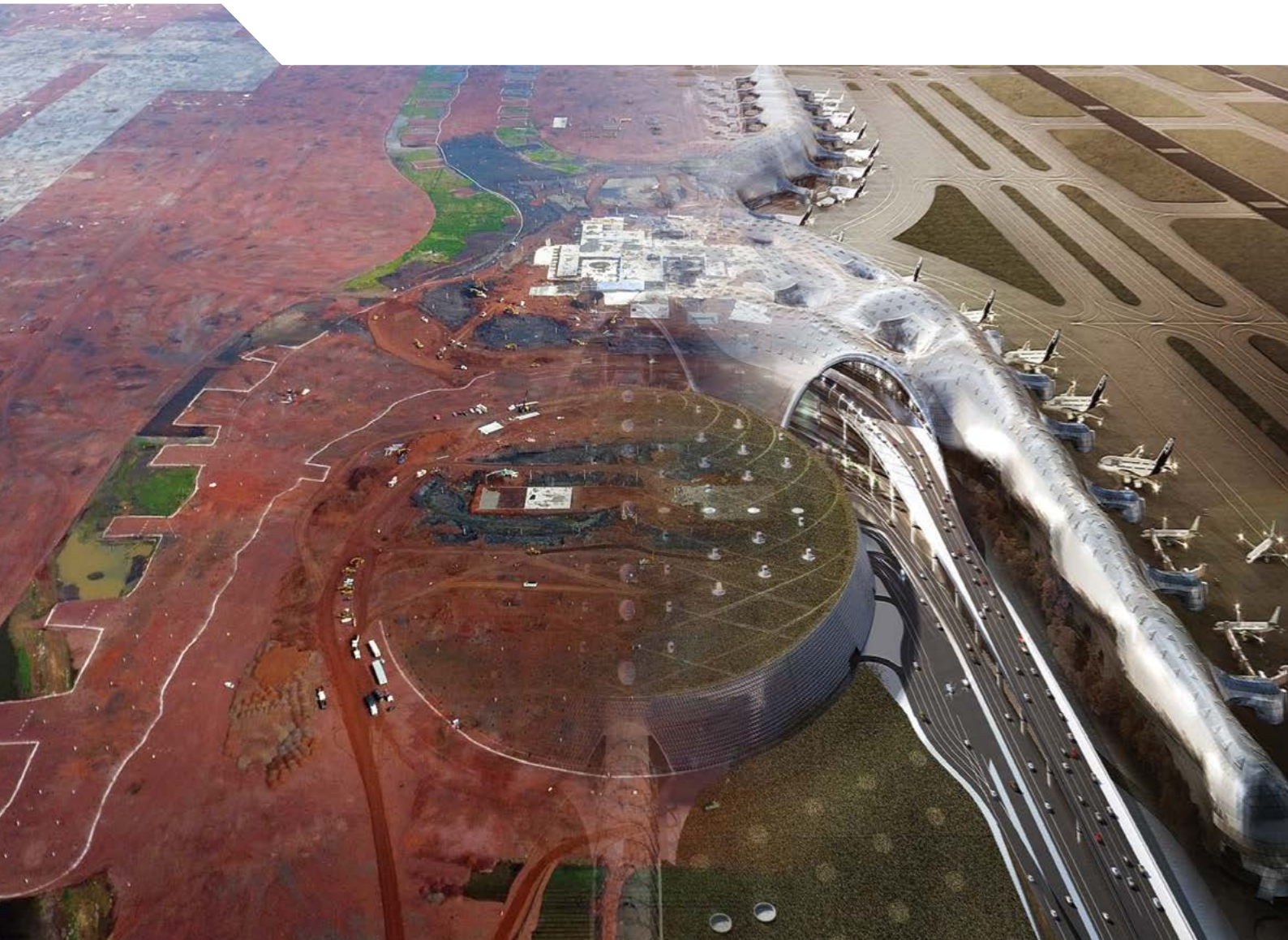




Second Progress Report on the Development of the New International Airport of Mexico City

**ADAPTING PRACTICES TO MEET EMERGING
CHALLENGES**



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CHALLENGES

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Table of contents

Executive Summary	5
High impact recommendations	8
Follow up on the OECD reports.....	11
Chapter 1. Adapting the governance of the project to the construction intensive phase.....	13
Priority 1: Strengthening the management autonomy of GACM by completing the reform of its corporate governance	14
Priority 2: Consolidating the new organisational structure of GACM and assess remaining opportunities	17
Priority 3: Facilitating whole-of-government co-ordination to ensure consistent actions from the different entities involved in the project by expanding the scope and membership of the Group for Inter-ministerial Co-ordination	22
Priority 4: Creating new mechanisms for stakeholder engagement in order to build trust in the project	26
Priority 5: Ensuring the adequate financing for the project beyond 2019	32
Summary of actions for the implementation of the recommendations	33
References.....	35
Chapter 2. Developing and implementing a strategic procurement framework to mitigate risks posed to the effective delivery of NAICM	37
Priority 1: Ensuring coordinated decision-making in relevant procurement processes	38
Priority 2: Benefiting from SFP support in selected tenders	40
Priority 3: Strengthening pre-tendering activities to ensure effective competition	45
Priority 4: Strategic contract management is required to mitigate the risks the NAICM is facing and to minimise their consequences	47
Summary of actions for the implementation of the recommendations	52
Annex 2.A. Proposed checklist for market analyses.....	55
References.....	58
Chapter 3. Integrity and Transparency	59
Integrity.....	59
Risk Management	71
Transparency.....	78
Summary of proposals for action for the implementation of the recommendations.....	88
References.....	92
Chapter 4. Consolidating communication strategies to develop social ownership of the NAICM project.....	93
Priority 1: Develop tools to provide real-time information to different stakeholders.....	93
Priority 2: Leverage on communications to foster the project’s continuity, inform about good practices adopted by GACM, and build social trust	95
Summary of actions for the implementation of the recommendations	98
References.....	99

Tables

Table 1. Working groups and their corresponding recommendations from the progress report	12
Table 1.1. GACM employees by contract type	18
Table 1.2. Social dialogue by municipality	28
Table 3.1. Alternatives for managing conflict-of-interest situations as foreseen in the GACM Protocol	60
Table 4.1. Contracts published in GACM website to follow up physical and budget progress	94
Table 4.2. Evolution in the number of followers in Facebook and Youtube.....	97
Table 4.3. NAICM webpage visitors by age	97

Figures

Figure 1.1. Evolution of GACM public officials.....	19
Figure 1.2. GACM new organisational structure	20
Figure 2.1a. Competition throughout evaluation stages in packages relating to simpler works	42
Figure 2.1b. Competition throughout evaluation stages in packages relating to complex works	42
Figure 2.2. Comparison between planned and actual deadlines in selected tenders	44
Figure 2.3. Deviations in contract execution.....	47
Figure 3.1. Values Campaign June desktop wallpaper.....	67
Figure 3.2. Example of a heat map portrayed in GACM's policies.....	73
Figure 3.3. Mexico's Institutional Risk Management Model (Administración de Riesgos Institucionale, ARI).....	74
Figure 3.4. Extracted from datos.gob.mx, <i>Procedimiento de Contratación</i>	82
Figure 3.5. Extracted from datos.gob.mx <i>Destino de la Contratación</i>	83
Figure 3.6. General information on contracts and suppliers.....	84
Figure 3.7. Relevant projects for the construction of the NAICM: works on land side	85
Figure 3.8. Extract of guide for exploring GACM procurement processes.....	87

Boxes

Box 1.1. GACM Vision and mission.....	18
Box 1.2. The Group for Inter-ministerial Co-ordination	23
Box 1.3. Results from the 2016 social consultation process	27
Box 1.4. Results from Social Dialogue	29
Box 1.5. The Plural Working Group on Public Procurement.....	32
Box 2.1. International experience of supplier relationship management in airports	51

Executive Summary

This document reports progress made by the Airport Group of Mexico City (*Grupo Aeroportuario de la Ciudad de México*, GACM) and other entities concerning the 16 high impact recommendations made by the OECD in its November 2016 “First progress report on the development of the New International Airport of Mexico City: Towards effective implementation”,¹ which in turn followed up the report “Effective Delivery of Large Infrastructure Projects: The Case of the New International Airport of Mexico City”, published in November 2015.²

These reports were provided in the context of the multiannual collaboration between the OECD and Mexico’s Ministry of Communications and Transport (*Secretaría de Comunicaciones y Transportes*, SCT) to advance integrity, transparency, good procurement practices, and improve the communication of the project of the New International Airport of Mexico City (NAICM), an infrastructure flagship under construction to replace the existing international airport in 2020.

The NAICM project responds to the saturation of the current Mexico City airport, a steep increase in demand for its services, and the plan to make Mexico a regional hub for international travellers. The attractiveness of Mexico’s airport infrastructure called for a major investment to compete with other regional hubs. For example, Panama’s Tocumen International Airport is currently carrying out an expansion project called T2, which started in March 2013. The masterplan for the expansion of Tocumen International Airport is planned to increase capacity from 5.8 to 18 million passengers per year by 2022.³

Substantial progress has been made in the fields reviewed in this report, namely the governance of the project, public procurement, integrity and transparency, and communications. Some of the notable achievements in 2017 are the following:

- *Governance*: The incorporation of four independent members to GACM’s Board helped to bring expertise and facilitates more balanced discussions in Board meetings. The organisational structure of GACM was amended to facilitate accountability and decision making. Social consultation exercises have been concluded and are being followed up not only to address the concerns of

¹ The progress report can be accessed in English at <https://www.oecd.org/gov/public-procurement/publications/progress-report-new-airport-mexico-city.pdf> and in Spanish at <http://www.oecd.org/governance/ethics/avances-desarrollo-nuevo-aeropuerto-mexico.pdf>.

² This report can be accessed in English at <http://www.oecd.org/publications/effective-delivery-of-large-infrastructure-projects-9789264248335-en.htm> and in Spanish at <http://www.oecd.org/gov/desarrollo-efectivo-de-megaproyectos-de-infraestructura-9789264249349-es.htm>.

³ Foster + Partners website, <https://www.fosterandpartners.com/projects/tocumen-international-airport/>, accessed on 1 December 2017.

stakeholders around the project, but also to inform them about its benefits. Furthermore, as of October 2017, the NAICM financing scheme has been awarded 15 times by several publications and international organisations, such as LatinFinance, IFR, the Climate Bonds Initiative, and CG/LA Infrastructure.

- *Public Procurement:* The increased cooperation with the Ministry of Public Administration (*Secretaría de la Función Pública, SFP*), along with GACM's efforts in streamlining tender documentation, positively impacted the disqualification rate of bidders for legal and administrative reasons, which dropped from 56 to 18%. Ongoing work, with the support of SFP, on ensuring that award criteria and weights are tailored to the scale and complexity of the works put to tender could also maximise genuine competition by aligning requirements with market capabilities. Further, GACM successfully laid the technological foundations to strategically manage an exponential number of contracts, all participating to a certain extent to the effective delivery of the NAICM.
- *Integrity and Transparency:* GACM has strengthened its framework for managing conflict of interest and elaborated an internal Protocol for all employees, regardless of their contractual status. GACM has also invested significant efforts in establishing and enhancing trust in its channels for reporting misconduct. On risk management, GACM has made substantial progress, improving its strategy and structure for managing risks, including the hiring of a full-time risk manager and dedicating resources to improving risk management. By including integrity clauses in all contracts and applying the Integrity Manifesto to non-public employees, GACM has also advanced its integrity commitments amongst its private sector partners. Moreover, significant efforts have been made to increase transparency, with GACM publishing on its website and in the government's open data portal detailed information on the 321 contracts. This achievement led GACM to win two *Gob.mx* awards, which recognise innovation and the application of digital technologies in the public sector. In April 2017, GACM established an agreement with the National Institute for Transparency, Freedom of Information and Personal Data Protection (INAI), which, in July 2017, recognised GACM as an institution trained at 100% on transparency issues.
- *Communications:* The communications strategy of GACM has diversified, with a well-established unit and even a formal budget to operate. Furthermore, communication of the NAICM project through social media has grown significantly.

In spite of this progress, the project still faces significant risks that need to be mitigated to facilitate its delivery on time, on budget, and meeting international quality standards. First, the reform of GACM's corporate governance should continue by amending the composition of its Board and building on the good results from the incorporation of four independent members. Likewise, in order to free GACM from some of the limitations imposed by its very own nature of an enterprise with majority state participation, a higher degree of vertical separation between GACM and SCT should be pursued, including short-term alternatives to increase GACM's management autonomy.

Although GACM's organisational structure has been strengthened, a gap analysis is still due to better understand the new needs of the heavy construction stage and identify functions that are still vulnerable. The governance and the interoperability of GACM's information systems can still be reinforced and the reengineering initiative should strive towards that goal. Upgrading co-ordination in the whole-of-government to address the

problems that emerge in the development of mega infrastructure projects should also be a continuous effort. Furthermore, the NAICM project would benefit from mitigating the uncertainty created by the excessive reliance on public budgets beyond 2019.

While progress has been made in federating procurement expertise through the creation of an Executive Steering Committee (*Comité Directivo*), comprised of GACM staff and experts from the project manager Parsons, further efforts are necessary to improve coordination in decision making regarding procurement strategies. Increased coordination would provide benefits for all stakeholders, including GACM, and could help to avoid recently experienced situations which impacted the already constrained packages sequencing.

Increased exposure to risks of delays and changes call for a greater emphasis on contract management to ensure that GACM is keeping a close oversight on the execution of works. An exponentially growing number of on-going contracts coupled with limited human resources capabilities could further increase related risks and expose the NAICM to public criticism. To mitigate these risks, it is therefore urgent for GACM to cautiously assess efforts required to implement a comprehensive contract management framework and define the corresponding number of officials required to carry out those tasks.

Given GACM's advances on managing conflict of interest, whistleblower protection, risk management and engagement with the private sector, the focus should now be on enhancing the various measures across specific areas. In terms of managing conflict of interest, additional actions with regard to the content of the Protocol could be taken, as well as endorsing an implementation strategy to ensure the Protocol's effects on real behaviour. On whistleblower protection, reducing the complexity of the requirements to qualify the information reported by an employee is necessary, as well as communicating and demonstrating to employees that reprisals against whistleblowers will not be tolerated. Building on its risk management progress, GACM could take additional steps to further improve its policies and processes, including refining its guidance for conducting risk assessments, defining risk tolerances and enhancing awareness-raising and trainings. As part of these efforts, GACM could take steps to further develop the business case for managing corruption risk across the procurement cycle in order to promote a culture of risk management. Efforts to engage non-public employees and private sector partners should continue, with dedicated efforts now focused on ensuring that integrity standards are clear, accessible, understood, and implemented.

Regarding transparency, it is time to institutionalise good practices, such as the publication of all contracts under the Open Contracting Data Standards (OCDS) and of including the physical and budget progress of the works. This experience should be documented to facilitate continuity and dissemination to other public institutions. Taking it to the next level, GACM could provide a simplified overview of the entire project which clearly answers two key questions: whether the project is on time and whether it is on budget. Moreover, GACM is encouraged to explore the possibility of allowing the publication of information in real time.

Regarding communications, the main challenge of the communications strategy during 2018 will be fostering the idea that the continuity of the NAICM project is safe and building social trust.

After assessing achievements and imminent opportunities, the OECD proposes concentrating resources and efforts in the following high impact recommendations, which are to be advanced not only by GACM, but also by partner entities with the leadership

and resources necessary to mobilise support towards the project. These recommendations aim to institutionalise the reforms and good practices adopted by GACM, so that they can be sustained over time, even if the senior management changes at some point.

During 2018, OECD will support GACM through a series of activities to assist implementation of the various recommendations.

High impact recommendations

To be led by GACM:

1. GACM should assess remaining opportunities in its organisational structure by carrying out a gap analysis to identify functions that are still to be strengthened. At the same time, the reengineering process should be completed to strengthen the governance of processes and the interoperability of information systems.
2. GACM should create mechanisms to systematically engage a larger set of stakeholders in the NAICM project. The Plural Working Group on Public Procurement provides a model that could be fully or partially replicated.
3. GACM should build on recent efforts and continue, with the support of SFP, to design tender documentation, award criteria and weights which encourage broader participation in its procurement processes, bearing in mind the unique nature of the works. Increasing the number of offers competing on both their technical and financial components would positively impact savings and reduce risks of collusion or market allocation.
4. Being a prerequisite for a more strategic use of public procurement, GACM could reinforce its efforts on market analysis by maximising the use of existing information and developing a structured approach to this exercise. Doing so would help GACM to further ground strategic orientations and minimise delays in carrying out procurement processes.
5. GACM could cautiously assess the efforts required to implement a comprehensive contract management framework and the risks of not doing so. It should also ensure that it retains ownership and close oversight on suppliers' performance, including those supervising construction works.
6. By categorising its supply base and tailoring contract management activities, GACM would benefit from the possibility to allocate resources strategically and minimise risks linked with sub-optimal management of suppliers. By reinforcing the strategic management of suppliers, GACM could take a proactive stance in anticipating emerging issues and adapting to evolving conditions.
7. To further strengthen its framework for managing conflict-of-interest, GACM could improve the content of the new internal Protocol to prevent, identify and manage conflict-of-interest situations and develop an action plan with concrete measures to ensure its effective implementation and impact on behaviour.
8. GACM could build trust in the channels for reporting misconduct by simplifying the reporting procedures and strengthening top management's endorsement of both internal and external channels for reporting misconduct.
9. GACM could advance efforts to safeguard integrity through further improvements to its policies and guidance for managing risks, particularly corruption risks, as well as refining actions that raise awareness and enhance expertise among staff for better risk management across the procurement cycle.

10. GACM could ensure that the Ethics Unit has the responsibilities for integrity coordination, making it a one-stop shop for integrity, ethics and anti-corruption for all internal and external actors of GACM.
11. To ensure effective adoption of integrity requirements amongst non-public employees and private sector partners, GACM could approve the dissemination of the Integrity Manifesto and encourage suppliers to adopt the Model Business Integrity Programme, in co-ordination with SFP and business chambers.
12. GACM could advance transparency efforts, in particular by ensuring clarity on the types of data available, developing tools to provide real-time information on such progress, and displaying the physical and financial advance of the entire project in a user-friendly format.
13. Building on the achievements of the communications strategy, GACM should leverage on it to foster the NAICM project's continuity, inform about good practices and benefits for society, and build social trust.

To be led by partner institutions:

14. The Centre of Government (i.e., the Office of the President) should further strengthen GACM's management autonomy by completing the reform of its corporate governance. This includes exploring alternatives to provide GACM appropriate flexibility in its internal management, putting in place an internal audit function, and reforming the composition and appointment process to the Board.
15. The Centre of Government should ensure whole-of-government co-ordination around the NAICM project by expanding the scope and membership of the Group for Inter-ministerial Co-ordination and empowering it to tackle the issues that emerge during the construction stage.
16. The Centre of Government, having the required political leadership, could convey a consultative group comprised of stakeholders, at all levels of government, providing advice on procurement decisions taken in the development of the NAICM.
17. SHCP, together with GACM, should take a decision as soon as possible on how they are going to ensure adequate financing for the project beyond 2019. Opportunity in this decision is critical to keep trust in the sustainability of the project.

Follow up on the OECD reports

In January 2015, the OECD and Mexico's Ministry for Communications and Transport (*Secretaría de Comunicaciones y Transportes, SCT*) established an agreement to advance integrity, transparency, and good procurement practices in the development and construction of the New International Airport of Mexico City (*Nuevo Aeropuerto Internacional de la Ciudad de México, NAICM*). A core contribution of the OECD in this context was a review of four core elements of this airport infrastructure: i) the governance of the project, ii) the procurement scheme, iii) the integrity measures to shield the project from corruption, and iv) the communications strategy.

The OECD Review *Effective Delivery of Large Infrastructure Projects: The Case of the New International Airport of Mexico City* was published on November 2015.¹ The review made 100 recommendations to the Airport Group of Mexico City (*Grupo Aeroportuario de la Ciudad de México, GACM*), the enterprise with majority state participation (*empresa de participación estatal mayoritaria*) in charge of the construction of NAICM, and other ministries and agencies with legal responsibilities in the development of the project.

In November 2016, the OECD published the *First Progress Report on the Development of the New International Airport of Mexico City: Towards Effective Implementation*.² This progress report took stock of developments in the management of the project, assessing progress in the implementation of the good practices recommended and their suitability to Mexico's legal context and identifying remaining areas of opportunity. In light of this assessment, the report suggested to focus resources and efforts on 16 high-impact recommendations dealing with the four core elements addressed in the November 2015 review.

