBALIN-064 establishes that award criteria will be defined considering the opinion by users. The DGRM provided an example where the user is asking for the procurement of stationary and suggesting applying the binary criterion. Such suggestion is adequate given the low level of specialisation required for stationary, but it would be enlightening to see how other user units, if any, justify the use of points and percentages for other goods or services characterised by a higher level of complexity and specialisation, where quality attributes are more important determinants of value for money.

Likewise, there is no progress regarding the provision of advice and guidance for procurement officials to identify those goods and services more adequate to apply criteria other than price. Moreover, these topics are not included in training offered to procurement officials. Finally, there is no progress regarding the drafting of a section in POBALINES to provide guidance on strategic public procurement.

5.6.2. Proposals for future actions

Designing award criteria is a complex task, particularly if there is little experience doing it. Procurement officials often prefer to use the same methods that have been used in the past because they perceive that this strategy does not put them at risk of a challenge. However, it also means that contracting authorities are foregoing significant opportunities to design efficient procurement procedures that deliver value for money.

The State of Mexico should raise awareness about the legal possibility to apply points and percentages as the award criterion for the procurement of goods and services in which quality is a major determinant of value for money. Likewise, the DGRM should go beyond requesting a justification for the criteria to apply and provide guidance for such definition through POBALINES, practical manuals, and training. For example, the DGRM could work together with the Institute of Professionalisation of Civil Servants of the State of Mexico (*Instituto de Profesionalización de los Servidores Públicos del Poder Ejecutivo del Gobierno del Estado de México*, IPSPEM) to design training on the topic.

The same effort to raise awareness and build capacities is suggested for strategic public procurement. While many countries are increasingly active in promoting the strategic use of public procurement, there are several challenges in implementing it. Namely, strategic public procurement requires advanced skills as well as an overall enabling environment conducive to greater experimentation. Procurement officials need to be aware of market developments and design procurement documents that reflect this knowledge. They need to be able to identify products and services aligned to sustainable or innovative solutions. Support structures, guidelines and tools can be helpful for practitioners that wish to implement strategic public procurement. The DGRM could leverage early efforts to adopt strategic objectives linked to sustainability and SME in POBALINES, assess results, and create the environment for the gradual introduction of more ambitious goals.

5.7. Revising the list of exceptions to public tenders

Box 5.8. Recommendation 45 and its actions

Revising the list of exceptions to allow direct awards:

- The State of Mexico could provide details on the specific scope of the exceptions listed in Article 48 of the LCPEMyM in order to provide guidance to contracting authorities about when they can proceed with direct awards.
- It is desirable to reform such Article to amend the list of exceptions, downsizing it as much as possible and providing clarifications to maximise competitive tendering.

Source: (OECD, 2021^[1])

The State of Mexico's legal framework states that all tender procedures should be open in order to encourage competition. However, the procurement legal framework allows the possibility to use certain exceptions to this general rule. Having exceptions to the obligation of conducting competitive procurement

procedures is a common feature. Indeed, the use of non-competitive procedures (e.g. direct award) may be justified in exceptional circumstances, e.g. whenever time is critical. For instance, in case of a natural disaster, the public administration is required to respond at once and it cannot afford to undergo a full procurement procedure.

In cases in which exceptional circumstances warrant limitations to competitive tendering, such exceptions should be limited, pre-defined and should require appropriate justification. In addition, these limitations should be subject to adequate oversight taking into account the increased risk of corruption.

The legal framework for the procurement of goods and services in the State of Mexico establishes the possibility to award a tender procedure by means of exception. A direct award can be carried out under the exceptions (12 situations) defined in Article 48 of LCPEMyM or under the threshold established for direct awards (*contratos pedidos*). However, the OECD review concluded that, compared to international practice, the number of exceptions is relatively high and the current drafting of the law presents a number of exceptions that are ambiguous and may lead to misinterpretation.

Having many exceptions diminishes the openness of procurement opportunities to competition and therefore they should be limited to specific circumstances, in which competition is not suitable. Furthermore, if the exceptions are discretionary, there is a higher risk of abuse of the system. Subjective exceptions make it difficult for oversight authorities to determine whether the direct award is justified or not.

In light of the previous findings, the OECD recommended that the LCPEMyM and its Bylaws could be reformed to limit the possibilities for using exceptions and further detail the situations in which their use would be justified.

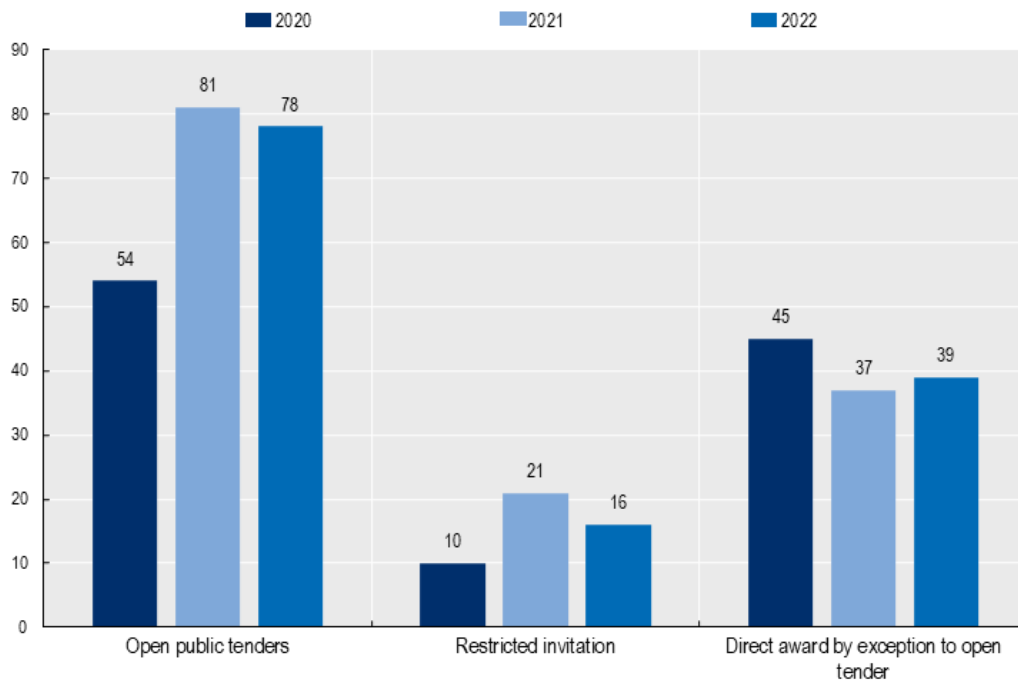
5.7.1. Progress achieved

During the period 2020-2022, the DGRM has made increasing use of open public tenders vis-à-vis direct awards, both in terms of number of procurement procedures (see Figure 5.4) and awarded amounts (see Figure 5.5). This is by itself a notable achievement.

In terms of number of procedures, open public tenders grew by 44% and direct awards decreased by 13% during 2020-2022. In terms of the percentage of awarded amounts, the share of open public tenders grew from 64.2% in 2020 to 88.3% in 2022, while the share of direct awards decreased from 35.8% in 2020 to 9.8% in 2022.

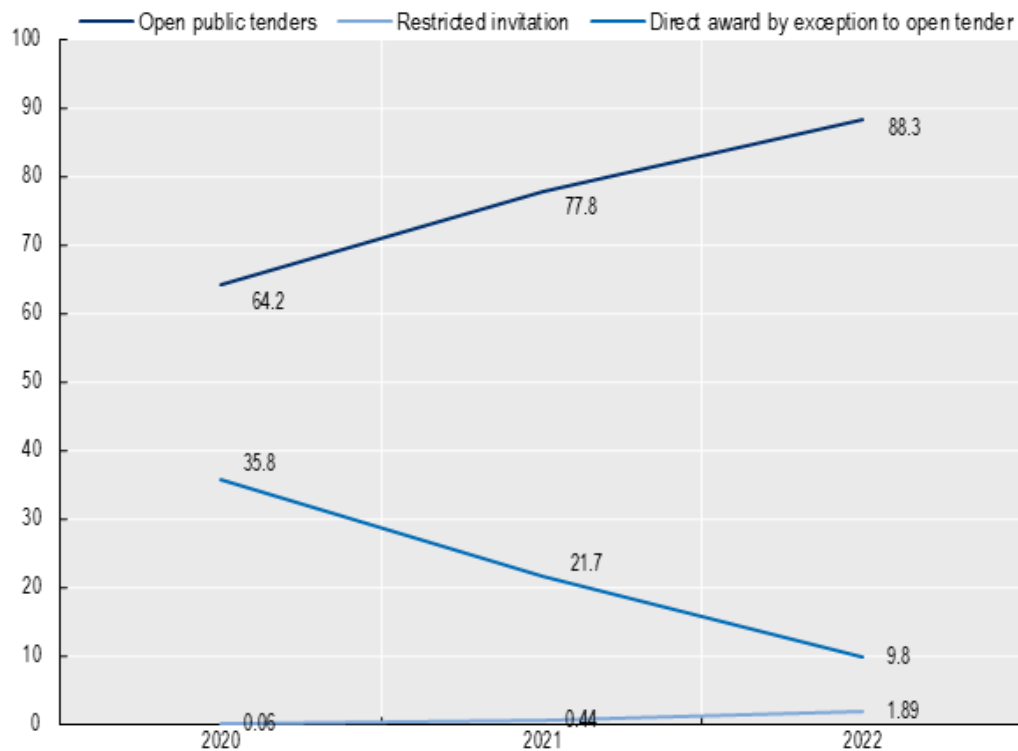
These numbers may be indicative that controls on the use of exceptions to open tenders are working to prevent abuse. In fact, the DGRM claims that exceptions are only used when, upon request by users, the exception is fully justified and approved by the Committee of Acquisitions and Services (*Comité de Adquisiciones y Servicios*) of the Ministry of Finance.

Figure 5.4. Number of procurement processes carried out by the DGRM by type of procedure, 2020-2022



Source: Information provided by the DGRM.

Figure 5.5. Percentage of awarded amounts by the DGRM by type of procedure, 2020-2022



Source: Information provided by the DGRM.

Despite the increasing trend in the use of open public tenders, there has been no progress in revising the list of exceptions anticipated in the regulatory framework.