The objective of this document is to report progress made by GACM and other entities concerning the 16 recommendations issued in the first progress report, recognise achievements, and highlight the main opportunity areas that are still to be addressed to tackle gaps that remain in the project and may threaten its successful completion on time and on budget.

The 16 recommendations were clustered into seven streams and working groups were formed for each one of them, to be in charge of taking actions to address them. The working groups benefited from the participation not only of GACM and OECD officials, but also those from the Ministry for Public Administration (*Secretaría de la Función Pública, SFP*). The working groups and their corresponding recommendations were organised as indicated in the table below to make their attention more effective:

¹ The review is available in its English (<http://www.oecd.org/publications/effective-delivery-of-large-infrastructure-projects-9789264248335-en.htm>) and Spanish versions (<https://www.oecd.org/centrodemexico/medios/NAICM%20e-Book.pdf>).

² The progress report is available in its English (<https://www.oecd.org/gov/public-procurement/publications/progress-report-new-airport-mexico-city.pdf>) and Spanish versions (<http://www.oecd.org/governance/ethics/avances-desarrollo-nuevo-aeropuerto-mexico.pdf>).

Table 1. Working groups and their corresponding recommendations from the progress report

<i>Working groups</i>	<i>Recommendation #</i>	<i>Chapters of this report</i>
Risks	1, 5, 6	Governance, public procurement, and integrity
Social consultation and citizen engagement	2	Governance
Public procurement	3, 4, 10	Public Procurement
Integrity	11	Integrity
Transparency	7, 14	Integrity and communications
GACM reengineering	8, 9, 12, 13, 15	Governance
Contract management	16	Public Procurement

Source: Produced by the OECD Secretariat.

The role of the OECD is to accompany the process of implementation of the recommendations, suggesting good international practices, keeping the reform process in the agenda of GACM, and contributing to capacity building for GACM staff. Between October 2016 and December 2017 the OECD organised and conducted four workshops on governance of mega infrastructure projects (24 October 2016), surface access planning (14 March 2017), contract management (9 May 2017), and identification and management of Conflicts-of Interest (11-12 July 2017). All these workshops benefited from insights from OECD staff and senior peer experts from OECD countries, as well as national institutions with expertise on the subject. In addition, the OECD provided ad hoc advice upon GACM request on several topics, such as risk management, integrity risks and management of conflict of interest situations, the review of the scope of market research beyond strictly legal requirements, and leveraging on data published by GACM under the Open Contracting Data Standard and its visualisation for the use of civil society, among others.

Chapter 1. Adapting the governance of the project to the construction intensive phase

The governance of the project for the New International Airport of Mexico City (*Nuevo Aeropuerto Internacional de la Ciudad de México*, NAICM), as in any other mega infrastructure project, evolves as it goes from one stage to the next (i.e., from planning to tendering and from tendering to construction).

Governance is an element that runs through the veins of all aspects of successful project delivery. According to the UK Office of Government Commerce (OGC) five out of the eight causes of project failure identified in 2005 were attributable to weak governance. In contrast, OGC found that seven out of the ten common causes of confidence identified in 2010 were attributable to good governance. Similarly, PwC's 2012 *Global Study on Project Management Trends* identified that weak governance was the main contributor to project failure. Likewise, the Infrastructure UK *Cost Review Report 2010* and the UK National Audit Office's *Guide to Initiating Successful Projects* stress the importance of good governance by highlighting the need for a greater focus on the early stages of projects to ensure that they are set up to succeed, establishing the right delivery environment and capability to match the complexity of the project. (Infrastructure UK, 2014_[1])

Project governance arrangements can, and indeed should, change over time as the sponsor gains more understanding of risks and arrangements for management, as the management team and processes mature and demonstrate competence, and as the NAICM project progresses through its lifecycle. Furthermore, reforms need to consolidate as infrastructure projects move from one stage to the other in order to impact organisational structures, the behaviour, and the performance of public officials and other stakeholders. Indeed, GACM has already advanced several reforms to the governance of the project that need to be institutionalised to favour their deep impact in the execution of the NAICM project.

The governance of the project is also relevant given the upcoming government transition in Mexico, scheduled for December 2018. By then, it will be extremely important to have institutionalised structures for the governance of the project and the co-ordination between the different entities and stakeholders involved. The NAICM project, under an extremely compressed timeline, cannot afford long learning curves from a new administration and, therefore, Mexico's Government has the challenge of ensuring continuity of the policies and processes that have proved effective to facilitate the management of the project and create trust among citizens and investors.

In its two previous reports, OECD looked at the corporate governance of the entity in charge of the delivery of NAICM, the Airport Group of Mexico City (*Grupo Aeroportuario de la Ciudad de México*, GACM), its organisational structure, co-ordination, risk management, social consultation, and stakeholder engagement. This chapter will look at the most recent achievements in these fields, assess them in the context of the current stage of NAICM, and make recommendations to address remaining

opportunities and consolidate key reforms, such as those dealing with the composition of GACM board, the reengineering of GACM organisation, the integrity measures, the implementation of international standards to make procurement activities more transparent, and the risk management strategy, as well as the financing scheme of the project.

Priority 1: Strengthening the management autonomy of GACM by completing the reform of its corporate governance

Recommendation number from the 2016 progress report: 8.

The OECD review (November 2015) found the need to increase the degree for vertical separation of powers in GACM's relationship with the Ministry of Communications and Transport (*Secretaría de Comunicaciones y Transportes, SCT*), the lack of an internal audit function, and the need to review the composition and nomination process to the Board.

Good practice would suggest a corporate governance arrangement that is similar to the following:

- Business strategy, operational issues, investment decisions, and procurement are the responsibility of GACM's management and its Board.
- Airport policy is managed by SCT as part of an integrated transport policy.
- Sectoral or specific regulatory concerns would be the responsibility of the relevant ministries and government agencies.

Progress made

Three independent members incorporated to GACM's Board during its 4th ordinary session in December 2016. Recently, in December 2017, a fourth independent member joined the Board. This incorporation of independent members had been an explicit OECD recommendation in order to bring in expertise and facilitate more balanced discussions. GACM's deed was amended in order to formalise their incorporation, after the approval of the Shareholders' Assembly, which illustrates progress in the reform of the Board membership.

The four independent members have valuable expertise for GACM, including on project management, public finance, infrastructure, transport, and public administration. Feedback by GACM senior management is quite positive regarding the role of these four members, in the sense that they have enriched the discussions in Board meetings, contributing to more balanced perspectives on key issues. Indeed, previous to their incorporation, all members of GACM's Board were public officials, so this reform contributed to the professionalisation of the Board through contributions and recommendations that benefit the NAICM project.

The independent board members also participate in GACM's Internal Control and Institutional Development Committee (*Comité de Control Interno y Desarrollo Institucional, COCODI*), which is a mechanism followed up by the Ministry of Public Administration (*Secretaría de la Función Pública, SFP*) to monitor and assess internal control activities in each entity of the public administration, as well as in GACM technical meetings, on top of the Board own tasks..

Areas for improvement

The nature of GACM as an enterprise with majority state participation (*empresa de participación estatal mayoritaria*) subjects the entity to a set of regulations and conditions that limit its flexibility, for example, in terms of the regimes for public procurement, budgeting, human resources management, and corporate governance. The incorporation of four independent members to GACM's Board was, without a doubt, a step in the right direction. However, it is important to consider their capacity to influence the management of the project. Indeed, strategic decisions are not taken in GACM's Board, but rather in SCT and in the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*, SHCP), both being actually represented at the Board.

This is the consequence of suboptimal practices of corporate governance in Mexico that are actually embedded in law. Article 9 of the Federal Law for Quasi-state Entities (*Ley Federal de las Entidades Paraestatales*, LFEP) establishes that SHCP will be represented in the boards of such entities, as well as other ministries dealing with the corresponding subject. Likewise, Article 35 of LFEP establishes that the sector co-ordinator (SCT for the case of GACM) will preside over the board. Hence, modifying the board composition requires legislative reforms.

While the usual practice in Mexico is that public officials populate SOE's boards, there is growing recognition among OECD countries that certain public sector representatives are not acceptable as SOE board members under any circumstance. OECD consensus, illustrated in the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, (OECD, 2015_[2]) holds that neither ministers, state secretaries, nor other direct representatives of, nor parties closely related to the executive powers should be represented on SOE boards.

Scandinavian countries, for example, have gone further than most jurisdictions to formally limit the weight of politicians and bureaucrats in SOE boards. For example, active politicians, including members of parliament, ministers, state secretaries, as well as civil servants who within their remit exert regulatory or controlling authority over the company or deal with matters of substantial importance for the company, cannot be elected to the board of directors in Norway.

Moreover, many countries have restrictions concerning the nomination of civil servants as board members. In Finland, for instance, only one civil servant from the ownership function (and in some cases another from a relevant administration) can serve on an SOE board, but potential conflict issues are avoided by generally not allowing the politically appointed civil servants to serve on boards. A similar approach has been adopted by Australia where appointment of departmental officers can only be considered in exceptional circumstances, having regard to their ability to represent the interests of the government, their possession of business skills, and to any potential conflicts of interest that might arise. So, in general, good practice is to avoid officials directly linked with the executive powers from sitting on SOE boards. (OECD, 2013_[3])

The NAICM project dynamics call for a corporate entity with the management autonomy required to adapt itself to the different stages of infrastructure development.⁶ This

⁶ In fact, Article 11 of LFEP establishes that “quasi-state entities will be granted management autonomy for the fulfilment of their objectives, and the objectives and goals of their programmes. In that sense, they will have an agile and efficient administration and will be subject to the control systems established in this law and those related to the public administration, as long as they do not conflict with this law”.

corporate entity, GACM, should be able to take decisions independently from the head of sector (SCT), in order to steer the project following technical criteria, isolated from political considerations. Currently, there is not a clear separation between the attributions of SCT and GACM and, in practice, GACM Director General reports to SCT, which hinders the corporate nature of GACM.

According to a legal analysis commissioned by GACM, a higher degree of vertical separation between GACM and SCT would require legislative reforms to, among others, the Organic Law of the Federal Public Administration (*Ley Orgánica de la Administración Pública Federal*), the LFEP and its Bylaws (*Reglamento*), and the Federal Law on Budget and Financial Responsibility (*Ley Federal de Presupuesto y Responsabilidad Hacendaria*) and its Bylaws. Under some scenarios (i.e., turning GACM into a State productive enterprise), even a constitutional reform might be necessary.⁷

Since this kind of major reform is out of the scope of GACM powers, Mexico's Government (i.e., the Office of the President) should take the leadership and leverage this opportunity to reform the governance of SOEs, while at the same time providing GACM with the flexibility to carry out a mega infrastructure project such as the NAICM. The Centre of Government may also consider alternatives in the short-term that provide greater flexibility to GACM in its internal management, either by enforcing Article 11 of the LFEP or seeking corporate reforms with the participation of other shareholders.

In addition, GACM should set up an internal audit function that reports to the Board, as this function does not currently exist. The participation of independent members in GACM's Board opens up the possibility for this function to report directly to a committee headed by an independent member.

Even though GACM's Internal Control Body (*Órgano Interno de Control*, OIC) has audit powers as part of its portfolio, its structure is not consistent to that of a corporate entity, basically because it is not accountable to GACM's Board, but to the SFP.

As in large listed companies, it is necessary for GACM to put in place an internal audit system. Internal auditing in state-owned enterprises (SOE's) provides independent and objective evaluations to help SOEs improve risk management, control and governance. Internal auditors are important to ensure an efficient and robust disclosure process and proper internal controls in the broad sense. They should define procedures to collect, compile and present sufficiently detailed information. They should also ensure that SOE procedures are adequately implemented.

International experience suggests that to increase their independence and authority, internal auditors should work on behalf of, and report directly to, the board and its audit committee. Internal auditors should have unrestricted access to the Chair and members of the entire board and its audit committee. Their reporting is important for the board's ability to evaluate actual company operations and performance. Consultation between external and internal auditors should be encouraged. It is also recommended as good practice that an internal control report is included in the financial statements, describing the internal control structure and procedures for financial reporting. Material findings

⁷ A constitutional reform requires approval by two-thirds of both legislative chambers (the Senate and the Chamber of Representatives), as well as by the majority of the federal state legislatures.

from the internal audit should be reported to the board and, where applicable, its audit committee.⁸

Finally, the LFEP or its Bylaws do not elaborate on alternative procedures for Mexico's President to appoint board members (i.e., nomination committees, pools of qualified candidates, headhunting firms), while OECD good practice suggests that such appointments should be based on competitive and merit-based procedures.

Priority 2: Consolidating the new organisational structure of GACM and assess remaining opportunities

Recommendation number from the 2016 progress report: 9 and 15.

Since the publication of its review in November 2015, OECD identified the need to strengthen GACM's organisational structure. This need was reiterated in the November 2016 progress report, not only in terms of number of employees, but also regarding accountability and allowing timely decision making. Furthermore, the need to establish systems to share information between different GACM departments and allow following up the progress of the project was also raised.

Progress made

GACM, with the support of a private consultancy, developed a project for the reengineering of processes, systems, and the organisation, aiming to strengthen management, internal control flows, and accountability. The objectives of such reengineering are the following:

- Establishing the management model for the adequate execution of the NAICM project.
- Making GACM vision clearer to align with the NAICM project (see Box 1.1).
- Identifying the skills required to carry out the project.
- Aligning the organisation to objectives.
- Designing processes to favour the systemic achievement of objectives.
- Aligning information systems to processes.
- Aligning the organisational structure to processes with the right number of employees and adequate skills to carry out the NAICM project.

⁸ OECD (2015), OECD Guidelines on Corporate Governance of State-Owned Enterprises, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264244160-en> (OECD, 2015_[2])

Box 1.1. GACM Vision and mission

Vision: Becoming a reference for excellence in the management of mega infrastructure projects throughout the development and life cycle of NAICM, notably by its ability to manage public and private resources efficiently, finding innovative solutions to complex problems, taking decisions that optimise sustainability, and behaving with integrity and transparency.

Mission: Building and making operational the New International Airport of Mexico City, and ensuring its adequate management, maximising the airport potential and contributing to the development of the region and the country.

Source: Information published by GACM at <http://www.aeropuerto.gob.mx/quienes-somos.php>.

On 29 March 2017, GACM Board approved the new organisational structure, as well as the salaries classification applied in GACM and instructed the Director General to carry out the necessary procedures in SFP and SHCP to formalise it. Under the new structure, GACM will have 190 positions for public officials, out of which 31 are permanent ones (*estructura*) and 159 are temporary ones (*eventuales*).⁹ In addition, GACM signed a contract to receive the support of outsourced personnel. The whole process to restructure GACM has taken more than one year.

Table 1.1. GACM employees by contract type

	Previous employees	New positions	TOTAL
Permanent	11	20	31
Temporary contracts	74	85	159
TOTAL	85	105*	190

* Out of these 105 employees, 20 belong to the Internal Control Body (Órgano Interno de Control, OIC) and 48 are works supervisors (Residentes de obra).

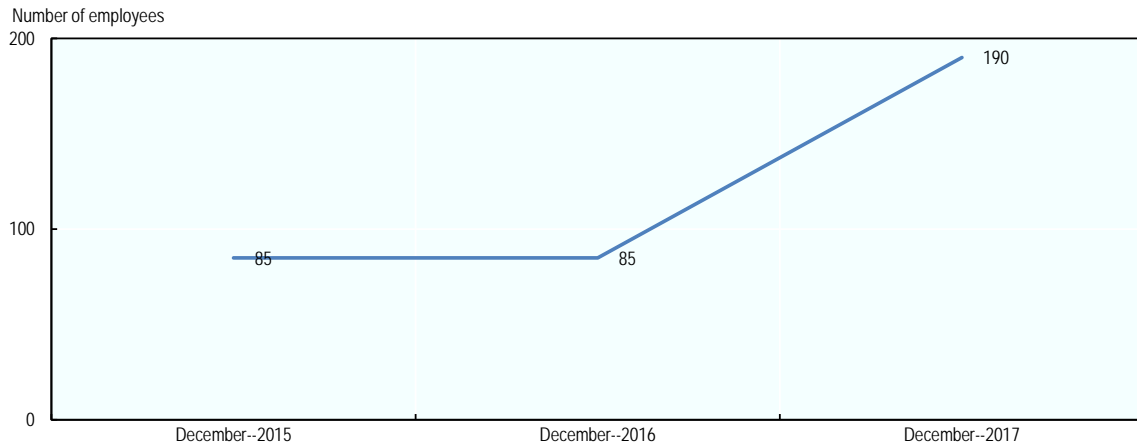
Source: Information provided by GACM.

The number of public officials in GACM increased by 123% as a result of the approval of the new organisational structure. GACM estimates between 500 and 700 employees are necessary to deliver the NAICM project with solvency. The Hong Kong and Abu Dhabi airports required staffs of about 800 and 1800 employees, respectively.

⁹ Temporary contracts have to be renewed every three months, which makes difficult to attract and retain personnel.

Figure 1.1. Evolution of GACM public officials

December 2015-December 2017



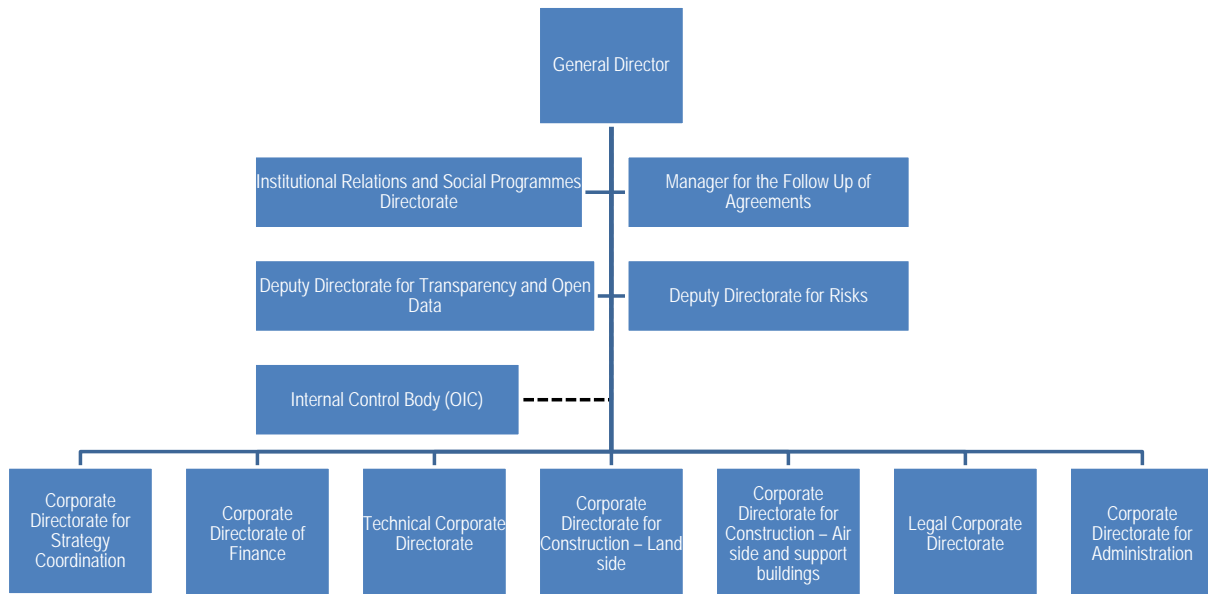
Source: Information provided by GACM.

The new organisational structure has several innovations. A new Corporate Directorate for Strategy Coordination is responsible for the project's Master Plan. It also includes a Technical Corporate Directorate, which consolidates functions related to the design of executive works projects, the contracting of the construction companies for their execution, environmental issues, unitary costs, and airport operations, as well as the analysis, validation, and approval of adjustments to such projects, together with the Construction Directorates (Air and Land Side).

Good practices in airport construction are based in three main foundations: land side infrastructure (terminal building, surface access roads, transport centre, air control centre), air side infrastructure (run ways, control tower, services network), and support buildings infrastructure (emergencies centre, fire department building, communications). GACM's strategy consisted on creating only two of these areas: land side infrastructure and air side infrastructure, which also takes care of support infrastructures and buildings (see Figure 1.2).

There is also a new Deputy Directorate for Transparency and Open Data which coordinates the implementation of freedom of information, proactive transparency, open data, and personal data protection policies with the aim to institutionalise them.

Figure 1.2. GACM new organisational structure



Source: Information provided by GACM.

Several improvements can be identified when compared to the previous structure. In addition to the division of the Construction/Infrastructure Directorate into two areas (land side and air side and support buildings), a new directorate was created for legal services to reflect its support function for all areas. Likewise, although there is no CIO office as such in the second-tier of the organisation, a Deputy Directorate for Systems and Processes was created under the Corporate Directorate for Administration.