5.7.2. Proposals for future actions

It is still advisable to revise the list of exceptions indicated in Article 48 of the LCPEMyM. The reason is that the list is still ambiguous and provides a wide window to fall into the temptation of abusing in the use of exceptions. Narrowing the window and the space for interpretation would not only provide certainty to procurement officials on when and how to apply exceptions to open tenders, but also build trust in the system and reinforce the effectiveness of current controls.

A narrow window would not leave a choice in case in the future a new DGRM team is more flexible on the use of exceptions and would strengthen the mandated practice of open tenders by rule, unless really exceptional circumstances merit a different alternative. This is advisable since the international experience illustrates that once the exceptions are available, they are used.

5.8. Summary of follow up recommendations

There are two main achievements with regards to this chapter's recommendations. First, there is a growing number of institutions publishing their PAA in COMPRAMEX, particularly ministries and decentralised bodies (100% in 2023). By providing an early indication of the needs of the public sector, the publication of PAA could contribute to increase the average number of bidders in tenders and, evidently, helps public institutions to plan and execute their service delivery activities. Second, there is a notable increasing trend in the use of open public tenders vis-à-vis direct awards. If sustained, this trend is likely to increase the attractiveness of the public market for potential suppliers and deliver in terms of savings and efficiency.

That said, there are still other reforms that may contribute to increase competitive pressures in tenders and realise further efficiencies. For example, opening opportunities for the participation of international bidders, automatic COMPRAMEX notifications about bidding opportunities, strengthening market research practices, and facilitating market engagement would raise awareness about the opportunities presented by the public market and help contracting institutions understanding market capacities and characteristics, so that they can tailor tender documents, including technical specifications and award criteria, accordingly. Market research, for example, should go beyond the determination of a reference price to facilitate access to information about market trends and opportunities. Likewise, market engagement could be facilitated through practices that mitigate integrity risks, such as expos and major events such as Chile's *Expo Mercado Público* and NASPO's Exchange Conference.

Building capacities to implement technical specifications and award criteria beyond price should be a priority for the Government of the State of Mexico. A systematic effort to develop skills in the procurement workforce would be key for the gradual implementation of such technical solutions. This is precisely the main topic of the next chapter.

6. Maximising capacities of the public procurement workforce through professionalisation

Capacity of civil servants is fundamental to the success of public policy and service delivery. Currently, civil servants address problems of unprecedented complexity in societies that are more pluralistic and demanding than ever. Moreover, under fiscal constraints, governments are required to do more with less. These circumstances also apply to civil servants who work on public procurement.

Indeed, public procurement is increasingly recognised as a strategic instrument for achieving government policy goals. Global trends such as climate change and supply chain disruptions make public procurement a more complex function than ever, requiring a more comprehensive skillset. The capacity of the public procurement workforce is a crucial element of a sound procurement system that delivers efficiency and value for money in the use of public funds. Therefore, professionalising the public procurement workforce has become a priority in countries' public procurement reforms. (OECD, 2023^[15])

This report has discussed many opportunities and reforms pending implementation. The capacities of the procurement workforce, to a large extent, will determine successful implementation or failure to realise the full potential of public procurement as a strategic government activity.

6.1. Establishing a professionalisation strategy for public procurement

Box 6.1. Recommendation 46 and its actions

The Government of the State of Mexico should establish the professionalisation strategy for public procurement:

- The State of Mexico should establish the normative, strategic, and institutional framework tailored to the professionalisation of the public procurement workforce.
- With this objective in mind, the State of Mexico could establish a working group for communication and feedback on future e-procurement reforms. The members could be multiple stakeholders.

Source: (OECD, 2021^[11])

The OECD review found that the State of Mexico has a long history of regulatory frameworks and strategies to advance the professionalisation and capacity building of its civil servants, but nothing tailored to public procurement officials.

It is critical to develop a professionalisation strategy or action plan to define activities and their targets within a specified timeline. The strategy provides a routemap and defines accountability for each of its elements. It helps making sense of otherwise ad hoc or isolated initiatives to turn them into a whole-of-government systematic effort.

6.1.1. Progress achieved

No progress was reported with regards to this recommendation. The strategy would be the first step for an institutional effort towards professionalising the public procurement workforce. In Mexico's context, this is a pending issue at both federal and state levels, so there is an opportunity for the State of Mexico to be the pioneer and set the benchmark for others.

6.1.2. Proposals for future actions

The elements and steps that the State of Mexico could consider while preparing a professionalisation strategy are the following: (i) assessing the current level of professionalisation of the public procurement workforce, (ii) ensuring stakeholder engagement, (iii) drafting a strategy, and (iv) monitoring the implementation. (OECD, 2023^[15]) (Figure 6.1).

Figure 6.1. Steps and elements for an effective professionalisation strategy



Source: (OECD, 2023^[15]).

Assessing the level of professionalisation of the public procurement workforce helps identifying key issues and challenges and sets the basis for the professionalisation strategy. This assessment could consist of two elements: (i) the current system of professionalisation, which is basically incipient. and (ii) the current

capability level of the public procurement workforce. It is also critical to identify the relevant stakeholders and consider their engagement during the process of developing and implementing a strategy, as they might have different views and conflicting interests. Stakeholder engagement shall be carried out internally within the leading entity and externally through a mapping exercise.