The OECD progress report (November 2016) also recommended to complete the implementation of a GRP system called Institutional System for the Airport Group (*Sistema Institucional de Grupo Aeroportuario, SIGA*) throughout GACM. The system is now fully implemented and operational, including the following functionalities:

- General accounting.
- Budget planning and control.
- Treasury.
- Payable accounts.
- Procurement.
- Stock and fixed assets.
- Business intelligence and information analysis.
- Electronic accounting of the Revenue Agency (*Sistema de Administración Tributaria, SAT*).

GACM has also developed other information systems, such as the System for works and projects control (*Sistema de Control de Obra y Proyecto, SCOP*)¹⁰ and the System to draft payment documents (*Sistema de elaboración de documentos de pago, SEDP*). The SEDP aims at streamlining payment procedures, minimising the possibility of mistakes. It

¹⁰ More information on SCOP can be found in the chapter on Procurement.

facilitates the follow up of progress of works and standardises payment documents, contributing to contract management practices.

GACM has been working on the interoperability of its information systems and there is progress. For example, SIGA and SEDP are already interconnected for the purposes of contract and invoice payments information (from SIGA to SEDP) and works estimations (from SEDP to SIGA). In the next months, GACM plans to interconnect SEDP and SCOP to facilitate the transmission of information on physical and budget progress of the works and establish links SEDP-SIGA-SCOP. However, there are many other information systems still to be interconnected and the main weakness of GACM with regards to information systems is their governance scheme.

Areas for improvement

GACM's organisational structure, although improved, requires permanent monitoring to identify gaps creating risks to the management of the NAICM. For example, despite the incorporation of 48 works supervisors (and their respective teams) and the participation of supervision companies for each works contract, the dimension of the works calls for a gap analysis to make sure this number is aligned to the complexities of the contracts. Another example could be the need to have contract managers for the acquisition of goods and services.

The gap analysis should provide light for GACM to come up with more accurate estimates of its needs of human resources, and the functions that are still to be strengthened. As recognised in the OECD previous reports, fiscal pressures in Mexico make difficult to get room to expand organisational structures. But it is also true that the NAICM project should be treated completely different from other public initiatives given the magnitude of the risks entailed (for the project itself and for the country as a whole), particularly as the project has already entered a heavy construction stage.

The gap analysis is also required as GACM original structure responded to functions related to planning, design, and tendering. Now, the priority should be on contract management to make sure works are delivered on time, on budget, and with the required quality and opportunity. In the future, priorities will change again and GACM does not have the flexibility to adjust to the different stages of the project. The new organisational structure responds better to these needs, but GACM should make a continuous effort to spot where the weaknesses are and channel resources according to priorities.

A differentiated treatment would also allow GACM to adopt salary scales different from the ones used by the public administration. It is the opinion of several stakeholders that salaries are currently not aligned with staff responsibilities. This again relates to the corporate governance of GACM and its nature and will require legislative reforms. This is important for GACM to be able to attract and retain talent. In fact, during the summer of 2017 GACM recruited for the position of Deputy Director of Risks and the process got complicated as the salaries GACM could offer were not aligned to the profiles required.

Currently, as explained above, GACM uses several information systems with diverse access levels. But these systems often are not interconnected, which may lead to redundancies, overlaps, and confusion. GACM hired a consultancy precisely to address this governance issue and to align processes with information systems. A project was developed to better understand the way in which the different systems interact and communicate, as well as the units responsible for them. The project includes the following actions:

- Developing the IT governance model.
- Creating a strategic working group to operate and maintain the model.
- Formalising a committee for the authorisation and follow up of projects related to IT systems.
- Developing control policies and guidelines.
- Following up the IT Strategic Plan.
- Developing IT standards.

The project aims at the right direction and it will be important for GACM to achieve its full implementation in order to streamline and make sense of the IT tools it uses. The initiative should support systems interoperability not only to make processes more efficient, but also to facilitate compliance with freedom of information and open data regulations, as currently limited interoperability leads to the collection of information from different platforms.

Priority 3: Facilitating whole-of-government co-ordination to ensure consistent actions from the different entities involved in the project by expanding the scope and membership of the Group for Inter-ministerial Co-ordination

Recommendation number from the 2016 progress report: 1.

The OECD progress report on NAICM (November 2016) concluded that “although some co-ordination mechanisms have been established and produced good results, their effectiveness will still be put to the test as construction advances and new challenges arise demanding the concerted actions of different agencies and levels of government.”

In the progress report, OECD documented the activities of a high-level Group for Inter-ministerial Co-ordination and an Environmental Surveillance Committee (*Comité de Vigilancia Ambiental*, CVA). While there have been some achievements, there is not a formal co-ordination mechanism for the different public entities involved in the delivery of NAICM, so that it could address the different issues that are already presenting at the construction site. The Inter-ministerial Group membership is limited (see Box 1.2) and most co-ordination activities take place through bilateral groups (for example, SCT-Ministry of Agrarian, Territorial, and Urban Development, SEDATU).

Box 1.2. The Group for Inter-ministerial Co-ordination

The members of the group are the ministries for the Interior (*Secretaría de Gobernación*, SEGOB), Social Development (*Secretaría de Desarrollo Social*, SEDESOL), Agriculture, Livestock, Rural Development and Fisheries (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*, SAGARPA), SCT, SEDATU, the Government of the State of Mexico, the Commission to formalise land property (*Comisión para la Regularización de la Tenencia de la Tierra*, CORETT), CONAGUA, and Mexico's Youth Institute (*Instituto Mexicano de la Juventud*, IMJUVE).

The objective of the group is to establish links between the participating institutions to address the identified social issues in the area surrounding the NAICM construction site.

Source: Information provided by GACM.

Progress made

As illustrated in its new organisational structure, GACM created the Institutional Relations and Social Programmes Directorate (*Dirección de Relaciones Institucionales y Programas Sociales*) to establish co-ordination and communication strategies with public and private institutions, national and international, as well as with social groups from the municipalities surrounding the construction site, and to improve perceptions about the NAICM project.

Without a doubt, the highlight in terms of co-ordination is the working group established between GACM and SFP. In January 2017, OECD raised the concern to strengthen co-ordination during a meeting with the SFP Minister. She immediately mandated her team to put together a working plan with GACM to support the implementation of OECD recommendations.

The working group set up leaders in each side to support the implementation of the 16 OECD recommendations from the November 2016 progress report. It convenes monthly to discuss progress in the co-operation (as of October 2017, it had met eight times). It is headed by GACM's General Director and the SFP Deputy Minister for Administrative Responsibilities and Public Procurement, but the SFP Minister has followed up progress closely and even directly participated in a meeting held at the construction site.

Some of its achievements include the following:

- Setting up three advisory groups (*Mesas de Acompañamiento*) to accompany three important tender processes (services distribution network – midfield, deep sewage tunnel, and construction of the multimodal transport centre). This mechanism aims to analyse tender projects that, given their complexity or magnitude, are deemed to be advised by SFP to identify problems, their causes, and factors that may hinder the development of the tenders.
- Training on integrity, public ethics, and prevention of conflicts of interest for 270 GACM employees and on the Protocol to regulate the behaviour of procurement officials for 174 GACM employees during April-May 2017. After, in October 2017, a second training stage on integrity, public ethics, and prevention of conflicts of interest, as well as on the Protocol to regulate the behaviour of procurement officials, was carried out as a result of the implementation of the new GACM structure and targeting 72 new employees.
- Training on the regulatory framework on public works for supervisors and their teams.
- Strengthening of GACM Ethics and Prevention of Conflicts of Interest Committee (*Comité de Ética y Prevención de Conflictos de Interés*).
- Development of an Integrity Manifesto and a whistleblower protection protocol.
- Continued publication of all GACM contracts under the Open Contracting Data Standard (OCDS) from planning to execution and information about physical and budget exercise of the works (see Chapter 4 for more details on the scope of this effort).

In March 2017, the working group SCT-SEDATU started meetings to aim at systematising the plans for connectivity and surface access to NAICM, while addressing urban planning and massive transport concerns. It had met eight times as of August 2017, with the participation of different SCT areas (Office of the Minister, Office of the Deputy Minister for Infrastructure, Office of the Deputy Minister for Transport, highways construction, technical services, and transit projects, among others), GACM, and SEDATU (General Directorate for Metropolitan Co-ordination). The working group has been useful to exchange information and facilitate the communication between its participants, as well as to incorporate a metropolitan perspective to the surface access plans.

SEDATU has also worked bilaterally with municipalities impacted by the surface access works and by the NAICM itself. For example, it supported the municipality of Atenco in the preparation of its Urban Development Plan (*Plan Municipal de Desarrollo Urbano*), in an effort which will be replicated with the other neighbouring municipalities. In addition, SEDATU is working with the secretariats for metropolitan development of the states of Mexico, Hidalgo, and Mexico City to update the Programme for Territorial Management of the Metropolitan Area (*Programa de Ordenamiento Territorial de la Zona Metropolitana*), which will be ready soon.

There is also a working group SCT-CONAGUA-GACM to co-ordinate hydraulic works with those directly related with the construction of the airport.

In line with OECD recommendations, GACM also established an agreement with the National Institute for Transparency, Freedom of Information, and Personal Data Protection (*Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales*, INAI) in April 2017. The agreement aims at advancing a culture of

transparency among GACM staff. In the framework of this agreement, INAI provided training to GACM employees and, in July 2017, GACM was recognised for having a Transparency Committee fully trained and for being an institution trained at 100% on transparency issues (more on this agreement in Chapter 3).

Finally, GACM has also approached Mexico's Competition Authority (*Comisión Federal de Competencia Económica*, COFECE). In June 2017, COFECE offered GACM officials a workshop on recommendations to foster competition and free concurrence in public procurement.

Areas for improvement

OECD has witnessed SFP's commitment to support GACM and considers this working group as a model for the engagement of other ministries that should be more involved and proactive. While this and other bilateral or trilateral working groups have proved useful, there are limits as to what they can achieve. Such limits are basically set by the powers granted on the participating institutions.

In addition, some of these bilateral groups have not involved all the relevant stakeholders. For example, the SCT-SEDATU working group has not fully involved state and municipal governments concerned in the surface access works. Although there are plans to involve them, as of August 2017, SEDATU is dealing with them separately. Even the Group for Inter-ministerial Co-ordination is limited in its scope, as several relevant institutions are not among its members, such as the ministries for education, health, environment, SHCP, SFP, the Government of Mexico City, and municipalities.

A whole-of-government co-ordination mechanism is required in order to overcome such limitations. The need is exacerbated by the current stage of the NAICM project. As the construction intensifies, the risks emerging around the construction site will multiply, not only in number, but also in nature, calling for co-ordinated solutions. Some emerging issues and identified problems represent evidence of the need for strengthened co-ordination:

- The Mexico City Government recently decided to build an express train to connect the city with the NAICM. The original design of the NAICM multi-modal land transport centre had not anticipated this and, therefore, the construction sequence was modified so that design adjustments, incorporating the express train, would not impact the original schedule for the centre's construction.¹¹
- On July 2017, the press reported illegal sale of stolen fuel (commonly known as "huachicol") in the surroundings of the construction site. (Newspaper, Reforma, 2017_[4]). GACM requested the support of the Federal Police to remove them and eliminate the risks related to inadequate handling of fuel. Even though the problem was addressed in a timely fashion, it is illustrative of social issues arising in the vicinity of the construction site.
- The social consultation exercises ran by GACM have identified extreme poverty conditions in the municipalities surrounding the construction site. Such conditions are related to education, access to health services, housing, violence and crime, transport, and employment, among others. Addressing these different dimensions

¹¹ According to GACM, since it is not part of the critical infrastructure of the project, this adjustment does not imply modifications to the overall schedule for the delivery of NAICM.

of poverty call for co-ordinated actions of federal, state, and municipal institutions, but currently there is no mechanism bringing them together.

In consequence, OECD recommends setting up a High-Level Co-ordinating Council for NAICM, with the participation of the whole of the Federal Government and representatives of sub-national ones, namely, the State of Mexico and Mexico City, as well as the municipalities impacted by the construction of NAICM and surface access works. This mechanism would be useful to provide quick and more effective solutions to the diversity of issues that can emerge around the delivery of NAICM. It would also be useful to better communicate what are the possible solutions to a specific problem, given the resources available. This is relevant as there is a wrong perception among some stakeholders that GACM has vast resources to provide to, for example, municipalities.

Ideally, the Co-ordinating Council would be headed and organised from the Office of the President and could work through committees, such as urban development, hydraulic works, environment, social development, security, connectivity and surface access, transparency, financing of the project, housing, public services, Airport City, employment, education, health, audit and control, and productive chains.

Another alternative to upgrade co-ordination could be a Development Agency for NAICM's Impact Zone. This agency could work under the leadership of the governments of the State of Mexico and Mexico City, with the active engagement of federal government entities. This makes sense as local governments know their territories better than anyone and they are the most interested in addressing the social problems.

Priority 4: Creating new mechanisms for stakeholder engagement in order to build trust in the project

Recommendation number from the 2016 progress report: 2.

The OECD review from November 2015 reported an intensive strategy to consult airport users, at the same time that there was a need to strengthen social consultation. Then, in June 2016, during a fact-finding mission, GACM informed the OECD of plans to carry out a social consultation process with the inhabitants of Texcoco and Atenco, as well as in terminals 1 and 2 of the current airport, during the second half of 2016. Such social consultation responded to the commitment to comply with the Equator Principles and requirements by financing institutions.

Progress made

During October-November 2016, GACM carried out a process of public information and participation whose objective was identifying the main needs, opinions, perceptions, and concerns of the inhabitants of the municipalities within the influence zone of NAICM, as well as the future users and employees of the airport. The results are published in GACM's web page. (GACM, 2017_[5])

The process took place through six modules located in the City Hall of Texcoco and in Atenco's Cultural Centre, as well as in the national and international departure zones of Terminals 1 and 2 of the current airport. These modules served to provide information about social, infrastructure, and environmental topics linked to NAICM, distribute brochures with relevant data about the project and questionnaires and templates to collect opinions and ask technical questions the public. 15 750 individuals visited the modules, 7150 brochures were distributed, 4 750 templates were collected, 427 specific questions

were asked to the participants and 192 complaints and suggestions were received. No protests or demonstrations took place during the 30 days of the exercise.

Box 1.3. Results from the 2016 social consultation process

The main results from the social consultation exercise are the following:

- Knowledge and opinion about the project:
 - 94% of the participants believe NAICM will benefit the country.
 - 97% of the participants in Atenco, Texcoco, and other neighbouring areas to NAICM, and 77% of the users of the current airport already knew about the NAICM project.
 - 83% of the participants thought the information received was sufficient, 92% adequate, 93% relevant, and 91% clear.
- The main expectations on the benefits of the project:
 - Jobs, particularly for the inhabitants of Atenco, Texcoco, and the neighbouring municipalities.
 - Tourism and more activity for local businesses.
 - Economic development and investment (foreign and national).
- The main concerns about the project:
 - Effects on the environment.
 - Corruption.
 - Public safety in the zone.
- The main changes expected in the impact zone:
 - Better highways and public transport alternatives.
 - Improved quality of settlements and developments.
 - Upgraded public services.

Source: GACM (2017), GACM website, <http://www.aeropuerto.gob.mx/doc/transparencia/Mecanismo-de-informacion-participacion-publica.pdf>, consulted on 27 September 2017.

After the completion of this exercise, which addressed the OECD recommendation from the First Progress Report (November 2016), GACM decided to advance a continuous dialogue and permanent communication with the public through an instrument called “Social Dialogue”, which will be leveraged for the Social Master Plan, currently under development. The objective of the Social Dialogue is to inform the public about the construction of NAICM and its benefits, as well as getting to know their needs and expectations, developing an effective conversation with the inhabitants of the municipalities of Atenco, Chimalhuacán, Ecatepec, Nezahualcóyotl, and Texcoco).

The Social Dialogue takes place in two stages through visits to the households of the participants to apply face-to-face surveys. The first stage of the exercise took place during January-March 2017 with 170 000 visits, 114 834 dialogues and 110 340 surveys processed. During the dialogues, 31 682 phone numbers and 10 567 e-mail accounts were collected for people wishing to receive further updates about NAICM.

Table 1.2. Social dialogue by municipality

Municipality	First stage	Second stage
Atenco	7 100	7 178
Texcoco	17 101	34 579
Chimalhuacán	15 798	24 507
Nezahualcóyotl	34 583	45 539
Ecatepec	40 185	59 780
TOTAL	114 834	171 583
		286 417

Source: Information provided by GACM.

The dialogues were carried out by 240 students from local universities, who received a compensation for their work.

Box 1.4. Results from Social Dialogue

The main results from the first stage of the Social Dialogue were the following:

- Knowledge about the project: 92% of the people surveyed already knew about the construction of NAICM, out of which 55% did not know the benefits NAICM entails for their communities.
- Perception of benefits: 53.4% of the people surveyed think the construction of NAICM will benefit a lot their municipalities, 31.3% think the benefits will be moderate, and 15.3% think the benefits will be minor or nothing at all.
- Perception of impacts: 95% of the surveyed people perceive that the construction of NAICM will not affect them, while the other 5% thinks that they will be affected. The main issues raised were traffic congestion, water supply, and noise pollution.
- Expectations: Surveyed people expect improvements on public safety, jobs, and public services.
- Change in opinions towards NAICM:
 - After the dialogue, 5 out of 10 people with a neutral opinion on NAICM moved towards a more positive opinion.
 - After the dialogue, 6 out of 10 people with a negative opinion on NAICM moved towards a more positive opinion.
- Opinions by municipality:
 - The main concerns in Atenco and Texcoco were the take away of land, the impacts on flora and fauna, and road congestion caused by heavy vehicles.
 - The main concern in Chimalhuacán was public safety, as illegal drug consumption was identified in 8 out of 10 streets.
 - Lack of interest was perceived in Ecatepec and Nezahualcóyotl, as people feel they will not be impacted by the works. However, the main concern was related to the surface access plans for the airport.
- 10 statistics illustrating the social conditions in the municipalities surrounding the NAICM site:
 - 22.9% of the inhabitants of the State of Mexico live in the five municipalities participating in the Social Dialogue.
 - 25% of the households are headed by a woman.
 - 1 out of 5 births involve a mother below 19 years old.
 - 1 out of 3 employed individuals earns less than two times the minimum wage, which means that they are below the poverty threshold.
 - 28.9% of the population over 15 years old did not finish elementary school.
 - 1 out of 4 high impact crimes in the State of Mexico happen in the municipalities participating in the Social Dialogue.
 - 1 crime is reported each hour.
 - 80% of deaths are caused by four factors: diabetes, hypertension, accidental and violent deaths, and alcohol-related diseases.
 - In 8% of the households where there is a child, they go to sleep having eaten one meal or none during the day.
 - 1 out of 4 households does not have a laundry machine and 1 out of 9 does not have a fridge.

As of 31 October 2017, the second stage of the Social Dialogue had the following results:

- 90% of the people surveyed know that NAICM is under construction close to their location.
- 85% of the participants think the construction of NAICM is not impacting their daily lives and 15% believe it is impacting through water shortages, increasing traffic, environmental pollution, and noise.
- With regards to the question, “do you believe the new airport will directly benefit you and your family?”, 66% of the surveyed people answered positively, recognising benefits such as jobs, proximity, and public safety.
- The surveyed people expressed concerns related to evictions and public safety, with the belief that this problem may worsen as a consequence of the arrival of construction workers for the NAICM.
- Despite these concerns, the surveyed people believe NAICM is an opportunity for economic growth and improvement for their municipalities, notably by creating new jobs and upgrading public services.

The final results of the second stage of the Social Dialogue will be released during the first quarter of 2018.

Source: Information provided by GACM.

In addition to the social consultation exercises, GACM has engaged the members of the Citizen Observatory for NAICM, namely the CSO’s *México Evalúa* and the Mexican Institute for Competitiveness (*Instituto Mexicano para la Competitividad*, IMCO), in regular dialogues to discuss different dimensions of the NAICM project, such as environment, financing, transparency, open contracting, integrity, GACM reengineering, competition in tender procedures, contract management, and tools to monitor the works and their physical progress.

In addition, GACM has worked with the companies participating in construction to link their hiring needs with the job-seeking efforts of the communities surrounding the project site. Job seeking modules were set in the city halls of the five municipalities neighbouring NAICM and information has been shared with municipal officials in charge of economic development. Furthermore, the Temporary Employment Programme (*Programa de Empleo Temporal*, PET) has benefited 1 220 workers as of 31 July 2017 (57% women and 43% men).