Once the assessment is carried out and the stakeholder engagement mechanism is established, the DGRM or a multi-stakeholder taskforce could start drafting a professionalisation strategy. It could be a standalone or part of the public procurement strategy, as long as it includes the following basic elements: (OECD, 2023^[15])

- Background / Context
- Key challenges and gaps identified
- Vision / objective
- Implementation period
- Leading entity and key stakeholders (roles and responsibilities)
- Alignment with other sectoral and state development strategies
- Financial resources

Finally, it is critical to monitor and evaluate during the implementation of the strategy and at the end of the process. Monitoring and evaluation is a process undertaken to understand whether goals were fulfilled against targets, and how they can be improved. They allow for systematic learning from past and current activities. Moreover, data gathered allows good practices to be replicated and mistakes and poor outcomes to be prevented. Furthermore, monitoring and evaluation allow measuring the impact of strategies and activities to make better informed decisions.

Box 6.2. Action plan to improve the public procurement system and its professionalisation in Slovenia

In 2018, the Directorate for Public Procurement within the Ministry of Public Administration of the Republic of Slovenia prepared an Action Plan to improve the system and professionalising public procurement. Slovenia recognised the low level of professionalisation of public procurement as a big challenge.

The Action Plan specified five priorities:

- Raising the competency level and encouraging civil servants to improve the quality of public procurement;
- Assisting contracting authorities and economic operators to ensure greater legal certainty, quality and cost-effectiveness of public procurement;
- Promoting strategic public procurement;
- Promoting joint public procurement; and
- Developing smart tools to support procurement processes such as e-procurement.

In order to define the knowledge, skills, and competences that public procurement officials should have, the Directorate for Public Procurement developed a competency model by adjusting the competency matrix of *ProcurCompEU* to the context of Slovenia. This framework includes a three-level competency matrix for six job profiles: (i) procurement support officer, (ii) stand-alone public buyer for smaller value contracts, (iii) stand-alone public buyer for higher value contracts, (iv) category specialist, (v) contract manager, and (vi) department manager. In July 2022, the Directorate for Public Procurement published

a manual for the assessment of competences in the field of public procurement, which provides detailed information on the developed competency model.

Currently, Slovenia has been working to establish a Public Procurement Academy to provide training modules for four job profiles (standalone public buyer for smaller value contracts, standalone public buyer for higher value contracts, category specialist, and contract manager). This initiative to establish a Public Procurement Academy will be the basis for a certification framework.

The Action Plan also targets the establishment of awards for excellence to recognise innovation and good practices in the field of public procurement such as green and socially responsible public procurement and the fight against corruption. It also aims at supporting the development of initial training at the graduate and postgraduate level and other initial vocational training. It intends to provide guidelines, standardised templates and tools (e.g., tender documents, criteria for green public procurement), frequently asked questions and answers, collection of good practices, help desk, online platforms and professional networks.

Source: (OECD, 2023^[15])

6.2. Identifying the profiles and assessing the capacities of the procurement workforce

Box 6.3. Recommendation 47 and its actions

The Government of the State of Mexico could establish a basic profile and assess the capacities of the public procurement workforce:

- The State of Mexico should develop a database of public procurement officials, leveraging on the requirement of the National Anticorruption System. This database should include the basic profile of public procurement officials (e.g. size of the staff base, academic background, years of professional experience, and functional responsibility).
- Furthermore, the State of Mexico could benefit from applying a survey on training needs of public procurement officials. This survey would be the basis for identifying strengths and weaknesses and a first important step towards an effective professionalisation strategy, a competency framework, a certification scheme, and a system for capacity-building.

Source: (OECD, 2021^[11]).

The OECD review found that, as of 2019, the State of Mexico had 2 970 public procurement officials registered in the Information System of Registration of Public Servants of the State of Mexico (*Sistema Informático de Registro de Servidores Públicos del Estado de México*, SIRESPM), the database administered by the Ministry of Control (*Secretaría de la Contraloría*, SECOGEM). However, such database did not include profile information such as academic background, years of professional experience and area of responsibility related to procurement (tender preparation, tender evaluation, contract management, control, etc.). In consequence, the OECD recommended the State of Mexico to establish a more comprehensive database that includes not only the number of public procurement

officials, but also their basic profiles, which would be helpful to plan professionalisation and capacity building strategies.

Assessing the capacity and the needs of the public procurement workforce is another pivotal element in establishing an effective professionalisation strategy. In consequence, the OECD suggested that a survey could be used as the basis for developing key priority systems related to professionalisation of the public procurement workforce such as a competency framework including specific job profiles, a certification scheme, and a capacity-building programme.

6.2.1. Progress achieved

No progress was reported with regards to this recommendation. The database would be important to know not only the absolute number of officials performing procurement-related functions in the State Government, but also to identify their characteristics, strengths, and weaknesses. The training needs survey would also feed into an assessment of capacity-building requirements and the corresponding professionalisation strategy.

6.2.2. Proposals for future actions

Ideally, the State of Mexico would benefit from establishing a basic profile database of the public procurement workforce in its registration system, as part of an assessment exercise. This would allow the DGRM and SECOGEM to get a clearer picture on the current individual and organisational levels of public procurement capacities.