GACM also maintains a permanent dialogue with other interest groups linked to the project. For instance, 55 meetings with airlines took place and 105 interest groups were addressed, including cargo and shipping companies, airport operators, service providers for the terminal, catering suppliers, customs brokers, and government institutions such as the Revenue Service (*Servicio de Administración Tributaria*, SAT), the Federal Police, the National Immigration Institute (*Instituto Nacional de Migración*, INM), and the Federal Attorney for Environmental Protection (*Procuraduría Federal de Protección al Ambiente*, PROFEPA). The issues discussed with these groups include the design of the cargo terminal, updates to the Master Plan, landing and take off procedures, air space management, and the executive projects of the Master Architect and the Master Civil Engineer, among others. As a result of these meetings, the design of the cargo terminal, updates to the Master Plan, technical specifications for navigational aids (NAVAIDS),

and spaces in the terminal building have been validated. GACM is already planning the issues for 2018 which will require stakeholder feedback, such as the baggage management system and additional adjustments to the Master Plan, among others. Finally, GACM agreed with the International Air Transport Association (IATA) to submit a quarterly newsletter to inform the industry about developments in the NAICM project, on top of the semester meetings with IATA and the airlines.

Areas for improvement

The results of the social consultation exercises were useful to illustrate the social conditions in the municipalities surrounding the NAICM site (see Box 1.2). It will be important for GACM to follow up and organise action plans to mitigate the risks stemming from such conditions. The Social Master Plan precisely intends to address those issues. Here, again, co-ordination between different ministries (i.e., Social Development, SEDATU, Education, and Health) and GACM will be critical to tackle the main problems. The Co-ordination Council for NAICM, proposed above, would be a mechanism for a consistent plan between different entities.

The meetings with the members of the Citizen Observatory for NAICM have proved useful to inform them about specific initiatives taken by GACM and to take feedback from civil society representatives, as well as to listen to their concerns and analyses. Despite the fact that agreement is not always reached, there is an open door to dialogue, which in itself has merits. However, the scope of these meetings is reduced to only two organisations and the OECD. Other groups claim that dialogue with GACM could go much further and propose a scheme similar to the one used in the Plural Working Group on Public Procurement, which was put together by SFP to upgrade Mexico's e-procurement system Compranet (see Box 1.5).

A mechanism such as the Plural Working Group would be useful for GACM on several fronts. First, it would serve to identify key stakeholders who should be informed periodically about progress in the NAICM project. Second, it can be a mechanism to "spread the word" about the development of NAICM and the good practices implemented by GACM, helping to increase trust in the project among the public. Third, it could be leveraged to develop ownership of the project among civil society representatives. Finally, it can serve to provide information to support the research and analyses that some civil society organisations and think-tanks do. On the other hand, civil society organisations would benefit from a more formal mechanism to provide input, express their concerns, and get valuable information for their activities. For example, the Mexican Chamber of the Construction Industry (*Cámara Mexicana de la Industria de la Construcción*, CMIC) established its own Observatory of the NAICM and would also benefit from a more formal dialogue with GACM for the analyses it does, and also to facilitate the participation of the industry in NAICM tenders.

The proposed Plural Working Group would be the ideal space to address doubts and concerns from CSOs, for example, on competition and transparency of tender procedures, and continue progressing in the initiatives carried out by GACM with the feedback from these stakeholders

GACM is already exploring alternatives to set up such a working group and took a first step in that direction by proposing the establishment of a multi-stakeholder group whose objective would be to monitor the transparency of the project and provide recommendations for GACM to make published information about NAICM more accessible to the public.

Box 1.5. The Plural Working Group on Public Procurement

To generate a broad consensus and develop an inclusive process for the second generation reform of CompraNet, SFP decided to invite stakeholders to form a working group supported by several subgroups, aligned to different work streams, with each being coordinated by one specific entity. The Subgroups of the so-called Plural Working Group on Public Procurement (the “Sub-Groups”), featuring representatives of key organisations such as internal auditors, contracting authorities, suppliers and civil society, reached down into their networks through the use of surveys to ensure that the opinions of those that they represent were reflected in the process. This was brought together through a co-ordinated and transparent governance structure with high-level ownership for the project. Working Group meetings were led by the Minister for Public Administration, and included the deputy ministers and senior officials. The OECD played the role of Technical Secretariat. These meetings monitored progress against key milestones and set direction for the project, including by developing a consensus-based Vision Statement for the future of the system.

Source: Produced by OECD.

Priority 5: Ensuring the adequate financing for the project beyond 2019

Recommendation number from the 2016 progress report: 1.

Regarding the financing strategy, the bonds and the credit lines opened so far by GACM are enough to finance the project until 2019. As the date comes closer, concerns may be raised by investors and the general public as to how the project will be financed in the following years. While there will be resources available during 2019 to continue the works, it is important to define the financing strategy for the following years, up to the inauguration of NAICM.

Progress made

The OECD progress report (November 2016) documented that on 22 September 2016, GACM issued bonds in the international capital markets for USD 2 000 million. At that moment, it was the biggest transaction ever for an airport and with the longest maturity (USD 1 000 million to mature in 10 years and USD 1 000 million to mature in 30 years, with interest rates of 4.25 and 5.50%, respectively). On September 2017, GACM issued a new set of green bonds for USD 4 000 million (USD 1 000 million to mature in 10 years and USD 3 000 million to mature in 30 years, with interest rates of 3.87 and 5.5%, respectively), which made it the biggest issuance of bonds in emerging markets.

Both emissions got credit ratings equivalent to those of Mexico’s sovereign risk by Moody’s, S&P, and Fitch (Baa1, BBB+, and BBB+, respectively). In addition, these bonds got the highest ratings for green bonds by Moody’s (GB1) and S&P (E1), as well as a robust second opinion by Sustainalytics.

As of October 2017, the NAICM financing scheme has been awarded 15 times by several publications and international organisations, such as LatinFinance, IFR, the Climate Bonds Initiative, and CG/LA Infrastructure.

The original financial plan consisted precisely in raising a total of USD 6 000 million, which was achieved with the last set of bonds to be able to finance the project until 2019.

Areas for improvement

Having raised in the international markets, in advance and successfully, the anticipated financing, GACM minimised the uncertainty that could stem from negative scenarios, including monetary (increasing interest rates and exchange rate volatility), economic (NAFTA renegotiation), and political (elections) and that could have impacted the cost and availability of financing for NAICM.

Nonetheless, there are risks stemming from depending exclusively on the public budget beyond 2019. Lack of resources could slow down the pace of the works, jeopardising the planned delivery date, and hence hurting confidence in the project and the country, which in turn would make more difficult to raise additional resources in the capital markets.

In order to mitigate those risks, GACM is analysing different alternatives of financing schemes to leverage on the positive response of capital markets to the financial strength of the project. Such schemes include associations with private entities for specific facilities, while keeping for GACM the delivery of the Master Plan of the project. This would reduce the amounts required from the public budget beyond 2019.

Given the characteristics of the project, identifying alternative financing schemes, including public-private partnerships in those projects in which the private sector may be more efficient in its operation and management, is recommended to avoid pressures to public budgets.

Summary of actions for the implementation of the recommendations

- The Centre of Government (i.e., the Office of the President) should strengthen GACM's management autonomy by completing the reform of its corporate governance. This includes exploring alternatives to provide GACM greater flexibility in its internal management, putting in place an internal audit function, and reforming the composition and appointment process to the Board.
 - The Centre of Government should promote reforms to strengthen GACM's management autonomy and complete the reform of its corporate governance, including exploring alternatives to provide GACM greater flexibility in its internal management and to modify the composition of the Board, favouring independent members (who are not public officials).
 - GACM should establish an internal audit function reporting directly to the Board or its Audit Committee.
 - The Centre of Government could implement competitive, merit-based procedures, for the appointment of members of GACM Board.
- GACM should assess remaining opportunities in its organisational structure by carrying out a gap analysis to identify functions that are still to be strengthened. At the same time, the reengineering process should be completed to strengthen the governance of processes and information systems.
 - GACM should assess remaining opportunities after the implementation of the new organisational structure through a gap analysis.
 - GACM should complete the reengineering process to strengthen the governance of processes and information systems, for example, furthering their interoperability.

- The Centre of Government should ensure whole-of-government co-ordination around the NAICM project by expanding the scope and membership of the Group for Inter-ministerial Co-ordination and empowering it to tackle the issues that emerge during the construction stage.
 - The Office of the President should take the leadership to establish the High-Level Coordinating Council for NAICM, extending the scope and membership of the current Group for Inter-ministerial Co-ordination.
 - The governments of the State of Mexico and Mexico City could analyse the establishment of a regional development agency to address the social problems identified in the NAICM impact zone.
- GACM should create mechanisms to systematically engage a larger set of stakeholders in the NAICM project. The Plural Working Group on Public Procurement provides a model that could be fully or partially replicated.
 - GACM could organise a plural working group or an observatory, with wide participation from CSOs, business chambers, and academia, among others, to monitor the progress of the project and the integrity and transparency practices, as well as to systematise dialogue and contributions by these stakeholders.
- SHCP, together with GACM, should take a decision as soon as possible on how they are going to ensure adequate financing for the project beyond 2019. Opportunity in this decision is critical to keep trust in the sustainability of the project.
 - SHCP, together with GACM, should determine as soon as possible alternative financing schemes, different from public financing, to be leveraged to reduce the required amounts from the public budget beyond 2019.

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Chapter 2. Developing and implementing a strategic procurement framework to mitigate risks posed to the effective delivery of NAICM

Successes or failures in delivering large infrastructure projects should not only be assessed on their achievement on time and on budget. Otherwise, almost nine out of ten infrastructures would be failed projects (Flyvbjerg et al, 2003^[1]). Rather, the success of those projects should be measured on their capacity to achieve their initial objectives. The NAICM has been pledged to be transparently, inclusively and efficiently developed. Therefore, the success of its implementation will depend on the ability of the Mexican government, policy makers and the implementing institution, the Airport Group of Mexico City (Grupo Aeroportuario de la Ciudad de México, GACM), to constantly adapt to evolving situations and to mitigate as much as possible adversarial consequences impeding the attainment of the initial objectives.

The construction of the NAICM on time and on budget is increasingly at risk and requires additional efforts to minimise deriving consequences. As foreshadowed in the 2015 review and in the first progress report, the strategic reorganisation of the packages and efforts to carry out simultaneously works will not prove enough to cope with a too ambitious deadline for a project of this scale and this complexity.

In addition, an unexpected growth of passenger traffic in the current airport forced GACM to increase the size of the terminal building, hence resulting in significant changes to the original masterplan. Indeed, a specialised consulting company updated in December 2016 the projections of passengers traffic in the short and long term on which the 2015 masterplan had been built. Compared to initial projections, the study evidenced an increase of 21% passengers per year in 2025 totalling an estimated 68.6 million passengers per year and a global increase of 24% in 2045 amounting to 124 million passengers per year, more than the initially planned maximum capacity of the airport (120 million passengers per year).

Time and costs overruns in infrastructure projects have been evidenced in a great number of different sectors and notably in the transportation sector (Singh, 2010^[2]). Statistical research shows that in 258 individual large infrastructure projects relating to transport from 20 different countries around the world, projects face costs escalation in 90% of the cases with a mean difference amounting to 27.6% overrun (Flyvbjerg et al, 2003^[1]).

The exposure of the NAICM to risks of delays and costs overruns, both being interrelated (Singh, 2010^[2]), now urges to strengthen and implement an adapted delivery framework which would minimise the impact of those risks. Such a framework, depicted in the initial review, heavily relies on the normative public procurement environment which is not in itself designed to support the swift delivery of such a large infrastructure project. However, it still provides for the necessary opportunities to adapt procurement processes to the scale and the complexity of the construction of an airport. Doing so, would allow GACM to implement a comprehensive delivery framework covering the whole procurement cycle.

Building on the 2015 review and accounting for the project characteristics, the OECD focused in the first progress report on priority areas to develop high impact recommendations. Progresses made by GACM in specific areas relating to public procurement are being assessed below. The on-going implementation of the procurement strategies will also provide ample opportunities to identify areas for further improvements.

Priority 1: Ensuring coordinated decision-making in relevant procurement processes

Initiatives and efforts carried out by GACM and other stakeholders under this priority area require further progress to fully implement OECD's recommendations. The initial review identified challenges related to the participation of the different stakeholders in the relevant procurement processes, in terms of co-ordination of actions and sequencing of tenders, as well as in terms of available expertise.

While the first progress report acknowledged progress made in federating procurement expertise through the creation of an Executive Steering Committee (*Comité Directivo*), comprised of GACM staff and experts from the project manager Parsons, it also indicated a need to expand this group to other stakeholders where relevant. Indeed, some components linked to the development of the NAICM being under the responsibility of other institutions and ministries such as the Ministry for Communications and Transport (*Secretaría de Comunicaciones y Transportes, SCT*) or the National Water Commission (*Comisión Nacional del Agua, CONAGUA*), the implementation of a horizontal steering committee would ensure a co-ordinated interaction between the diverse entities in charge of the successful development of this infrastructure project.

Progress made

In accordance with the legislative Mexican framework, decisions on the exceptions to public tenders are collectively carried out in specialised committees (*Comité de Obras* and *Comité de Adquisiciones, Arrendamientos y Servicios*) combining different expertise within GACM. Their role is however limited in procurement processes since they review annual procurement plans and decide on exceptions to public tenders.

GACM therefore went one step further and implemented an Executive Steering Committee to review and discuss procurement strategies, their implementation and on-going developments. As mentioned in the first progress report, those efforts to promote a collective decision-making process in procurement operations are a welcomed progress to ensure that distinct but complementary expertise is involved in the design and implementation of procurement strategies.

Yet, these efforts could only partially address risks posed by a lack of coordination which is one of the most common causes for project failure (Infrastructure UK, 2014). Indeed, for procurement decisions and strategic orientations, coordination in the NAICM is not limited to stakeholders within GACM and the PMO. Some packages convey a much broader audience. Frequent interactions with the Ministry of Public Administration (*Secretaría de la Función Pública, SFP*) are a first step towards the regular involvement of external stakeholders holding responsibilities in the design or performance of procurement processes. Indeed as detailed later, SFP is supporting contracting authorities, including GACM, in the definition and weight of award criteria in public tenders. Yet,

this Ministry is only one among many stakeholders having a role in tenders issued by GACM. As discussed in the section below examples are numerous.

Being under its responsibility, SCT also devoted efforts to increase coordination and alignment of different stakeholders in works related to surface access to the airport. Since March 2017, units in SCT responsible for connectivity issues are conveying meetings with representatives from GACM and other stakeholders such as the Government of Mexico City or the Ministry of Urban and Territorial Development (*Secretaría de Desarrollo Agrario, Territorial y Urbano*, SEDATU). This group held seven meetings where issues relating to connectivity are discussed. According to SCT, those meetings proved useful to raise awareness among the various stakeholders on the activities carried out under the NAICM project.

Areas for improvement

As noted in OECD's review of plans and strategies relating to surface access to the NAICM (OECD, 2017^[3]), the success of the new airport will depend on its accessibility and the efficiency of its surface access links. Yet, those links, and especially public transport which would mitigate air pollution and reduce road congestion, are impacted to an important degree by the design of the multimodal transport centre developed by GACM.

This example illustrates the need for a closer coordination between GACM and a number of stakeholders. Indeed, requirements for the construction of the ground transportation centre and technical specifications for the metro lines or buses access are inherently intertwined.

Therefore, coordination meetings conveyed by SCT could offer a platform for GACM to share detailed information about procurement strategies, timeframes and tender documentation so that other stakeholders could ensure their timely alignment with decisions taken in procurement processes. Increased coordination would provide benefits for all stakeholders, including GACM, and could help to avoid recently experienced situations where the decision to build an express train to connect the city with the NAICM impacted the design of the multimodal transport centre which had to be modified after the tender was issued.

Connectivity is just one example of horizontal topics where increased coordination among stakeholders influencing procurement decisions would bring substantial benefits to the development of the project. Beyond packages related to connectivity, hydraulic works are under the responsibility of CONAGUA. The Navigation Services in the Mexican Airspace (SENEAM), a deconcentrated entity of SCT, is responsible for validating the navigation systems embedded in the control tower. The works relating to runway and taxiway 6 and the perimeter borders are directly managed by the Ministry of Defence (*Secretaría de la Defensa Nacional*, SEDENA) in virtue of an agreement signed between GACM and SEDENA.

In addition, on environmental aspects, the authorisation of the Ministry of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales*, SEMARNAT) is required for mandatory prior impact assessments in accordance with Article 20 of the Law on Public Works and Related Services. The Ministry also has discretionary investigation powers to assess the effective compliance of the public works with environmental commitments.

Increased coordination however requires the proactive involvement of stakeholders at all levels of government under the operational leadership of GACM being responsible for the delivery of the NAICM. Considering the variety of the stakeholders which would provide input for and benefit from extended coordination, the Office of the President, having the necessary political leadership, could convey such a consultative group.

Priority 2: Benefiting from SFP support in selected tenders

GACM together with SFP made substantial progress in the implementation of recommendations supporting this priority area. Indeed, ensuring that award criteria and weights are tailored to the scale and complexity of the works put to tender could necessitate ad-hoc changes, a possibility foreseen in the standard guidance provided by SFP to support contracting entities in implementing award mechanisms mixing price and quality through points and percentages (*puntos y porcentajes*). Doing so requires the assistance of SFP in the preparation of tenders. Such opportunity could also be seized by GACM to take advantage of SFP support in improving tender documentation which could prove beneficial for the expediency of the tendering phase.

Progress made

In response to the recommendations in the first progress report, GACM and SFP joined forces in the preparation of tenders of particular importance. Based on its procurement plan for 2017, GACM indeed identified the most important tenders based on a number of criteria, from amounts involved to complexity and exposure to risks.

On that basis GACM initially identified two tenders for which it solicited the support of SFP through the preventive support programme foreseen in article 37 of the Organic Law of the Federal Public Administration (*Ley Orgánica de la Administración Pública Federal*, LOAPF):

- Precharge and runway 6
- Platforms for passengers

However, this initial plan had to be changed because the works relating to the runway 6 have been transferred to SEDENA given the military use of this runway. Also the technical specifications for the platforms required substantial changes which delayed the anticipated timeframe for the issuance of the tender. As a result, GACM opted to substitute those two packages by the following:

- Services distribution network – midfield
- Deep sewage tunnel

The preventive support programme provided by SFP for the first package initiated on 22 June 2017 and is still on-going. Support for the second package started on 6 September 2017 and led to a number of meetings between SFP and GACM to discuss the draft tender documentation, the model contract and the anticipated timeframe. The outcome of this joint work resulted in the draft tender documentation being published on CompraNet on 20 October 2017. In addition, SFP and GACM further agreed on the future preventive support programme relating to the construction of the multimodal transport centre.

While the award of the tender relating to the midfield's distribution network of services (potable water, sanitary drainage, gas, etc.) has not taken place yet, valuable lessons have already been extracted from the cooperation between SFP and GACM on the tender

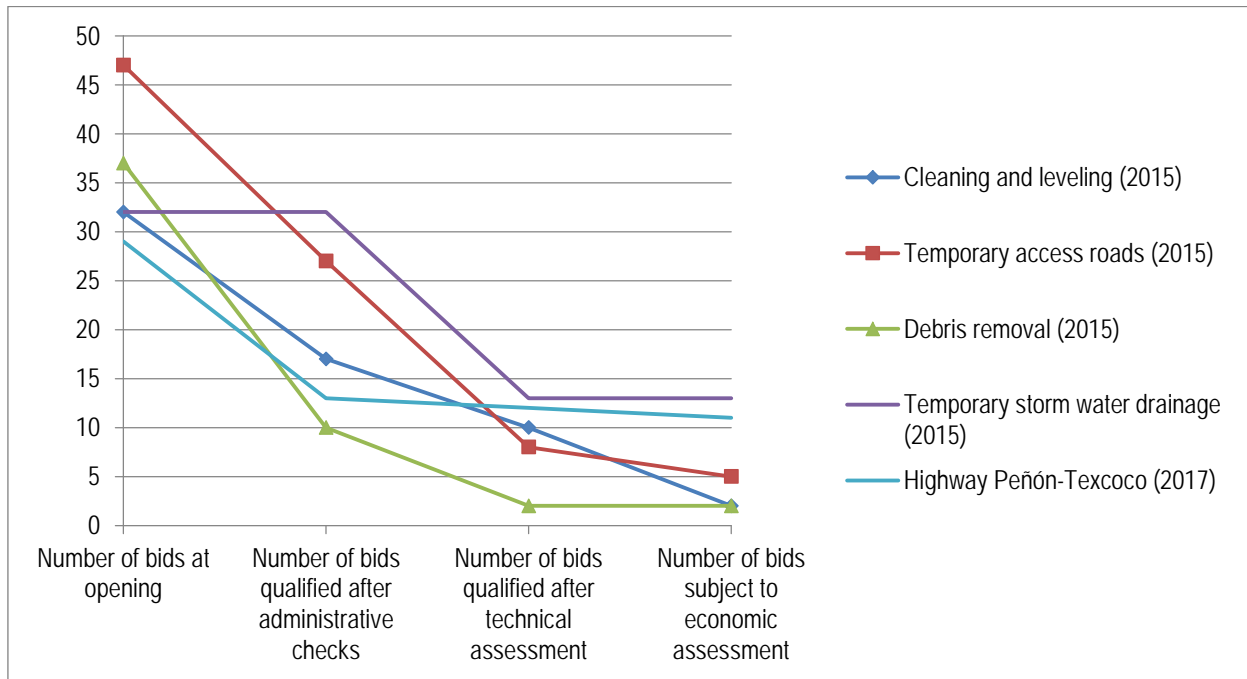
documentation. Indeed, with the view to ensure legal certainty, clarity and to maximise competition, SFP suggested a number of potential improvements:

- Streamlining procedures to ensure access to procurement opportunities:
 - Promoting further use of CompraNet notably by allowing potential bidders to request clarifications to the tender documentation through electronic means and by considering the possibility to receive electronic offers in addition to those submitted on paper;
 - Requesting tax certificates only to the preferred bidder before awarding the contract to ensure that bidders have sufficient time to comply with this requirement during the tendering phase;
- Tailoring requirements to market capacities:
 - Ensuring through a detailed market analysis that requirements in terms of minimum and maximum relevant experience and comparable contracts are aligned with national and international markets' capacities
 - Considering changes to the standard percentage of the requested local workforce in accordance with the nature and requirements of the works put to tender.

The outcomes of the first tenders relating to preliminary works, and notably the ratio of bids qualified for financial evaluation against the total number of bids received, strongly advocated for pursuing the efforts started on standard bidding documentation. Indeed, only 7% of the 116 offers received competed both on technical and financial requirements. Building on past experience and federated expertise, GACM succeeded to radically improve this ratio since, as of October 2017, other construction works put to tender saw an average of 39% of bids received fully competing against each other.

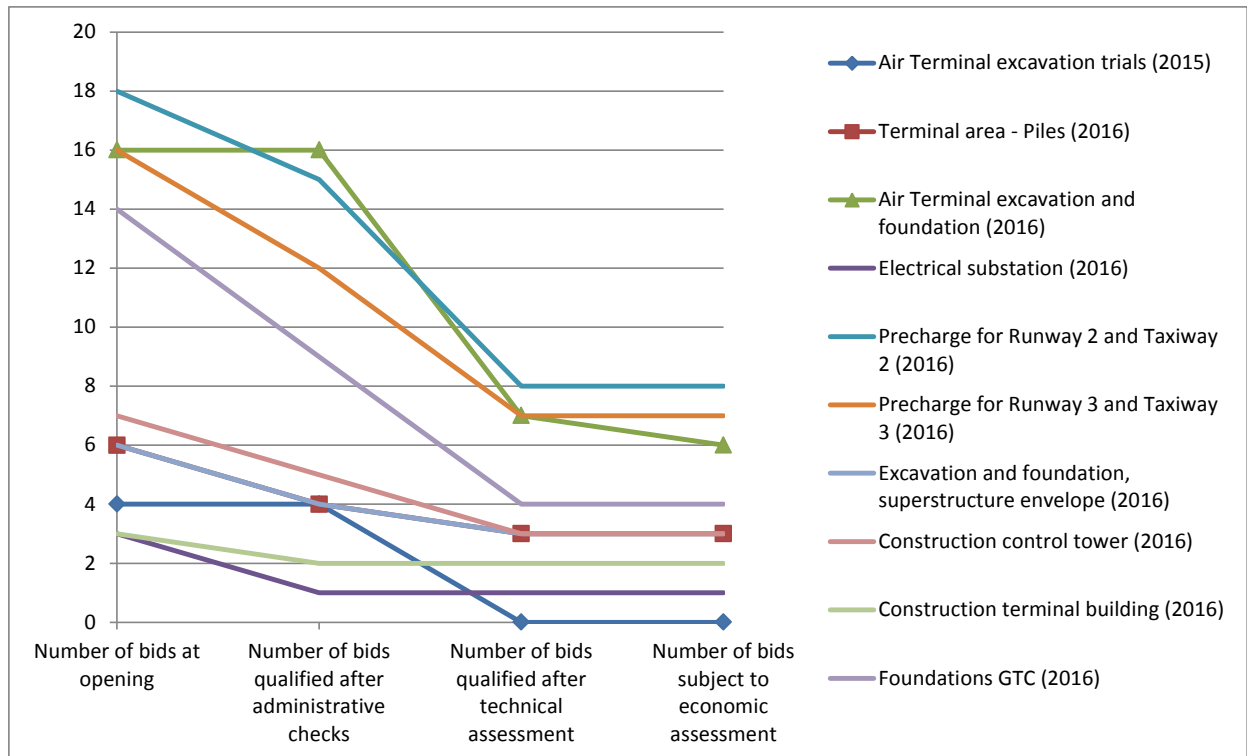
In fact, this trend seems to be also explained by the level of complexity of works put to tenders. Indeed, as shown in figure 2.1a, works which are the less complex and which convey mostly preliminary works have experienced both a higher initial participation rate (in average more than 35 bids have been submitted) but also a higher disqualification rate since only 20% of the bids were subject to both technical and financial assessments. Conversely, table 2.1b shows that more specific works put to tender received less offers because of higher complexity and experience required from bidders to participate. It also illustrates a greater qualification rate (an average of 40%) throughout the evaluation stages.

Figure 2.1a. Competition throughout evaluation stages in packages relating to simpler works



Source: OECD analysis based on information available in CompraNet.

Figure 2.1b. Competition throughout evaluation stages in packages relating to complex works



Note: The year in which the tender was issued is in parenthesis.

Source: OECD analysis based on information available in CompraNet.

In depth analysis of the disqualification rates across the evaluation stages show that GACM's efforts in standardising as much as possible bidding documentation resulted in tangible effects since the disqualification rate for administrative and legal reasons dropped from 56% to less than 18%. It is worth being noted that these efforts have benefited in same proportion all tenders irrespective of their complexity. This helps ensuring that potentially valuable bids are not discarded because of missing administrative information.

Areas for improvement

However, slightly less than 50% of bids qualified after the administrative checks received a sufficient technical score allowing for the evaluation of their financial proposals. While almost half of bidders competing on both technical and financial components is not *per se* an issue, it can become a more challenging situation should the initial number of bidders being already limited.

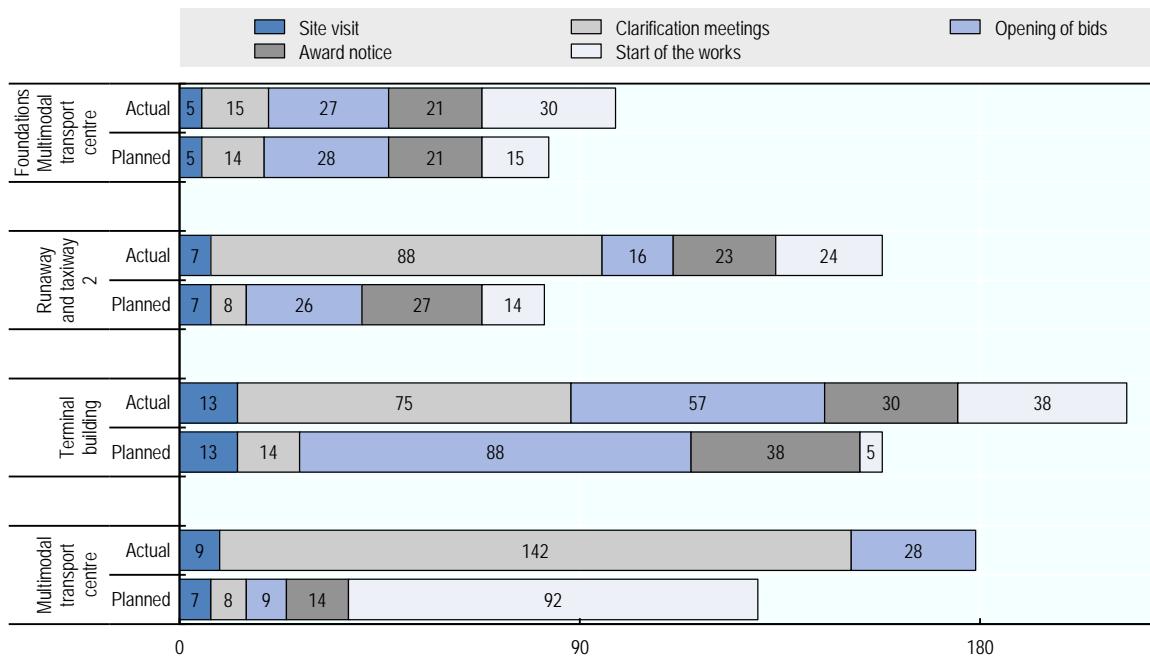
In the most complex and largest works like the construction of the terminal building, receiving three offers and having two bidders competing on all aspects of the tender is considered, according to the PMO, as a reasonable outcome. Yet, altogether, more than half of the packages issued until October 2017 saw three or less proposals being evaluated on all components.

Research (Eustache and Iimi, 2008) points out to not only correlation between increased competition and cost savings but also to reduced exposure to corruption and collusion risks. With GACM leading the largest infrastructure project in the country and works being divided into packages which sometimes convey the same type of expertise (e.g. taxiways and runways), the risk of market allocation between companies could substantially increase. This signal an area for further improvement to ensure alignment of requirements and award criteria with market structure and capabilities. As discussed later, market investigation plays a pivotal role in defining those capabilities according to the nature of the tender.

Clarification meetings also help providing further details to interested suppliers to incentivise the submission of bids. Those meetings are also the opportunity to address questions relating to the complexity of some highly specialised tenders. In addition and as already indicated in the first progress report, questions posed to GACM in clarification meetings by potential bidders could provide indications on the capability of the market to respond to requirements put to tender.

However, from a time management perspective the number of questions and clarifications meetings organised to answer those questions could put at risks the planned timeframe for tenders to be carried out, if this element is not already factored in the estimated planning (see figure below). In tenders issued by GACM to date, it is not unusual that questions or clarifications requested by interested suppliers amount to more than a thousand, with an unsurprising record number of almost 5 000 questions for the terminal building only given its complexity and uniqueness.

Figure 2.2. Comparison between planned and actual deadlines in selected tenders



Note: The horizontal axis indicates the number of days and the vertical axis identifies the corresponding tender
Source: Analysis based on information available in CompraNet

The figure above compares planned and actual deadlines of the main milestones in the tendering phase for selected construction packages. On average, the timeframe for carrying out tender processes has been exceeded by more than 50% irrespective of the complexity of the works put to tenders. However, a direct correlation between the number of questions and the delays in the tendering process can be observed through those illustrative examples when analysing information on clarification meetings available in CompraNet. The tender for the foundations of the multimodal transport centre generated among the fewest number of questions while the tenders for runway 2 and the terminal building experienced the largest number of questions.

Identifying the underlying reasons explaining the number of questions would allow GACM to take corrective actions to better anticipate those possible delays and factor them into the planning of upcoming tenders. Therefore, GACM could consider carrying out further analysis on the typology of questions asked in previous procurement processes and map them to understand whether they relate to administrative and legal requirements or to technical specifications.

Beyond delaying the anticipated timeframe to award certain packages, this situation could pose, among other reasons linked to the extraordinary nature of some works or bidding strategies from companies, questions both on the clarity of tender documents and on their alignment with market capabilities.

Ensuring clarity of tender documentation and minimising delays in carrying out procurement processes call for a thorough assessment of the scope of the works put to tender and market capabilities to respond to those requirements. The prolonged support of the SFP in reviewing draft tender documentation, award criteria and anticipated

milestones of the procedure could prove instrumental in designing tenders which promote more effective competition.

Priority 3: Strengthening pre-tendering activities to ensure effective competition

While complying with the Law on Public Works and Related Services (*Ley de Obras Públicas y Servicios Relacionados con las Mismas*, LOPSRM) when carrying out market investigations, GACM achieved limited progress in the implementation of the recommendations supporting this priority area. The more complex the project, the more information asymmetries between the contracting entity and suppliers. One commonly admitted way to reduce this information gap is to devote extensive efforts on market intelligence. The market investigation referred to in the LOPSRM is a legislative requirement but is only part of the exercise urged due to the scale, complexity and interrelation of the construction works put to tender in the NAICM project.

Progress made

The definition and compulsory nature of market research prior to tendering can be found in Articles 2 and 16 of the Regulation on Public Works and Associated Services (*Reglamento de la Ley de Obras Públicas y Servicios Relacionados con las Mismas*, ROPSRM). Market research matters are also regulated in the LOPSRM's implementing regulation, the "General Procurement Manual" (Administrative Manual for General Application concerning Public Works and Associated Services, *Manual Administrativo de Aplicación General en Materia de Obras Públicas y Servicios Relacionados con las Mismas*, MAAGMOPSRM), and GACM's Manual for Planning, Contracting and Executing of Public Works and Associated Services (*Manual de Procedimientos para la Planeación, Contratación y Ejecución de Obra Pública y Servicios Relacionados con la Misma*).

The ROPSRM defines market research as the process to verify the availability and costs of materials, workforce, machinery, and equipment, as well as contractors, at the national and international markets, and the estimated total price of the works. Its purpose is to help public officials choose the best contract strategy and pricing scheme, as well as, in certain cases, substantiate a decision not to use public tendering. The GACM's Manual provides that every purchase request must be accompanied by market research.

Besides those standardised procedures for market research which comply with legislative requirements, GACM reported to carry out additional activities to gain a greater understanding of the market in certain packages such as the terminal building, the platforms for passengers, and the runways. Those additional efforts include:

- Financial estimates provided by companies responsible for the design of the works put to tender
- Validation of those estimates by the PMO
- Identification by the PMO of companies having performed similar works in other airports worldwide
- Analysis and discussions on the estimates and the list of potential bidders during meetings of the executive steering committee (*Comité Directivo*).
- Publication of draft tender notices to receive feedback from potential bidders on the requirements

To the extent they are effective and sustained over time, all these additional efforts contribute to provide GACM with a greater understanding of market capabilities, thus trying to impulse increased competition. However, the structure of the project itself, with sequenced packages, generates additional complexities which should be factored in the pre-tendering activities. Conversely, this structure also provides ample opportunities for GACM to increase the effectiveness of its market research activities.

In addition to those efforts, GACM, together with officials from SFP, participated to a workshop organised on 13 July 2017 by the Federal Competition Commission (*Comisión Federal de Competencia Económica*, COFECE) on competition in public contracts. While this is valuable initiative to raise awareness in GACM about competition issues and strategies to mitigate risks, the effectiveness of such programme is subject to its sustainability over time. Therefore GACM together with COFECE could consider developing regular workshops on competition in public contracts so as to reinforce the capabilities of GACM staff and other stakeholders contributing to the development of tenders for the construction of the NAICM.

Areas for improvement

COFECE recently reiterated the strategic importance of market analysis and recommends contracting entities to allocate sufficient time and resources to carry out related tasks going beyond a mere administrative exercise (COFECE, 2016^[4]). SFP, within the 2017 preventive support programme, also points to the importance of market investigation to maximise competition in works put to tender.

GACM could complement its efforts by maximising its use of existing sources of information. Although the complexity and scale of the NAICM packages do not allow for a comprehensive comparison with public works carried out by other institutions, a broader assessment of existing information available in CompraNet could represent a useful exercise in understanding market capabilities in other procurement processes. Indeed, additional efforts could be done in defining public works which although not strictly corresponding to the construction of an airport could show similarities. For example, market analyses relating to the construction of support buildings, while embedding specificities linked to airports, could reasonably start by using proxies such as buildings constructed in Mexico City in the recent years.

Also, it seems GACM could take advantage of its accumulated experience and knowledge of market structure resulting from previous tenders. Indeed, some packages and sub-packages present similarities either in construction methods, scale of activities or sequencing of works. Besides using this knowledge to inform future tendering strategies, this element also provides GACM with an extensive suppliers and subcontractors' database in which it could identify potential future competitors and benefit from previous assessment to understand their capabilities.

The latter would represent a further step towards more comprehensive and strategic market analyses paving the way to the identification of the most appropriate tender strategy. The overarching principles of in-depth market studies lie in the well-known Porter's five forces: supplier power, buyer power, competitive rivalry, threat of substitution and threat of new entry (Porter, 1979^[5]).

Identifying the different forces driving markets and therefore gaining more intimate knowledge of private sector's capabilities and appetite could be pursued with thorough investigations based on available sources of information.

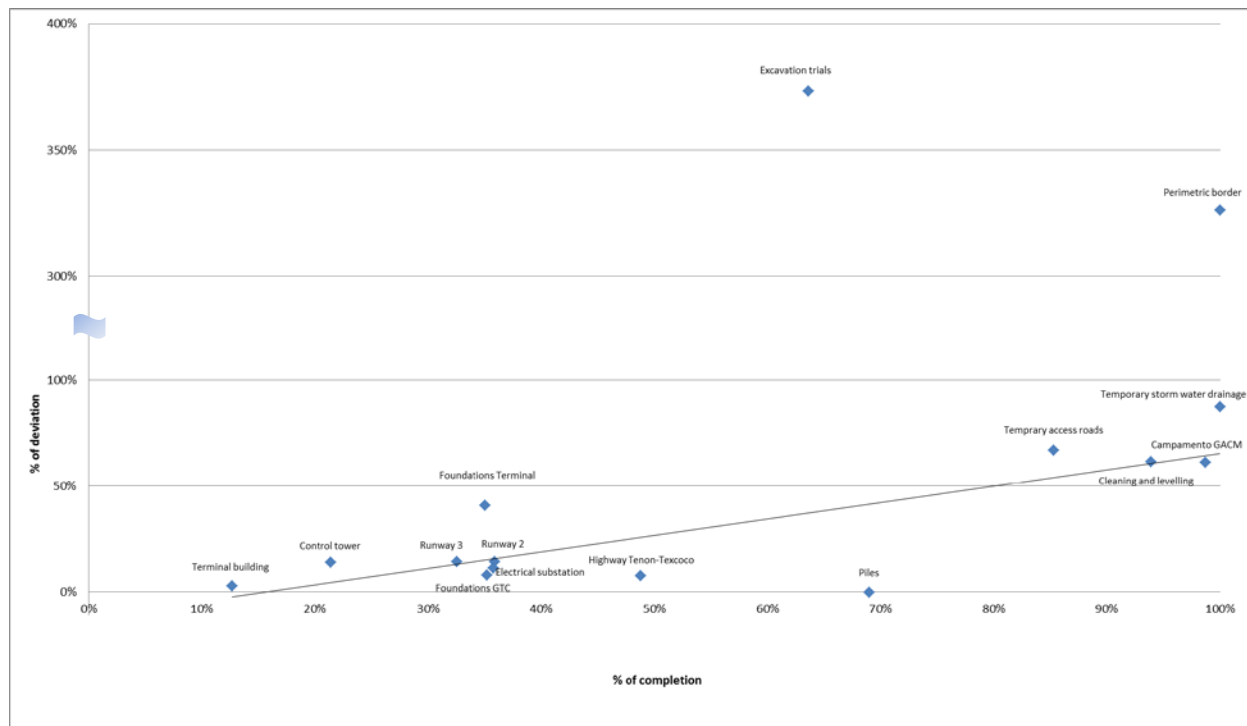
Besides the benefits provided by developing these additional initiatives, GACM could also seize this opportunity to consolidate fragmented information and research, collected by its different units, into one strategic document. The checklist in Annex A offers suggestions to GACM and its technical partners such as the PMO (Parsons) on elements which would provide additional insights on market structure and capabilities. These components could be tailored to the specific of the works put to tender and be used to develop structured market studies informing future procurement decisions and a summary of which could be attached to the draft tender notice which is posted in CompraNet. Doing so would provide interested bidders with the opportunity to reduce asymmetries of information which would ultimately benefit GACM and tender outcomes.

Priority 4: Strategic contract management is required to mitigate the risks the NAICM is facing and to minimise their consequences

GACM realised substantial progress in implementing recommendations supporting this priority area. However, increased exposure to risks of delays and changes calls for additional efforts.

Robust contract execution is a key factor for the successful delivery of infrastructure projects and gets even more importance given the nature and complexity of the works, as well as the interdependence of some of the packages and the duration of the contracts, which make them prone to changes. The state of contract execution against the contractually agreed timeline in works which are already performed or are on-going (see figure below) emphasises the need for a reinvigorated contract management framework.

Figure 2.3. Deviations in contract execution



Note: Each plot represents a package. The linear trend line does not include data points on excavation trials and perimeter borders because of exceptional circumstances explaining the delays

Source: Analysis based on information provided by GACM and on information available in CompraNet.