OECD countries are developing strategies based on an evaluation of concrete public procurement skills and competences. The aggregated results of such assessments help designing professionalisation strategies that would best respond to the needs of procurement practice. There are different ways to do this. Some countries have considered the procurement function as a whole and evaluated procurement maturity of public organisations without looking into individual skills and knowledge. For example, New Zealand developed the Procurement Capability Index to assess organisational capability of government agencies (see Box 6.4). Other countries, like Peru, embarked into a self-assessment of individual skills and knowledge of procurement practitioners. Given the heterogeneity of the procurement function, this approach requires a structured and scalable assessment tool so that respondents could be identified according to their role in the public procurement cycle.

A reasonable approach for the State of Mexico would be gradual and two-fold. On the one hand, the DGRM, SECOGEM, and the Institute of Professionalisation of Civil Servants of the State of Mexico (*Instituto de Profesionalización de los Servidores Públicos del Poder Ejecutivo del Gobierno del Estado de México*, IPSPPEM) could work together in a pilot to be applied in a limited set of contracting authorities to measure their maturity. On the other hand, and given the vast experience of IPSPPEM applying surveys, it could apply an online survey for public procurement officials in order to identify their basic profiles and assess their capacities.

Box 6.4. New Zealand's Procurement Capability Index

New Zealand established a Procurement Capability Index (CPI), a self-assessment tool that measures agencies' procurement capability. All agencies that are subject to the Government Procurement Rules must submit their PCI assessment to New Zealand Government Procurement (NZGP) by 1 October each fiscal year.

The PCI takes an agency-wide view of procurement capability and covers the complete cycle of procurement across eight categories: i) strategy and outcomes; ii) commercial and social outcomes; iii)

governance and assurance; iv) risks and benefits; v) planning and sourcing; vi) managing for results; vii) people strategy; and viii) building capability. For example, “building capability” has two indexes: capability building activities and knowledge sharing. These indexes will be evaluated against elements such as the availability of an induction programme and a procurement basic course, workforce development plan for the skills of procurement officials, knowledge sharing of good practices between procurement officials followed by publishing them internally and externally.

The PCI self-assessment allows agencies to understand their strengths and identify opportunities for improvement across all the procurement activities; monitor development of procurement maturity; and equip a senior leadership team with an evidence-supported assessment of agency’s procurement capability.

Source: (OECD, 2023^[15]).

6.3. Establishing a competency model and a certification framework

Box 6.5. Recommendation 48 and its actions

The Government of the State of Mexico should establish a competency model and a certification framework for the public procurement workforce:

- The State of Mexico should develop a competency model and a certification framework to promote the professionalisation agenda through the recognition of public procurement as a professional activity. These frameworks could then be used to plan and design tailored and specific training for public procurement officials.

Source: (OECD, 2021^[11])

Public procurement is a multidisciplinary process that requires specific skills and competences. They include not only technical skills (market analysis, preparation of tender documents and contracts, bid evaluation, contract management, etc.) but also soft skills (communication, negotiation, project management, teamwork, etc.). These skills and competences must be clearly defined to ensure the sound and effective functioning of the public procurement system.

Developing a competency model and a certification framework is an effective measure to recognise public procurement as a professional task and reinforce the skills and competences of the public procurement workforce. A competency model maps critical skills and their capability levels which are required for the overall strategic direction of an organisation. A certification framework certifies the level of skills and competences acquired by public procurement officials. Therefore, it is closely linked to a competency model. These mechanisms allow procurement officials to identify their skill gaps and can be used for human resource management purposes: recruitment, promotion, and training. (OECD, 2023^[15])

The OECD review found that the IPSPM established a competency model (*Modelo de Competencias de Desempeño*) for civil servants of the State of Mexico in 2011. However, there was neither a competency framework nor a certification scheme tailored to public procurement officials. In addition, there were no specific job profiles for public procurement officials.

6.3.1. Progress achieved

The DGRM requested IPSPEM to consider providing the certification of 35 procurement officials from the DGRM's Co-ordination of Procurement Procedures (*Coordinación de Procedimientos Adquisitivos*) under the competency standard EC1134 "Procurement of goods, leasing, and services for the public administration", managed by the National Council for Standardisation and Certification of Work Competencies (*Consejo Nacional de Normalización y Certificación de Competencias Laborales*, CONOCER). IPSPEM offered to provide the certification for 20 procurement officials and, as of March 2023, was working with the DGRM to take the initiative forward.

Although this initiative is positive, it does not replace the recommendation for the Government of the State of Mexico to develop its own competency and certification frameworks for procurement officials. Doing so would allow a more strategic and systematic management of the procurement workforce and the process would not depend on applying CONOCER's standard to a limited number of officials. It would also allow contracting authorities to define job profiles and steer their recruitment, selection, and promotion efforts. Likewise, it would set a benchmark to assess the capacities of procurement officials, identify gaps, and tailor training programmes to close them.

6.3.2. Proposals for future actions

The Government of the State of Mexico could choose to structure the competency model for procurement officials by level, job profile/position, or a combination of both elements.

In Chile, for example, *ChileCompra* set up four levels (basic, intermediate, advanced, and expert) for the competency model of the public procurement workforce. Some countries specify job profiles without multiple levels. For instance, in France, the Inter-Ministerial Directory of State Professions (*Répertoire Interministériel des Métiers de l'Etat*) included various positions that belong to the job family of public procurement and specified competences required for each job profile. Hansel, the national central purchasing body in Finland, introduced a competency model of public procurement in 2013. It defines four different procurement roles: key account manager, procurement specialist, legal counsel (lawyer) and sourcing consultant. (OECD, 2023^[15]) One of the best practices is the European competency framework for public procurement professionals, *ProcurCompEU* (see Box 6.6).