One can indeed see that all construction works, with the exception of the piles, initiated since the start of the project experience delays in their execution and that they tend to increase as works progress. On average works currently suffer from a delay of six months between the estimated timeframe and the actual timeframe. It should be noted that such delays could be explained by force majeure events or by changes required by GACM to the scope or sequencing of the works.

GACM reported that the execution of works was constantly monitored, and work was done with suppliers to identify solutions such as adapting working methods or increasing human resources dedicated to construction activities. While these efforts could mitigate the risk of delays for a certain period of time, they might also entail requests from suppliers to account for the additional costs from changes in working methods or mobilising additional human resources. Finally, delays might incentivise GACM to consider awarding contracts for future works through direct award procedures, so as to eliminate the time required to carry out procurement processes. Doing so would however prevent GACM and all stakeholders from ensuring that corresponding contracts represent best value for money.

Progress made

The number, complexity and interrelation of works being carried out simultaneously required dedicated technological support. Indeed standard tools could not cope with the level of efforts necessary to develop a project of this magnitude. To address this fundamental issue, GACM system called System for Control of Works and Projects (*Sistema de Control de Obra y Proyectos, SCOP*). This software allows for the generation of information and graphical representation of progress which support decision-making in built assets.

Data is inputted in the SCOP by a number of different stakeholders mainly from the Corporate Directorate of Infrastructure but also supervisors of the works and administrators of contracts.

The tool provides GACM with critical information on progress made in the different streams of work, with estimated impacts of deviations and work progress history. In doing so GACM successfully laid the technological foundations to strategically manage an exponential number of contracts, all participating to a certain extent to the effective delivery of the NAICM.

Besides dedicated systems supporting GACM in the implementation of strategic contract management, it strengthened its governance structure by allocating contract management activities to directorates according to their field of expertise. In addition, to ensure an efficient management of deviations and changes to contracts, GACM implemented a Change Committee (*Comité de Cambios*) responsible for discussing major changes to signed contracts.

This Committee reviews and assesses contractual changes which could influence the development of the NAICM. Major changes are discussed every month whereas minor changes are only assessed by a sub-Committee. Major changes could be:

- Those affecting the critical path of the project
- Extension of contracts in excess of three months
- Modification to contracts exceeding MXN 10 million

- Modification which requires the authorisation of SFP
- Impact of the change on more than one contract

According to the Mexican public procurement framework, deviations to contracts are usually under the responsibility of the contract manager (*Residente de Obra*) to whom the specific contract is assigned. Yet, according to the structure and complexity of the NAICM, many of the construction works are strongly interrelated. Therefore, the Change Committee is a useful initiative to ensure that contractual changes benefit from an aggregated view on the project's development.

However, other critical factors remain to be addressed and the situation of contract execution further calls for extensive efforts not only from GACM but also from other stakeholders, notably SCT and the Ministry of Finance (*Secretaría de Hacienda y Crédito Público*, SHCP) being responsible for deciding on the allocation of additional resources, to mitigate all sorts of risks projects of the like are facing including sub-optimal final asset or integrity failures.

Areas for improvement

The first and foremost pressing issue relates to the adequacy between the number of officials responsible for contract management and the number, complexity and interrelation of contracts. At the end of November 2017, 113 individuals are assigned to the management of seven of the most important contracts. Among these individuals, 80% are outsourced supervisors who are responsible for technical oversight on construction activities and quality assurance. The remaining 22 individuals are tasked with administrative management but only eight are GACM officials. This means that 7% of the human resources dedicated to contract management activities are public officials who ultimately bear administrative liabilities in case of irregularities detected by the OIC or the Mexican Supreme Audit Institution (*Auditoría Superior de la Federación*, ASF). Furthermore, GACM contracted external supervisors for the main works.

International experience indeed shows that sufficient and qualified human resources are a prerequisite to the implementation of strategic contract management. The benefits of dedicated contract management have been long acknowledged in the literature (Mettler and Rohner, 2008_[6]) and allow for the materialisation of the objectives pursued in the selection of suppliers. Conversely, insufficient contract management increases the exposure of the project to a number of risks, from mismanagement, undue payments to greater corruption threats.

Ultimately those risks lead to possible administrative sanctions based on ASF investigations. In its report on the superior audit of 2016 public accounts (*Informe del resultado de la fiscalización superior de la cuenta pública 2016*), this audit institution points to several deficiencies relating mostly to administrative management of contracts such as amendments not formalised within the timeframe prescribed by the law or delays in the effective handling of anticipated payments. Insufficient quality assurance mechanisms also led to payments to suppliers without the necessary justifications (ASF (Auditoría Superior de la Federación), 2017_[7])¹.

¹ GACM reported that although these results are final, the observations determined are still preliminary, which allows GACM to present information or documents that address or clarify these observations.

However, those safeguards and verifications require a close oversight of suppliers' performance of the contract. An exponentially growing number of on-going contracts coupled with constrained human resources capabilities could further increase related risks and expose the NAICM to public distrust. To mitigate these risks, it is therefore urgent for all directorates of GACM to cautiously assess efforts required to implement a comprehensive contract management framework and define the corresponding number of officials required to carry out those tasks.

A comprehensive contract management framework, as suggested by international experience in airports around the world (see box below), requires the segmentation of the supply base according to its strategic importance or influence on business objectives. Building on this categorisation, tailored contract management strategies with relevant management oversight and varying frequency of interactions would provide GACM with the possibility to allocate resources strategically and minimise risks linked with sub-optimal management of suppliers.

Besides contributing to mitigate risks to which the NAICM is exposed, it could also support the efficient execution of the construction works. Indeed, by reinforcing and structuring the relationship with its suppliers, GACM could take a proactive stance in anticipating emerging issues and adapting to evolving conditions.

Box 2.1. International experience of supplier relationship management in airports

Supplier relationship management is understood as an approach to systematically managing an organisation's interactions with the companies that supply products and services to it. It therefore draws upon the segmentation of goods, services and works procured by the organisation. Building on Kraljic's seminal work (Kraljic, 1983), strategic procurement organisations segment their supply base based on the importance of their spend and buyer/supplier market dynamics such as those established by Michael Porter and his five forces.

This segmentation not only provides for stronger foundations to develop effective procurement strategies, it also allows to implement supplier relationship management strategies according to the importance of the suppliers for the organisation.

Heathrow supplier relationship management:

Heathrow is a private company operating in a regulated industry. It is the organisation responsible for the management and development of Heathrow airport. To fulfil its mandate and generate returns on investment, the organisation relies on around 1 300 suppliers.

On the basis of suppliers' segmentation articulated around risks and value for the organisation, Heathrow implemented a framework for managing suppliers which defines tailored contract management efforts according to the importance or criticality of the supplier.

Indeed the categorisation of suppliers entails the development of distinct models of relationships from traditional contract management to collaborative engagement and partnering efforts. On that basis a systemic supplier relationship management framework is defined.

Avinor's contract management strategies

Avinor is a Norwegian state-owned company owning, operating and developing a national network of airports. In 2016, it manages 45 airports in the country hosting more than 50 million passengers a year and finished in 2017 the construction of a new terminal in Oslo.

To successfully achieve the construction of the new terminal, Avinor implemented a threefold contract management framework:

- Contract management strategies institutionalising the ownership and the management of the contract with defined roles to achieve gains and targets set out in the contracts
- Vendor management activities which defines strategic ownership and management of vendors across contracts to achieve maximum use of assets to build competitive advantages
- Supplier Relationship Management consisting in structured measurement of contract and vendor to achieve maximum outcome within existing agreements

Based on its experience in the development and management of airports, Avinor reports that strategic contract management is the main success factor for projects'

delivery on time and below budget and is the highest contributor to savings and efficiency in operation

Source: Adapted from presentations (Chris Howe, Buildings Procurement Director at Heathrow and Runar Stalsberg, Chief Procurement Officer at Avinor) delivered in a workshop on contract management organised in Mexico on 9 May 2017.

As shown by international experience in the construction and management of airports, best practices in contract management are gearing towards the development of supplier relationship management (see box above). Going beyond contractual compliance, it defines processes and relationships which aim at developing an environment conducive to performance.

Summary of actions for the implementation of the recommendations

To address the risks posed to the effective delivery of the NAICM on time and on budget, a reinforced and agile procurement framework able to adapt to evolving conditions and unplanned situations would be necessary. It however requires going beyond its legislative definition and necessitates further efforts not only from GACM but also from other stakeholders.

- The Centre of Government, having the required political leadership, could convey a consultative group comprised of stakeholders, at all levels of government, providing advice on procurement decisions taken in the development of the NAICM.
 - GACM could use coordination meetings conveyed by SCT as a platform for sharing detailed information about procurement strategies, timeframes and tender documentation so that other stakeholders could ensure their timely alignment with decisions taken in procurement processes.
 - To ensure the proactive involvement of stakeholders at all levels of government, the Office of the President could create a consultative group to review main procurement milestones and strategies of all procurement operations impacting the effective delivery of the NAICM.
- GACM should build on recent efforts and continue, with the support of SFP, to design tender documentation, award criteria and weights which encourage broader participation in its procurement processes, bearing in mind the unique nature of the works. Increasing the number of offers competing on both their technical and financial components would positively impact savings and reduce risks of collusion or market allocation.
 - GACM should ensure alignment of requirements and award criteria with market structure and capabilities with the view to increase competition and reduce risks of market allocation
 - In light of the information collected through market research, GACM could use the number of bids competing on both technical and financial elements as an indicator of genuine competition and work towards its improvement.
- GACM could consider implementing in all future tenders measures suggested by SFP through the preventive support programme such as:
 - streamlining procedures to ensure access to procurement opportunities by promoting further use of CompraNet and allow potential bidders to request

- clarifications to the tender documentation through electronic means and accept electronic offers in addition to those submitted on paper;
- reducing red tape by requesting tax certificates only to the preferred bidder to ensure that bidders have sufficient time to comply with this requirement during the tendering phase;
- Ensuring through a detailed market analysis that requirements in terms of minimum and maximum relevant experience and comparable contracts are aligned with national and international markets' capacities
- Considering changes to the standard percentage of the requested local workforce in accordance with the nature and requirements of the works put to tender.
- So as to avoid cascading effects on the sequencing of the tenders, GACM could factor in procurement timeframes the potential delays resulting from the number of clarification meetings and questions relating to tender documentation.
- To take corrective actions, GACM could consider carrying out further analysis on the typology of questions asked in clarification meetings and map them to understand whether they relate to administrative and legal requirements or to technical specifications.
- GACM could try to ensure the prolonged support of SFP in reviewing draft tender documentation, award criteria and anticipated milestones of the procurement procedure.
- Being a prerequisite for a more strategic use of public procurement, GACM could reinforce its efforts on market analysis by maximising the use of existing information and developing a structured approach to this exercise. Doing so would help GACM to further ground strategic orientations and minimise delays in carrying out procurement processes.
 - GACM could complement its efforts in market research by maximising the use of existing sources of information and notably carry out a broader assessment of existing information available in CompraNet for works of similar nature although not corresponding to the scale and complexity of the NAICM.
 - GACM could consider further using accumulated experience and knowledge of market structure resulting from previous tenders notably by developing a database of previously interested suppliers and bidders in which it could identify potential future competitors and benefit from previous assessment to understand their capabilities.
 - GACM could consolidate fragmented sources of information into a strategic document which would help developing structured market studies along the components suggested in Annex A. The content could then be further tailored depending on the nature and complexity of the works put to tender.
 - Together with COFECE, GACM could consider regularly organising workshops on competition in public contracts for the benefit of GACM staff and other stakeholders to ensure that best practices are effectively disseminated.
- GACM could cautiously assess the efforts required to implement a comprehensive contract management framework and the risks of not doing so. It should also ensure that it retains ownership and close oversight on suppliers' performance, including those supervising construction works.

- GACM could cautiously assess efforts required to implement a comprehensive contract management framework and define the corresponding number of officials required to carry out those tasks;
- Within teams responsible for contract management, GACM could reconsider the share of public officials to ensure internal ownership of this critical procurement stage.
- By categorising its supply base and tailoring contract management activities, GACM would benefit from the possibility to allocate resources strategically and minimise risks linked with sub-optimal management of suppliers. By reinforcing the strategic management of suppliers, GACM could take a proactive stance in anticipating emerging issues and adapting to evolving conditions.
 - GACM could categorise the supply base according to its strategic importance or influence on the effective delivery of the NAICM.
 - Based on suppliers' segmentation, GACM could define tailored contract management strategies with relevant management oversight and varying frequency of interactions to allocate resources strategically and minimise risks linked with sub-optimal management of suppliers.

Annex 2.A. Proposed checklist for market analyses

<i>Topic</i>	<i>Issue / Question asked</i>	<i>Information Response</i>	<i>Conclusion / Mitigating measures</i>
Market context	<ul style="list-style-type: none"> • Have there been any relevant comparable projects in the past or in the present? <ul style="list-style-type: none"> ○ If yes: details about the size (\$), complexity (technical, geographical) and final outcome (successfully completed, delayed, abandoned, failed) ○ How many bidders usually participate? Details about <ul style="list-style-type: none"> ▪ nationality (including of the mother company in case of local branch) and reach (local, regional, foreign, global); ▪ qualifications (turnover, manpower, portfolio of contracts); ▪ prices (above or under the estimate); ▪ main problems encountered. • Have there been any major public works contracts awarded (exceeding the estimated amount of the sub-package) in the last five years? <ul style="list-style-type: none"> ○ If yes: details about the size (\$), complexity (technical, geographical) and final outcome (successfully completed, delayed, abandoned, failed; completed under or above the budget) ○ How many bidders usually participate? Details about <ul style="list-style-type: none"> ▪ nationality (including of the mother company in case of local branch) and reach (local, regional, foreign, global); ▪ qualifications (turnover, manpower, portfolio of contracts); ▪ prices (above or under the estimate); ▪ main problems encountered. • Are there any other packages or sub-packages currently being implemented or planned, which are likely to compete for the same pool of contractors and resources over the same period of time? • How likely is it for the project to be attractive to different categories of potential bidders? • What are the market trends in the specific sector (concentration, specialization, technological innovation, etc.)? 		
Key players	<ul style="list-style-type: none"> • How many potential bidders are there for each specific skill necessary to complete the sub-package (buildings, power, soil/roads, irrigation etc.)? Details about: <ul style="list-style-type: none"> ○ nationality (including of the mother company in case of local branch) and reach (local, regional, foreign, global); ○ size (\$, workforce); ○ experience on the market; ○ relevant experience for the project (international standards, FIDIC, ISO); ○ type of clients (mainly public or private); ○ competitive advantage (price, quality, experience, monopoly on the market, location, privileged access to resources – raw materials, financing). • How many of these would qualify under the usual GACM qualification criteria (\$, experience in similar contracts, personnel, equipment)²? 		

² Not all information may be available from the sources identified

Product knowledge	Product characteristics
	<ul style="list-style-type: none"> • Description of main products/services/works involved in the execution of the sub-package • Necessary qualities of the main products/services/works • Required certification for the main products/services/works • Most recent innovations
	Substitution alternatives
	<ul style="list-style-type: none"> • Low-budget alternatives (main characteristics, strength and weaknesses) • High-end alternatives (main characteristics, strength and weaknesses)
	Price trends
	<ul style="list-style-type: none"> • Price ranges: low budget • Price ranges: high budget • Price fluctuation of main products/services/works in recent years
	Competition
	<ul style="list-style-type: none"> • Is there a history or any indication of cartelisation/monopolies/interest groups/collusion in the specific industry? • How do the local companies compare to foreign bidders? • Do the foreign companies crowd out the local competitors? • Barriers to entry
Constraints and deterrents	Critical inputs
	<ul style="list-style-type: none"> • Access to financing - how developed is the banking sector? <ul style="list-style-type: none"> ○ Bank guarantees – how difficult and how expensive it is for contractors to get them; what kind of collateral they have to provide; ○ The cost of credit to finance operations until invoices are paid; ○ Are there regulations in force capping the payment terms? • Access to workforce <ul style="list-style-type: none"> ○ Are the necessary skills available on the market? ○ Are there significant work ethics issues (misconduct, absence, poor performance)? ○ What is the bargaining power of employers/employees? ○ Are labour costs significant? ○ Are labour laws restrictive and enforced (work hours, overtime, permits)? ○ Do labour laws discriminate foreign contractors (bureaucracy, costs, work permits, visas)? • Access to raw materials <ul style="list-style-type: none"> ○ Are raw materials (including fuel) available in sufficient quantities, of the required quality and in accessible locations? ○ Are the costs of raw materials significant? ○ Are there any restrictive conditions (permits, licenses, upfront payment)? • Access to critical equipment <ul style="list-style-type: none"> ○ Is critical equipment available in the country, or it needs to be imported? If imported, are there any significant bureaucratic obstacles (temporary import)? ○ Is there a functional hire/lease market, or do the contractors usually own their equipment? ○ Can large equipment be deployed on locations?
	Infrastructure
	<ul style="list-style-type: none"> • Are there functional roads to the project sites, or are the contractors expected to build access roads? • Are there necessary utilities at the project sites (electricity, drinking water, fuel), or are the contractors expected to make their own arrangements? • Is the communication sector developed? Cell phone/internet coverage, access to communication channels (including public access to information,

bidder access to advertising)

Local capacity

- Are there reliable sources of information (market and statistical data, professional bodies, trade organizations, industry groups)?
- Is there a pool of technical competencies in the market (are industry standards common, are technical norms enforced, are there relevant professional bodies of engineers etc.)?

Geography and weather

- Are project sites accessible? Can heavy equipment and teams of workers be moved to the project sites?
- Are there any weather restrictions (seasonal problems, floods, heat, seasonal diseases)?

Legal context

- Are there registration or incorporation requirements for foreign contractors? How intensely bureaucratic is the process? Time? Costs?
- Taxation issues – how possible, realistic and enforceable is to have a tax exemption mechanism?
- Are labour laws restrictive and enforced (restrictions on the use of foreign labour, health and safety issues)
- Environmental law – are there any restrictions and are they enforced (protected areas, deforestation, water consumption)?

Adapted from Millenium Challenge Corporation (2016), Market exploration toolkit for focusing and shaping procurement strategies in MCC operations and PIANOO (2011), Know the market, What do we need to know about markets to guarantee good procurement?

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Chapter 3. Integrity and Transparency

Integrity

Priority 1: Advance towards a comprehensive policy for the prevention and management of conflict of interest, supported by an implementation strategy

The 2016 OECD progress report recommends that the GACM develop additional policies on conflict of interest, based on the Code of Conduct and existing conflict of interest tools. This report also recommended that the GACM reinforces the training of its staff, giving them guidance on how they are expected to apply the tools in their daily work and on how to react when faced with difficult situations. This, in turn, was based on the recommendation contained in the 2015 report suggesting that the GACM could develop a comprehensive policy on conflict of interest management, including the development of a Public Procurement Management Framework that lists the situations that would be considered a conflict of interest and provide guidance on the steps to follow.

Progress made

GACM has obtained good results since the last progress report to date in the strengthening of its conflict of interest management framework. With the support of the Ministry of Public Administration (SFP), GACM developed an internal protocol for all employees, regardless of the type of contractual relationship with the group, to prevent, identify and address cases of conflicts of interest (the Protocol). The Protocol was approved by the Committee of Ethics and Prevention of Conflict of Interest (Ethics Committee) of the GACM on 5 October 2017, replacing the previous version of Protocol as approved in June of the same year. In particular, the table on the risk areas was modified, the changes to the organisational structure were incorporated, and the protocol was adapted to the new General Law of Administrative Responsibilities, which no longer requires the existence of a certain degree of kinship to determine the existence of a possible conflict of interest, recognising that there may be conflicts issuing from personal, business or family interests. It was further established that the Protocol will be monitored by GACM's Internal Control Unit and the SFP.

Areas for improvement

The Protocol is an important step towards a comprehensive conflict-of-interest policy as recommended in previous OECD progress reports, as it lays the foundation for the policy. Based on this, GACM will be able to further improve the Protocol in terms of content, and to develop an implementation strategy to ensure its impact on actual conduct.

Strengthening the content of the Protocol

First, the Protocol lays out the different options a superior has in case one of the persons under his/her responsibility is in an apparent, real or potential conflict-of-interest situation (paragraph 11, Table 3.1).

Table 3.1. Alternatives for managing conflict-of-interest situations as foreseen in the GACM Protocol

Potential conflict of interest	Apparent conflict of interest	Real conflict of interest
Supervise with constant monitoring and auditing mechanisms to detect whether the conflict of interest, due to any change in circumstance or in the context of the official, becomes real	<ul style="list-style-type: none"> - Discuss with the employee - Clarification or public declaration to avoid misunderstandings - Mitigate the circumstances that may lead to a real conflict of interest - Prevent the official from participating in the process - Cancel the procedure at risk of generating a real conflict of interest 	<ul style="list-style-type: none"> - Analyse the facts to clarify the situation - Exclude or separate the person in question from the procedure - Change the distribution of functions and responsibilities of the staff - Cancel, as a last resort, the procedure - Suggest to sell the business shares or properties

Source: Internal Protocol of the GACM to prevent, identify and manage conflict-of-interest situations (version approved on October 5, 2017).

As established in the Protocol, a conflict-of-interest situation, even when real, is not necessarily equivalent to a corrupt practice. Only if the person in such a situation actually decides to act against the interest of GACM or the public interest, it becomes a problem. At the same time, interviews with GACM revealed that especially engineers in the construction sector often know each other or have worked together previously, which makes more likely conflict-of-interest situations that will need to be declared and managed to prevent that undue actions are taking place that would be subject to sanctions according to the Law.

Therefore, GACM could consider including in the table under paragraph 11 of the Protocol as an option for handling a real conflict-of-interest situation the following alternative: “declaration to the Ethics Committee to avoid the impression of secrecy coupled with a close supervision and auditing of the process and decisions involved”. This additional option would allow taking into account the –de facto- common existence of real conflict-of-interest situations, while promoting incentives to declare such situations to the superior without fear of reprisal. On the one hand, the declaration of the situation to the Ethics Committee helps to avoid misunderstandings or questioning of the decisions taken during the process. On the other hand, the required additional closer supervision and auditing by the superior reduces the risk that the conflict-of-interest situation is actually abused in favour of particular interests.

Second, as an additional annex to the Protocol, the GACM may consider drawing up a table with concrete examples of conflict-of-interest situations that are likely to occur in the key processes identified, especially in public procurement and human resource management processes. These examples would also inform the GACM risk mitigation policy. As a follow-up, the OECD will support GACM in developing these examples.

Finally, GACM may consider further simplifying the language of the protocol, or issuing a flyer or leaflet with the core messages in a readable and appealing design to facilitate its diffusion amongst the target population.

Implementation strategy to provide guidance

The Protocol is but the first step of an internal conflict-of-interest policy. Each aspect of the protocol needs to be underpinned by concrete actions and measures ensuring its effective implementation, including that the staff receive training on ethical dilemmas and on how they are expected to apply standards in their day-to-day activities and to react to

difficult situations. According to GACM, 90 per cent of GACM staff (270 persons) received training on ethics, public integrity and prevention of conflicts of interest on 10 April, 28 April and 18 May 2017. In addition, in October 2017, 72 new staff has been trained as well. This training has also been evaluated with help of SFP's Ethics, Public Integrity, and Conflict of Interest Prevention Unit (Unidad de Ética, Integridad Pública y Prevención de Conflictos de Interés, or UEIPPCI). However, the evaluation form used to evaluate the participants of the course did not include questions on situations that could or could not be a conflict of interest, e.g. a hypothetical scenario followed by the question whether this is a conflict-of-interest situation or not, and therefore it remains unclear whether the participants are able to actually apply what they have learnt. In addition, even though training is an important aspect, it is not in itself sufficient to ensure sufficient guidance to the staff, which is why the training could be strengthened through the use of practical cases.

Therefore, to ensure an effective implementation of the Protocol, GACM needs to determine the change they want to achieve through their conflict of interest policy; that is, identifying the objectives of the policy. These objectives and actions should as far as possible be framed in a measurable way through adequate indicators that allow for monitoring and evaluation of the implemented actions. The OECD supported GACM with methodological guidance on how to proceed systematically through a workshop at GACM, with presence of SFP's UEIPPCI on 11 and 12 July 2017. At the workshop, three preliminary objectives of the internal conflict-of-interest policy were already identified jointly:

- GACM staff is able to identify a conflict-of-interest situation
- GACM staff know the actions to take in case they identified a conflict-of-interest situation
- Superiors are sensitised and trained on how to provide support to staff under their responsibility that are in a situation of conflict of interest

Each of these objectives now requires the implementation of a set of concrete measures aimed at achieving it. As an outcome of the workshop, GACM committed to develop this action plan with concrete measures based on an explicit theory of change that lays out the conditions and hypothesis linking the planned actions to the achievement of the three objectives, according to the methodology provided by the OECD at the workshop (OECD, 2016^[1]). During the workshop in July, the following key elements that should be part of this action plan to ensure an effective implementation were identified:

- ensure ethical leadership at all levels by leading by example;
- develop and test a training tool for staff based on pedagogically adequate methods, and evaluating its impact on the learning objectives (i.e. identifying a conflict-of-interest situation, and knowing what do) before implementing it;
- provide incentives to the staff to declare conflict-of-interest situations (for example through timely moral reminders or public conflict-of-interest declarations by managers thereby leading by example etc.); and
- provide for ad-hoc guidance either by the direct superior or by the dedicated contact person designed by the Ethics Committee. Both superiors and the dedicated contact person need to be sensitised and have the capacity to respond to such requests for guidance.

Priority 2: Promote trust in the channels for the reporting of misconduct

In 2016, the OECD recommended that GACM adopt additional policies that would further define and increase transparency as to how disclosures of misconduct would be handled in GACM. This included developing a comprehensive policy statement that would commit to analyse and investigate disclosures of misconduct, to update whistleblowers on the outcomes of their disclosure, and to protect the confidentiality of their identity or to respect their desire to remain anonymous. In the 2015 review, the OECD recommended that GACM further discuss which channels will be trusted by employees in order to disclose misconduct.

Progress made

Federal public servants in Mexico may report misconduct either internally or externally. For the purpose of this report, internal reporting refers to disclosures of misconduct that are exclusively handled by the executive power, while external reports refer to those that are handled by non-executive actors. As such, internal reports include public organisations' Internal Control Body (OIC), to their organisation's Ethics and Prevention of Conflict of Interest Committee (*Comité de Ética y Prevención de Conflictos de Interés*, or CEPCI), or through the Ministry of Public Service (*Secretaría de la Función Pública*, or SFP)'s system for the disclosure of misconduct (*Sistema Integral de Quejas y Denuncias Ciudadanas*, or SIDECA) (<https://sidec.funcionpublica.gob.mx/#!/home#top>). External reporting refers to channels administered by the Supreme Audit Institution of the Federation (*Auditoría Superior de la Federación*, or ASF), or the online platform of the National Anti-Corruption System (*Sistema Nacional Anticorrupción*, or SNA), although the latter is not yet in operation.

In this context, GACM has invested significant efforts with a view to establishing trust in its channels for reporting misconduct. In line with the SFP's General integrity guidelines (*Lineamientos generales para propiciar la integridad de los servidores públicos e implementar acciones que favorezcan su comportamiento ético*) GACM has designed and implemented a number of policy tools, including a specific protocol for handling disclosures of misconduct and procedure for disclosing misconduct to the CEPCI, as well as specific provisions in GACM's Code of conduct that provide for the reporting of misconduct to an immediate supervisor or to the OIC. GACM's Code of conduct also prohibits GACM employees to attempt to prevent the disclosure of misconduct by a colleague or another individual, as well as intimidation, harassment and discrimination. Such policies seek to encourage and guide employees, business partners and members of the public to disclose misconduct, and create internal standards as to how disclosures will be managed internally.

In early 2016, GACM had adopted an internal procedure and Protocol for the disclosure of misconduct (*Protocolo para Presentar Denuncias ante el CEPCI por incumplimiento del Código de Conducta* and *Procedimiento para Presentar Denuncias ante el CEPCI*). These policies have been updated following the entry into force of the LGRA in July 2017, and apply to GACM employees only.

GACM has also created a section on its website that allows any person to bring any matter related to the construction of the airport to the attention of GACM's Director General.

In addition, GACM allows employees, citizens and private contractors to disclose misconduct through its website, with a link to SFP's SIDECA. This strengthens confidentiality over the procedure for disclosing misconduct.

In consultation with GACM, SFP's Unit for Ethics, Public Integrity and Prevention of Conflict of Interest (UEIPPCI) designed a Guide granting protection measures to those that report misconduct to the ethics and prevention of conflicts of interest committee (Guía para el otorgamiento de medidas de protección a denunciantes internos en los comités de ética y prevención de conflictos de intereses). This Guide, which defines specific measures for the protection of whistleblowers which complement the Protocol and Procedure for the reporting of misconduct including guidance on how to disclose misconduct and increasing transparency in the handling of such disclosures, is a significant step to strengthen the protection of whistleblowers. This Guide is an innovation in the Mexican public sector and as such, it will be tested through a pilot in GACM. SFP and GACM are currently working together to adapt the Guide to GACM's governance structure and operations.

Finally, GACM publicly committed to "zero tolerance for corruption" by placing signs at visible points of the construction site and at its headquarters, which publicise the telephone number to report misconduct, as further discussed under priority 3 of this chapter.

Areas for improvement

One important factor that whistleblowers may take into account in their decision of whether to disclose misconduct is knowing with certainty whether they will be eligible to protection. Increasing such certainty requires predictability and transparency in relation to the available options for reporting misconduct and the associated decision-making processes.

GACM policies dealing with the disclosure of misconduct could further clarify where employees may disclose misconduct and the applicable Protocol and procedures for reporting. Currently, for example, paragraphs 2.7 and 2.9 of GACM's Code of conduct limit GACM employees' duty to report either to the immediate supervisor or the OIC, without mentioning the Ethics Committee. GACM's policy instruments also do not reference the possibilities provided for in the LGRA and the General Law on the National Anti-Corruption System (*Ley General del Sistema Nacional Anticorrupción*, or LGNSA) for GACM employees to either disclose misconduct outside the organisation, such as to the ASF (as per the LGRA), or through a centralised electronic platform (once it is in operation) whereby any citizen can disclose misconduct anonymously (as per the LGRA and LGSA). Finally, in contrast with the reporting of misconduct to the CEPCI, there is no protocol and procedure for the reporting of misconduct to the OIC, beyond the applicable provisions of the LGRA. It would be helpful if the SFP could provide a protocol on the disclosure of misconduct for all internal channels. Such a protocol would ensure clarity and certainty on the eligibility of all whistleblowers for protection.

GACM and SFP could also reduce the complexity of the requirements to qualify the information reported by an employee as a protected disclosure under the Protocol for the disclosure of misconduct to the CEPCI. Subsection III.1 of the Protocol currently requires an employee to provide too much information, including evidence underlying the alleged misconduct and the date and place of the misconduct.

The duty of whistleblowers is to raise a reasonable concern that misconduct may be occurring and include relevant information that will allow authorities to verify the legitimacy and accuracy of these concerns. It is up to the recipient of the disclosure, and not the whistleblower, to gather evidence as to whether actual misconduct has taken place. In that respect, paragraph II.6a) of the Protocol for the disclosure of misconduct to the CEPCI could expressly state that the CEPCI will make all reasonable efforts to verify the information reported by whistleblowers.

Moreover, GACM managers mentioned during interviews on the airport site that GACM's Code of conduct is currently being revised to better highlight channels for reporting disclosures. These revisions may constitute an opportunity for harmonising and highlighting the different avenues that are available for disclosing misconduct, as well as for simplifying the procedure for disclosing misconduct. More specifically, GACM may wish to address the following gaps identified in the Code of conduct, as well as the Protocol and procedure for reporting misconduct:

- The Code of conduct could mention that any misconduct may be reported internally to either an immediate supervisor, to the ethics unit, or to the OIC, and that the disclosure will be transferred to the most appropriate recipient, as applicable.
- The Code of conduct could mention that disclosures of misconduct could be made externally to the ASF or to the SNA digital platform (when it comes into operation), to highlight all the options that are available to whistleblowers under articles 3(IX), 11 and 91 of the LGRA, as well as 49 and 56 of the LGNSA.
- The Code of conduct could expressly prohibit reprisals against whistleblowers, and provide for sanctions against those who exercise such reprisals against whistleblowers.
- The Code could refer to and encourage the use of the procedure and Protocol for the reporting of misconduct, the Guide for granting protection measures to whistleblowers (once implemented), as well as any other whistleblower policy that may be implemented by GACM.
- Update the confidentiality agreements signed by CEPCI members, including by specifically referring to the LGRA instead of the Federal Law on Administrative Responsibilities of Public Servants (*Ley Federal de Responsabilidades Administrativas de los Servidores Públicos*), which was abolished when the LGRA came into force.

Priority 3: Strengthen training, capacity-building and guidance with respect to the importance of disclosing misconduct and raising ethical issues to strengthen integrity within GACM

In the 2016 progress report, the OECD recommended that GACM staff be specifically trained on how to react to ethical dilemmas and on applying public integrity standards in the workplace, in contrast with training that focuses solely on the theoretical knowledge of integrity rules. In the 2015 review, the OECD recommended that GACM implement training and education on the notion of integrity and the purpose of reporting to encourage the correct use of reporting mechanisms and prevent misuse.

Progress made

GACM has raised awareness about internal reporting channels for disclosing misconduct. SFP's UEIPPCI has conducted training which covered awareness-raising of reporting

channels to the CEPCI in case of potential non-compliance with the Code of ethics, the Code of conduct and other internal integrity rules, including sexual harassment and discrimination. The training summarised the procedure according to which the CEPCI will handle the complaint while preserving the confidentiality of whistleblowers. The ethics and integrity training also reminded GACM employees of their duty to observe Mexican legislation, SFP's Code of ethics and the Guidelines of the National Anti-Corruption System, and that failure to comply with these obligations and to report facts related to administrative offence may constitute a non-serious administrative offence, as provided by the LGRA.

GACM has also widely advertised its hotline and website to disclose misconduct internally by posting signs across the airport site and the administrative headquarters which state "zero tolerance to corruption". Such signs are not only being made widely visible by employees, but also by business partners, suppliers and contractors who work on the airport site or at the administrative offices. Screensavers and a periodic newsletter are also being used to raise awareness channels for reporting misconduct.

Areas for improvement

GACM's whistleblowing framework is currently primarily designed to facilitate, or even require, the reporting of misconduct through the protection of identity, but there are few additional protections if the identity of the whistleblower is eventually disclosed. There are times when measures solely seeking to protect the identity of whistleblowers will not be effective at avoiding reprisals. Since the LGRA does not require the implementation of any mechanisms that seek to protect whistleblowers who could experience reprisals in the workplace, such as dismissal, demotion or suspension; transfer or reassignment; or change in duties; the fulfilment of GACM's duty to communicate and demonstrate to its employees that such reprisals will not be tolerated is paramount.

Indeed, without protection measures embedded in legislation, employees' trust in senior management's commitment to act on disclosed misconduct and to objectively implement protection measures may determine whether employees will take the risk of disclosing misconduct in their workplace. GACM leaders can play a critical role in reinforcing such trust by personally endorsing communication channels, guaranteeing that disclosures will be addressed and that reprisals will not be tolerated. GACM's senior management may reinforce the "tone from the top" by issuing clear statements from top management, on an ongoing basis, which provide that all disclosures will be acted upon and that reprisals will not be tolerated.

Moreover, to demonstrate the genuineness of their commitment to openness, transparency and accountability within GACM, GACM leaders could encourage employees to use external channels for reporting misconduct if they do not feel comfortable to report misconduct internally.

In addition, GACM could conduct expert training intended for public officials who are responsible for handling disclosures of misconduct. GACM could provide training by experienced professionals intended for those who receive disclosures of misconduct on how to interact with whistleblowers (e.g. individuals who may be in emotional distress), as well as on how to manage and use the information reported in an optimal manner. While the Guide for the granting of protection measures to whistleblowers is currently being revised by the CEPCI, the committee could consider the design and implementation of such expert training within GACM.

Priority 4: Continuously train staff in different formats and strengthen evaluation methods, making the results known through its internal communication page.

In 2015, the OECD recommended that GACM ensure the provision of training for procurement officials on integrity, ethics and anti-corruption tools. Moreover, the OECD suggested that the visibility and awareness of the Ethics and Conflict of Interest Prevention Committee (CEPCI) could be increased to ensure better dissemination and enforce of the code of conduct.

Progress made

In order to raise awareness among GACM's public servants and third-party personnel of the importance of integrity and ethical principles in the exercise of public office, GACM has made progress in implementing a training program on integrity, public ethics, conflict of interest prevention and public contracting.

Along with the support of the SFP's UEEPCI, a training schedule was agreed to, and GACM staff were invited to attend mandatory training on integrity, public ethics and conflict of interest prevention. On two separate days in April 2017, face-to-face training was conducted at the GACM Camp sites on the NAICM construction site and the GACM headquarters, with 270 GACM civil servants and outsourced personnel attending. Those who were not able to participate in the face-to-face training were invited to participate in a videoconference training held in May 2017. A second mandatory training session on the Protocol of Action in Public Contracting was held on two separate days in May at the same two locations. In addition, 72 new GACM employees were trained in October 2017.

Following the training, a total of 220 people were assessed, with an average GACM score of 8.75/10. In its assessment, UEEPCI noted that the results show a broad knowledge and appropriation of the values and principles that should govern the actions and performance of public servants in the exercise of their jobs, positions or commissions. UEEPCI also noted that GACM staff displayed extensive knowledge of CEPCI and its powers, including knowledge of complaints mechanisms. UEEPCI commended GACM on its extensive work in terms of training, raising awareness and disseminating the Code of Ethics and Conduct, as well as identifying conflicts of interest.

The CEPCI has also made progress in increasing its visibility, setting for itself three specific tasks in its 2017 Annual Programme of Work: (i) to promote the functioning of the Committee; (ii) to promote compliance with the GACM Code of Conduct; and (iii) to promote the filing and handling complaints by public servants for alleged breaches of the Code of Ethics, the Integrity Rules and the Code of Conduct. To that end, GACM revised the Code of Conduct, ensuring that the standards are kept up to date and reflective of the core integrity responsibilities of GACM employees. Following these revisions, CEPCI published the updated code on GACM's website and intranet, and communicated the new provisions to company personnel through several letters. In order to disseminate the values of GACM's Code of Conduct, with the support of UEIPPCI, the CEPCI implemented the 2017 Values Campaign through the monthly publication of desktop wallpapers designed by UEIPPCI (see Figure 3.1). Each month, a different value is highlighted, and includes a quote from a well-known Mexican about the highlighted value, and the expectations for GACM employees based on the Code of Conduct.

Figure 3.1. Values Campaign June desktop wallpaper



CEPCI, with the support of UEIPPCI, has also undertaken awareness raising and training initiatives regarding conflict of interest provisions and whistleblower protection.

Areas for improvement

GACM has made significant progress in carrying out training for procurement officials on integrity, ethics and anti-corruption tools. However, for the training to be effective, it should be regular and cover different aspects of integrity. Therefore, to further this progress, GACM could consider continuing the training programmes, offering training in different formats (in-person, online, etc.) and ensuring a robust evaluation system to take stock of the results.

The Values Campaign marks a positive contribution to the awareness raising activities undertaken by CEPCI. The Ethics Unit should continue raising awareness about integrity values, and going forward, the Ethics Unit could consider clearly identifying which behaviours they wish to influence and with OECD support, develop evaluation tools to assess behavioural change, such as regular staff surveys capturing essential aspects of the internal culture of integrity.

Regarding areas for improvement for the awareness raising and training initiatives on conflict of interest and whistleblower protection, see recommendations under priority 1 and priority 2.

Priority 5: Strengthen capacities of the Internal Control Body (OIC) and the Ethics Unit to provide advice

The 2016 OECD report recommended to upgrade the internal control and audit system, and to strengthen the capacities of the Internal Control body (OIC). This built on the 2015 report, where the OECD suggested that the SFP ensure the OIC does not only perform a control role but also serves as an advisory body for GACM management and procurement units to achieve greater effectiveness and efficiency of the procurement process.

Progress made

GACM is making progress in clarifying the institutional arrangements for integrity, leading to enhanced capacity for the OIC and the establishment of the Ethics Unit within GACM. Regarding the OIC, in the 2016 OECD Progress report, the OECD recommended that the SFP ensure that the OIC also serve as an advisory body for GACM management

and procurement units to achieve greater effectiveness and efficiency of the procurement process (in addition to its control role). Efforts have been taken by SFP to strengthen the operating capacities of the OIC in compliance with Article 115 of the LGRA, separating those responsible for investigations from those who conduct and decide on administrative responsibility. This included authorising seventeen temporary positions and three permanent positions. This improved capacity has allowed the OIC to increase its participation in the public procurement cycle. For example, the OIC currently serves as an advisor committees, such as the Internal Public Works Committee or Procurement, Leasing and Services Committee, as well as to the subcommittees reviewing calls for proposals, in which preventive recommendations have been made to help GACM carry out its processes in compliance with the Regulations.