On its side, a certification framework certifies the levels of skills and competences acquired. Certification frameworks differ across OECD countries. More than one level is available for certification in Chile (four levels), while Lithuania certifies one level. A certificate can be obtained after completing training courses and/or passing an exam. It is mandatory to complete training courses before taking an exam in Chile, while candidates are allowed to take an exam without completing training in Lithuania. Recertification is required in a few years (5 years for Lithuania) after obtaining the certification. Both Chile and Lithuania require the successful performance in an exam again. A certification framework is used as a mandatory requirement to work on specific tasks such as access to the e-procurement system (Chile) and being an evaluation committee member (Lithuania). These examples illustrate alternatives for the State of Mexico to design its own certification framework.

Box 6.6. The European competency framework for public procurement professionals, *ProcurCompEU*

ProcurCompEU is a tool designed by the European Commission to support the professionalisation of public procurement. It consists of three elements:

- A competency matrix, which defines 30 procurement-related and soft competences along four proficiency levels;
- A self-assessment tool that allows users to set targets for the different competences and assess their proficiency levels against them and identify any gaps; and
- A generic training curriculum which lists all learning outcomes that public procurement professionals should know and be able to demonstrate after having attended a training for a certain proficiency level.

The Competency Matrix describes 30 competences (knowledge, skills and attitudes) that public procurement professionals should demonstrate in order to perform their job effectively and efficiently and carry out public procurement procedures that bring value for money. The competences are grouped in two main categories: procurement specific competences and soft competences. The categories are then divided into six clusters, three per category:

- Procurement-specific competences (19 competences):
 - Horizontal: Nine competences applicable to all stages of the public procurement lifecycle;
 - Pre-award: Six competences required to perform all the tasks and activities taking place before the award of a public contract; and
 - Post-award: Four competences necessary for contract management after the award of a public contract.
- Soft competences (11 competences):
 - Personal: Four competences on behaviours, skills and attributes that public procurement professionals should possess, as well as the mind-set that they should display according to their job profile;
 - People: Three competences enabling public procurement professionals to interact and cooperate with other professionals, and to do so in the most professional manner; and
 - Performance: Four competences public procurement professionals need to have in order to increase value for money in public procurement procedures.

Each competence is described along four proficiency levels based on the breadth of knowledge and skills: Basic, intermediate, advanced, and expert.

On its side, the *ProcurCompEU* Self-Assessment Tool is composed of several key elements:

- A self-assessment questionnaire;
- Templates for job profiles; and
- A calculation tool for computing individual and organisational assessment results.

The *ProcurCompEU* Reference Training Curriculum lists all learning outcomes that public procurement professionals should know and be able to demonstrate after having attended training for a certain proficiency level.

Source: (OECD, 2023^[15]).

6.4. Developing the training system for the procurement workforce

Box 6.7. Recommendation 49 and its actions

The Government of the State of Mexico should develop its training system for public procurement officials:

- The State of Mexico should establish training systems that not only address the specific needs of procurement staff but are also aligned with a competency framework and a certification scheme.
- Currently, training topics are limited to the normative framework. Training should be provided on a regular and systematic basis.
- Training should be also available for economic operators.

Source: (OECD, 2021^[1])

Supporting a learning culture in the procurement workforce ensures that skills are reinforced and regularly updated. It allows procurement officials to keep up with the fast-changing nature of work. This implies making investments in learning opportunities. To reinforce the capacities of the procurement workforce, some OECD countries have introduced mandatory training, while others keep it optional. Likewise. Some OECD countries reinforce skills according to the practical nature of public procurement by offering practical training systems such as on-the-job training and job swapping. (OECD, 2023^[15])

The OECD review found that, in the State of Mexico, the IPSPEM is in charge of capacity building for civil servants but provides limited training on public procurement and it is neither regular nor systematic. The lack of systematisation could be addressed by defining the competency model, so that training would be aligned to such model and aim to close gaps. Furthermore, the training offered focuses mostly on the legal framework, while public procurement officials also need training opportunities for advanced technical topics such as strategic procurement, technical specifications, and contract award criteria. Such advanced training is essential for the public procurement workforce who carry out procurement procedures.

Likewise, the OECD review found that public procurement training was not available for economic operators who are interested in participating in public procurement.

6.4.1. Progress achieved

As mentioned previously, the Government of the State of Mexico offers some training to public procurement officials, but it is not systematic or aligned to a competency framework. The latest training reported is summarised in Table 6.1.

Table 6.1. Recent training offered to public procurement officials of the State of Mexico

Topic	Hours	Number of trainees	Organiser	When?
Procurement and acquisitions in the public sector of the Government of the State of Mexico and Municipalities	20	27	IPSPEM	October 2022
Intermediate Excel 2016	20	5	IPSPEM	August 2022
Intermediate Excel 2016	20	13	IPSPEM	August 2022
Quality in service delivery	5	9	General Directorate for Innovation	July 2022
Law on Administrative Responsibilities of the State of Mexico and Municipalities	20	29	IPSPEM	June 2022

Team building	5	27	General Directorate for Innovation	May 2022
Designing competitive public procurement procedures and identifying collusion	N.A.	31	Mexico's Federal Competition Commission (COFECE)	February 2022
Public Procurement Law of the State of Mexico and Municipalities (<i>Ley de Contratación Pública del Estado de México y Municipios</i> , LCPEMyM) and its Bylaws	25	33	IPSPPEM	February 2021

Source: Information provided by the DGRM

6.4.2. Proposals for future actions

With increasing complexity and multidisciplinary characteristics of the public procurement function, procurement officials need to be trained to go beyond administrative tasks. Potential topics for additional training may include market analysis, technical specifications, award criteria, bid evaluation, contract management, managing conflicts of interest, e-procurement, and strategic public procurement.

But more importantly, training should be provided on a regular and systematic basis, aiming to develop the skills and competencies described in a competency framework. Once such framework is developed, the DGRM, jointly with IPSPPEM and SECOGEM, could define which training should be mandatory or even an entry requirement for the procurement workforce, and which training could be optional. They could jointly organise such previously defined, specific training. Likewise, the DGRM and SECOGEM could advance practical training alternatives for procurement officials as part of a career path such as mentorship, coaching, on-the-job training, and job swapping. New Zealand, for example, established a mentoring programme (see Box 6.8). But all these training efforts would only maximise their impact if they were aligned to a competency model.

Box 6.8. Mentoring programmes for public procurement officials in New Zealand

- New Zealand Government Procurement officially launched a mentoring programme in 2015, after a pilot period in 2014. This programme aims at raising individual procurement capability across government and providing a mechanism for procurement practitioners to enhance their work-related skills, procurement knowledge, and professional networks. Both mentors (public and private sectors) and learners (public sector) must be volunteers.
- The application form for the learner includes current experience, preference on the background of the mentor (specific agency, etc.), and goals of skill development. The mentor is required to describe his current experience, preference on the background of the learner, and strong competency area in which to assist the learner.
- New Zealand Government Procurement reviews applications to match learners with the best mentor who possesses the knowledge and skills matching the learner's needs. The mentor needs to attend a mentoring workshop before being assigned a learner. The mentor and the learner sign the mentoring agreement which specifies how often they meet, how they contact each other, and focus topics for the initial meeting. The mentoring relationship lasts 12 months with the possibility of extension. They are contacted at months 3 and 12 to gain feedback on how the relationship is going.

Source: (OECD, 2023^[15])

6.5. Developing the system of methodological assistance on public procurement

Box 6.9. Recommendation 50 and its actions

The Government of the State of Mexico should develop a system of methodological assistance on public procurement:

- The State of Mexico should improve its methodological assistance system by upgrading the scope and quality of guidelines and standard templates, as well as by establishing a help desk.

Source: (OECD, 2021^[11])

Methodological assistance has the potential to become a key pillar to strengthen the capacity-building systems of the public procurement workforce. It is useful to support public procurement officials to undertake their daily tasks effectively and complements training courses. Many countries have developed tools such as manuals and guidelines, standardised templates, and help desks.

Guidelines and manuals provide practical information on specific procedures and topics. International experiences show that there is a wide variety of topics for these methodological documents: guidelines on how to set contract award criteria; how to evaluate offers; how to use e-procurement platforms; how to implement strategic procurement and how to prevent corruption and bid-rigging. Indeed, the State of Mexico has already issued guidelines for topics such as market research, internal control, and contract management.

Standardised templates are ready-to-use forms that contracting authorities can use to facilitate their work. Such templates usually include, but are not limited to, tender notices, tender documents, contract documents and tender evaluation formats. They help contracting authorities save time and avoid errors. They also contribute to assuring the quality of procurement procedures and decrease the administrative burdens of economic operators who prepare bid proposals.

On its side, help desks are contact point centres to assist contracting authorities and/or economic operators in clarifying their inquiries related to their daily tasks of public procurement. It is an efficient tool to provide quick and tailor-made information. A help desk can contribute to ensuring legal compliance and solving recurrent issues of daily procurement tasks, such as the choice of procedure and award criteria. (OECD, 2023^[15])

The OECD review found that even though the State of Mexico already issued some guidelines, it could benefit from developing guidelines for a variety of procurement topics and improving the quality of the existing guidelines to be more user-friendly with practical examples and visual images. Likewise, it found that some standardised templates do exist (e.g. tender documents, contracts, checklist for the submission of documents required for tender proposals, and matrix to evaluate technical and financial proposals), but sometimes they are developed by individual contracting authorities and are not necessarily shared with others. Consequently, it is worth considering the possibility of unifying templates to be shared across all the contracting authorities of the State of Mexico. Finally, the State of Mexico did not have a help desk to answer questions from public procurement officials and economic operators.

6.5.1. Progress achieved

No progress was reported with regards to this recommendation.

6.5.2. Proposals for future actions

Guidelines could be very useful for particularly complex issues in which there has been limited progress in the State of Mexico, for example, strategic public procurement or application of the MEAT (Most economically advantageous tender) criterion in bid evaluation.

Likewise, the DGRM could set up a help desk for procurement officials and economic operators. It could pilot such a help desk for a rather narrow task (i.e. managing and using COMPRAMEX) and extend it gradually to cover the different stages of the public procurement cycle. For example, Mexico's e-procurement platform CompraNet is supported by a help desk (see Box 6.10).

Box 6.10. CompraNet's help desk

- Before August 2018, Mexico's e-procurement platform, CompraNet, was supported by an eleven-person in-house help desk team (including one supervisor) to deal with phone, email-based, and in-person enquiries and problems (on average, each team member processed 440 queries per month). Additionally, CompraNet's help desk was supplemented by self-service resources such as user guides, videos, and manuals.
- CompraNet's help desk service responds to enquiries about procurement processes, but not about procurement policy and legislation. On average from 2010 to 2018, CompraNet's telephonic help desk (staffed by a group of four, plus one supervisor) received 3 000 user enquiries each month, 70% of which were processed, while 30% remained unresolved (all email and in-person based enquiries were processed). The size of the help desk phone service team may influence its capacity to address all enquiries.
- In 2018, in order to address considerations on training, guidance and expansion of the support service desk of CompraNet, the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP) updated the frequently asked questions section in CompraNet and expanded human resources for the phone service desk from four to six-person and included user satisfaction surveys.

Source: (OECD, 2019^[16]).

6.6. Co-operating with knowledge centres

Box 6.11. Recommendation 51 and its actions

The Government of the State of Mexico should strengthen collaborative approaches with knowledge centres such as universities in order to develop capacities and competence of the public procurement workforce:

- The State of Mexico could leverage on co-operation agreements established with Mexico's National Autonomous University (*Universidad Nacional Autónoma de México*, UNAM) and the Autonomous University of the State of Mexico (*Universidad Autónoma del Estado de México*, UAEM) to implement collaborative actions to professionalise the public procurement workforce.

Source: (OECD, 2021^[11]).

Knowledge centres such as universities, think tanks or policy centres can play a significant role in the professionalisation of the public procurement workforce. Their contributions can take different forms, for example, developing and/or providing training programmes is one of the most common collaborative approaches with knowledge centres. Executing a joint research programme on public procurement is another typical collaborative approach. Some countries have even collaborated with universities on initiatives to encourage future procurement specialists. These initiatives include, but are not limited to, offering courses or degree programmes in public procurement, thesis contests, and internship opportunities. They contribute to increasing awareness of public procurement as a professional task among young people. (OECD, 2023^[15])

The OECD review found that the IPSPEM had entered into partnership agreements with UNAM and UAEM. Although these agreements foresee collaborative actions on the professionalisation of the public procurement workforce, no specific actions had been confirmed.

6.6.1. Progress achieved

No progress was reported with regards to this recommendation.

6.6.2. Proposals for future actions

The recommendation is to pursue a collaboration with these universities through: i) establishing a degree programme on public procurement; ii) providing introductory courses on public procurement for students at undergraduate programmes; and iii) organising joint research and studies on the professionalisation of the public procurement workforce.

Developing courses and degree programmes at university-level is an increasingly recognised practice of collaboration with knowledge centres. Its availability not only cultivates young generations who are interested in working in the field of public procurement, but also contributes to enhancing the sense of professionalism among the public procurement community. But the Government of the State of Mexico may also explore other alternatives. For example, thesis contests for students encourage future procurement leaders (see Box 6.12). Likewise, internships allow students and recent graduates to gain relevant skills and experience.

Box 6.12. Thesis contests in public procurement in Norway

The Procurement Academy, established by the Norwegian Agency for Public Management and eGovernment (Difi) in 2017, organises a competition for the best master's thesis in the field of public procurement. Master students are encouraged to write a master's thesis on topics related to public procurement such as:

- Weighting models
- Effects of competition restrictions
- Purchasing-related issues
- Norwegian and international competition law
- Purchasing innovation

Candidates can obtain support and guidance while writing a thesis. The awarding ceremony takes place at the Procurement Academy's annual Research and Development Day for public procurement.

Source: (OECD, 2023^[15])

6.7. Summary of follow up recommendations

The only concrete progress regarding this Chapter's recommendations was the beginning of the process to certify 20 procurement officials under the competency standard EC1134 "Procurement of goods, leasing, and services for the public administration", managed by CONOCER. While this is a positive step, the certification of procurement officials would make much more sense if it were backed by a competency framework defining the skills and competences required, a training system to develop such skills, and a comprehensive professionalisation strategy that binds all these different elements. Indeed, one of the main weaknesses of the public procurement system of the State of Mexico is the failure to professionalise its workforce and the lack of binding ties between initiatives, so that, for example, training provided and the certification under EC1134 are not isolated efforts, but part of a whole-of-government systematic programme to improve the governance of public procurement.

Before moving forward with a strategy and, in fact, to serve as an input to such strategy, the DGRM and SECOGEM could work together to update the database of procurement officials with information about their profiles. Then, the development of the strategy, including a competency model and a certification framework, as well as a training programme aligned to those two elements, would be the foundation for a comprehensive professionalisation process, which could be complemented by collaborative approaches with universities and think tanks.

The State of Mexico has the opportunity to be the pioneer and the standard setter for the professionalisation of public procurement among Mexico's federal states. But just as in the case of e-procurement, a comprehensive programme requires political will to mobilise resources and bring together all the relevant stakeholders.

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