Additionally, the OIC has carried out other types of preventive actions, such as a training workshop on declaration of assets and conflict of interest, as well as the promotion of the internal control mechanism known as the "Single Public Works Record". This mechanism is currently being implemented by the GACM, and will contribute to strengthening the accountability and contract management mechanisms.

It is also worth highlighting the creation of the Ethics Unit, attached to the Corporate Administration Department of GACM. The Unit is an unprecedented step forward in the public administration and is responsible for developing policies on conflict of interest and whistleblower protection, as well as providing hands-on training in ethical dilemmas. Regarding the establishment of a compliance officer,, the OECD and GACM agreed that a formal compliance unit was not necessary, given the institutional mechanisms in Mexico's public sector. Instead, the Ethics Unit is ideally placed to act as an integrity coordinator across the different integrity, ethics and anti-corruption functions of GACM.

Area for improvement

GACM could move forward with adding responsibilities for integrity coordination to the Ethics Unit. This will make the Ethics Unit a one-stop shop for integrity, ethics and anti-corruption for all internal and external actors of GACM. It is also necessary to institutionalise this Unit within GACM. The objectives of this function include:

- Promoting and coordinating an integrity, ethics and anti-corruption strategy (e. g., coordinating activities relevant to risk mitigation,, HR, internal control, ethics committee, social witness, etc.)
- Promoting and implementing elements of the integrity, ethics and anti-corruption strategy that are not addressed by other areas of GACM (including the code of conduct, conflict of interest, complaints, ethics training, communications)
- Acting as point of contact for providing confidential advice and/or support within GACM on integrity, ethics and anti-corruption
- Monitoring and regularly evaluating the level of implementation of the integrity, ethics and anti-corruption strategy across all areas/persons
- Providing advice to the Director General of GACM on integrity, ethics and anti-corruption issues

Regarding SFP, although the OIC's has been strengthened in its operational capacities, it is necessary that the Ministry of Public Administration and GACM continue its strengthening. Matters related to the OIC's investigative and sustentative functions have incremented considerably, thus it requires more personnel in order to meet the demands

in relation to complaints, reports, requests for review of the procurement process (*inconformidades*) and responsibilities.

Priority 6: Continue engaging with the private sector and civil society on integrity

In the 2015 report, the OECD made several recommendations to GACM regarding engagement with non-public entities, including consultants, outsourced personnel and subcontractors. These recommendations were as follows:

- Developing standard bidding documents for the technical and economic proposals, statement of integrity, and disclosure forms for current commitments and financial situation;
- Ensuring that its existing internal integrity mechanisms are known by and applicable to consultants, outsourced personnel and subcontractors as much as it applies to GACM personnel, through for example a code of conduct; and
- Engaging with groups of suppliers to explore ways to encourage them to develop their own standards and programmes to enhance integrity in their relationship with the GACM.

Moreover, in regards to involving civil society, the OECD recommended that GACM continue with the involvement of civil society experts through the inclusion of social observers in key procurement procedures.

Progress made

GACM has made substantial progress in advancing integrity commitments amongst its private sector partners. To start, GACM developed and integrated clauses on integrity, anti-corruption and prevention of conflict of interest into all procurement contracts under the section entitled “Commitment against Corruption” (*Compromiso Contra la Corrupcion*). The Integrity Clauses state that breaches to the provisions outlined in the Anti-Corruption Law or the Federal Penal Code during the course of the contract could lead to an administrative termination of the contract.

GACM has also made substantial progress in ensuring integrity mechanisms are applicable to non-public employees and suppliers, and has implemented two initiatives since the last 2016 OECD Progress Report. The first of these was GACM and SFP’s co-development of the Integrity Manifesto. Although it is not yet in operation, once the Manifesto is completed it will aim to ensure that integrity measures are applicable to non-public employees, including those who are not public servants. The Integrity Manifesto establishes the expected behaviours of any non-public employee who work onsite. Potential signatories of the Integrity Manifesto include outsourced staff, consultants and independent professionals. In the case of violations of the Integrity Manifesto, the sanctions provided for in Title Four of the LGRA may be applied to public servants and individuals.

In terms of the second initiative, GACM has made substantial progress in engaging with suppliers and encouraging them to develop their own standards and programmes to enhance integrity in their relationship with GACM. Following the passing of the LGRA, the SFP presented a Model Business Integrity Programme (*Modelo de Programa de Integridad Empresarial or MPIE*) in June 2017. While the MPIE is not mandatory, it is a useful tool for helping the private sector to comply with articles 21 and 25 of the LGRA. Article 21 gives federal government ministries in Mexico the ability to enter into

collaboration agreements with individuals, companies, business chambers as well as industrial and trade organisations that are participating in public contracting, in order to guide them in establishing an integrity programme for their organisation, whereas Article 25 specifies the core elements of the integrity programme.

The integrity programme contains a set of recommendations and tools for businesses to adopt integrity standards. SFP developed the MPIE in collaboration with business chambers, including the CMIC, and with guidance from UNODC and UNDP. The programme, in accordance with Article 25 mentioned above, requires companies to have the following elements in place:

18. An organisational manual of procedures that is clear and complete
19. A published and socialised code of conduct
20. Adequate and effective control, monitoring and auditing systems
21. Appropriate complaint systems
22. Adequate training and training systems and processes
23. Human resources policies to avoid the incorporation of people who may create a risk to the integrity of the corporation
24. Mechanisms that assure at all times the transparency and publicity of their interests

GACM has begun to promote the MPIE amongst companies wishing to contract with them. To move beyond a “tick-the-box” approach, GACM is looking at possible avenues to measure implementation of the integrity measures within these companies. This includes preparing a checklist for companies on how they can implement the measures set out in Article 25 of the LGRA.

The CMIC is also promoting the MPIE across its affiliates and non-members. A training programme has been developed by the CMIC and *Instituto de Capacitación de la Industria de la Construcción* (ICIC), CMIC’s training body. Aimed at construction companies which intend to participate in public procurement, the programme comprises eleven modules, which can be tailored to the company. The topics cover the content of the MPIE and include training on the main features of an integrity policy and the CMIC Code of Ethics, the recommended guidelines for training company personnel and contracting suppliers, the complaint procedures and the audit and control systems. Following the training programmes creation, the CMIC and ICIC aim to certify ICIC as an official trainer for the programme, conduct train-the-trainer sessions, and disseminate the training programme to interested companies via ICT tools and face-to-face sessions. SFP, through UEIPPCI, accompanied the CMIC in developing the training curriculum.

GACM formally consulted the SFP regarding the feasibility of including a requirement in the tender evaluations under the heading of "Bidder's Capacity, a sub-section that considers whether companies have a MPIE that includes the seven elements, and giving entities a specific percentage point in the event that they have it. This clause will also require business partners to provide evidence of the actions they took to comply with the Business Integrity Programme and Integrity Manifesto.

In regards to civil society accountability, as noted in the 2016 progress report, GACM established a lower threshold to involve a social witness (MXN 100 million) than required by law (MXN 300 million). Over the course of 2017, GACM has continued to involve social witnesses in key procurement procedures, for example in the award of the contracts for the construction of the control tower and roadways to the airport. This good practice has also been extended to tenders below the new threshold. Testimonials issued

by social witnesses can be found on the GACM website. Public notaries have also been engaged in the award meetings to attest to the legality of the proceedings, as well as the OIC of the SFP in GACM.

Areas for improvement

Once the Integrity Manifesto is finalised and launched, GACM may consider issuing a flyer with the core messages in a readable and appealing design to facilitate its diffusion across the target populations. GACM may also consider adding examples of how the various principles, values and rules could be applied in practice.

GACM could also consider clearly identifying in the Integrity Manifesto who signatories could contact in case of doubts or to seek guidance. As the Integrity Manifesto will be applicable to all non-public employees, several contact points could be identified to address the different levels of application: the GACM dedicated ethics person, the head of GACM (for senior level non-public employees) or the OIC, for those wishing to make a formal complaint.

Given the recent presentation of the MPIE, measures are still under development to ensure effective implementation. GACM could continue encouraging companies to apply the MPIE, and could consider engaging with other industry associations to facilitate implementation of the MPIE within their respective partners.

GACM is encouraged to continue the good practice of involving social witnesses in key procurement procedures.

Regarding SFP, it should determine what the benefits for implementing the MPIE are, for example by considering GACM's request to award percentage points to suppliers adopting the MPIE. This would set a precedent for the whole public administration. The SFP could also determine how (if at all) certification will be conducted. The SFP could also continue to encourage business organisations, such as COPARMEX and CMIC to promote the adoption of the MPIE amongst its members.

Risk Management

Priority 7: Expand and deepen the procurement risk management strategy

The OECD 2015 review called for GACM to take specific actions to strengthen its risk management, including the following actions:

- set up a formal risk register for procurement processes and define corresponding roles and responsibilities within GACM;
- map all potential risks affecting procurement processes;
- assess their severity, likelihood and consequences;
- identify corresponding mitigation measures which are, or could be, implemented;
- periodically re-assess the existence and qualification of risks and the effectiveness of mitigation measures; and
- develop a corruption risk map of the organisation and its processes in order to identify the positions of officials that are particularly vulnerable, the activities in the procurement cycle where risks can arise, and the specific projects at risk.

Each of these recommendations relates to GACM's risk assessment processes. GACM has implemented each of these actions; however, opportunities remain for GACM to further refine its risk assessment activities.

Progress made

GACM has made substantial progress in expanding its risk management strategy to take a holistic approach and address a variety of risks that could affect its goals and operations. GACM developed its strategies and policies for managing risks in cooperation with private external consultants, drawing from requirements of Mexico's Ministry of Public Administration (*Secretaría de la Función Pública*, SFP) and international standards (e.g. ISO 31000:2009 and the Committee of Sponsoring Organizations of the Treadway Commission's Enterprise Risk Management Framework). GACM's Comprehensive Risk Management Policy goes into depth on the roles and responsibilities of GACM's staff for managing risks, and provides practical guidance on key activities, such as risk assessments. GACM embeds its process for identifying corruption risks in its broader strategic and operational risk assessment.

GACM's risk assessments have evolved into a multi-stakeholder, monthly process, whereby GACM periodically re-assess the existence and qualification of risks and the effectiveness of mitigation measures. Numerous internal and external stakeholders provide input during this process, and as a result, GACM considers a broad range of risks that affect the project and procurement cycle. In its initial risk assessment, conducted in December 2016, employees said GACM identified 15 strategic risks, 62 operational risks and 180 measures to mitigate the risks. In addition, its latest corruption risk assessment from June 2017 highlights 12 corruption risks, along with related control activities. The volume of risks identified is not an indication of quality, and indeed identifying too many risks can become burdensome on managers and resources. However, given the complexity of the project, the high volume of risks assessed and prioritised, particularly in the initial stages, indicates a committed effort to strengthen and expand its risk management activities.

GACM collects perceptions on risks through a number of sources, including areas of coordination (i.e. departments), high-level committees, the SFP's Internal Control Organ (Organismo de Control Interno, OIC), as well as the Director General, who has the ultimate responsibility for risk management in GACM. Risk "enlaces"—the risk management liaisons and focal points in each area within GACM—also can work directly with employees to identify risks and mitigation measures. Moreover, GACM employees reported other efforts are made to identify risks, including workshops, involving business partners and holding a public consultation in 2016. This multi-stakeholder involvement demonstrates a broad effort to promote institutional buy-in for the process and aggregate a wide range of experiences and insights about risks.

GACM's risk assessment process includes activities to assess the severity, likelihood and consequences of risk, as well as identify mitigation measures. GACM's Comprehensive Risk Management Policy provides instructions on assessing the probability and impact of risks, including explanations for quantitative and qualitative risk scoring. To account for the varying nature of risks and their consequences, GACM's quantitative risk scoring divides impacts into different themes. For instance, one potential impact GACM identified is the consequence a risk may have on the total value of the contract. According to GACM's guidelines, this classification has 5 levels representing low (less than 1 percent of the value of the contract) to high (greater than 4 percent of the value of the contract) (GACM, 2017^[2]). Other consequences GACM accounts for include economic loss and the impact of risks on financing.

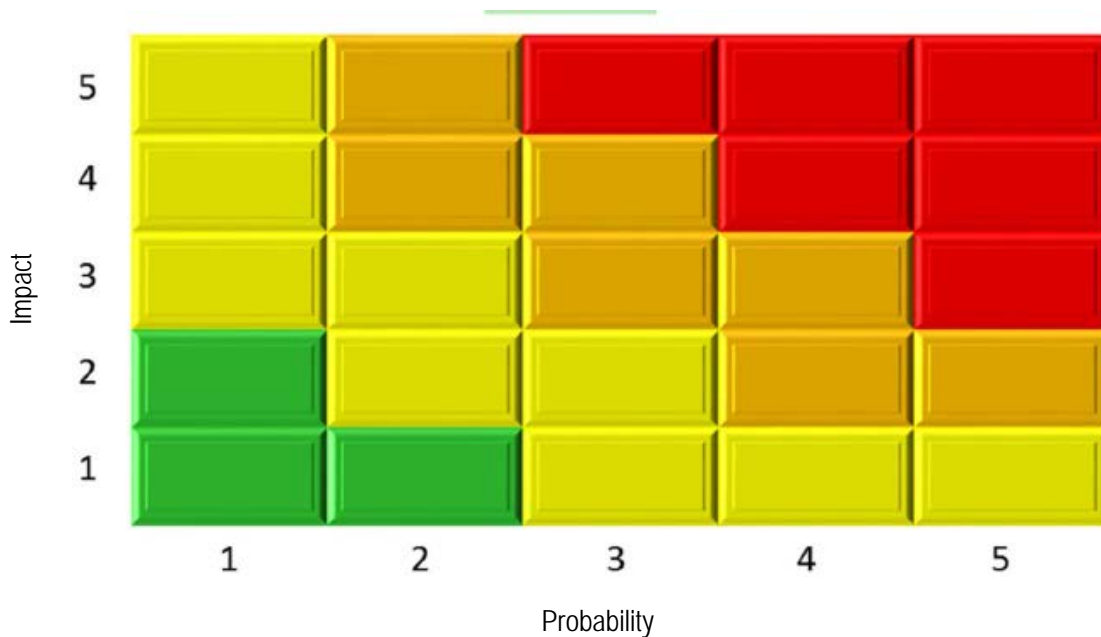
GACM's Comprehensive Risk Management Policy also offers guidance for qualitatively scoring the consequences of risks. For example, one potential impact in the guidance for

qualitatively scoring risks is interruptions in executing the project. The guidelines note that a low impact refers to partial interruptions of activities and work for a short period of time (up to one hour) that can be mitigated as part of normal activities. On the other end of the 5-point scale, a high impact is said to be one that results in permanent suspension of activities or works, an inability to remedy the suspension of activities or works, or a catastrophic event that can potentially lead to the collapse of the GACM.

GACM's guidance for risk scoring is a critical addition to its risk management policies, because it helps to ensure consistent risk assessments across the organisation. Moreover, the combination of the values assigned to the probability of occurrence and impact are essential inputs for the risk heat map and determining how to manage risks. GACM's risk scoring, as described in its policies, does not explicitly incorporate an assessment for the "velocity" of risks, which is an additional consideration that takes into account the speed of onset of risks. For instance, some risks, such as corruption risks, can materialise quickly without forewarning, and therefore could be a higher priority for mitigation over other risks that slowly materialise. According to GACM officials, GACM considers risk velocity as part of its existing assessments of the consequence of risks. GACM could consider adding an explicit reference and guidance for assessing velocity in its policies. At a minimum, it could improve its guidance by offering more instructions and examples for scoring corruption risks, as discussed below.

GACM risk assessments results in two outputs—a risk inventory and a heat map of identified risks that illustrates risks on the basis of probability and impact scoring (see Figure 3.2 below for an example of the heat map in GACM's Comprehensive Risk Management Policy). This typical two-dimensional matrix helps to visualise risks, their relative priority and whether GACM should accept, reduce, transfer or avoid the risk. GACM developed a risk inventory for corruption risks, although it has yet to illustrate those risks in a heat map, as it does with other risks.

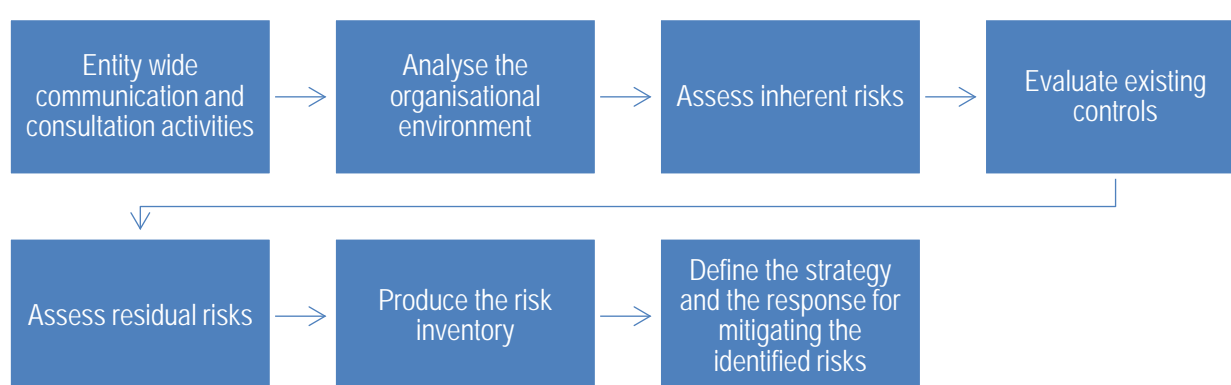
Figure 3.2. Example of a heat map portrayed in GACM's policies



Source: Grupo Aeroportuario de la Ciudad de México (GACM)(2017), Comprehensive Risk Management Policy (*Política de Administración Integral de Riesgos*), version 3.0 .

GACM's risk inventory focuses on an assessment of inherent risks, according to employees, although it is not clear if and how GACM accounts for residual risks. GACM's Comprehensive Risk Management Policy has two key annexes to aid staff in conducting risk assessments. These include a guide for identifying risks and a template for summarising and documenting the risk assessments. Neither of these appendices refers explicitly to assessing inherent risks and residual risks, as depicted in Figure 3.3 below, based on Mexico's Institutional Risk Management Model (*Administración de Riesgos Institucionale*, ARI). Therefore, it is not clear how the risk assessment itself distinguishes between the two.

Figure 3.3. Mexico's Institutional Risk Management Model (Administración de Riesgos Institucionale, ARI)



Source: OECD (2017), *OECD Integrity Review of Mexico: Taking a Stronger Stance Against Corruption*, OECD Public Governance Reviews, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264273207-en>

GACM reported that it is developing an online platform, the Platform for Project Management of Risk Infrastructure (Plataforma de Gestión de Proyectos de Infraestructura de Riesgos, PGPI-Risk), to act as a repository of information on risks, and help in identifying the root causes of risks. Risk Links will play an important part in this process, as they will be responsible for gathering information from each relevant GACM department and uploading it to the platform.

Areas for improvement

To build on existing efforts, GACM could strengthen both its risk management policies and the outputs of its risk assessments by clarifying key elements of its risk assessment process. This includes clarifications and further guidance related to corruption risk management and defining risk tolerances.

First, recognising the impact of corruption on strategic objectives, officials noted that GACM follows the same process for assessing corruption risks as it does other risks, as described above. GACM officials also noted that GACM adheres to guidance from the SFP to either mitigate or avoid all corruption risks. Nonetheless, opportunities remain for GACM to further clarify its approach and methodologies for managing corruption risks in its policies. For instance, GACM could build on its efforts to emphasise corruption risks in its Comprehensive Risk Management Policy by linking its risk scoring guidance to the assessment of corruption risks, providing examples to aid employees as it does with other risks. Since GACM has decided to use a heat map for other risks, as discussed above, it

could add corruption risks to this output in order to help illustrate the results of its risk assessments. This will also help to communicate key risks across GACM, and raise awareness among staff about different risks identified.

Second, GACM could clarify in its policies and guidance how it defines risk tolerances, including tolerances related to corruption risks, and how this concept is incorporated into its assessments. Risk tolerances can be defined as the acceptable level of variation in performance relative to the achievement of objectives (GAO (Government Accountability Office), 2015^[3]). GACM's Comprehensive Risk Management Policy makes various references to risk tolerance. For instance, it offers its own definition, assigns responsibility to the Director for approving risk tolerances and notes how different roles (e.g. the risk owners) should incorporate risk tolerances into their risk management duties (GACM 2017). In addition, the policy says that all risks that fall in the green quadrant, as shown in Figure 3.2 above, do not require a mitigation plan, implying a low tolerance threshold for all risks.

Further explaining how it defines and uses risk tolerances, even qualitatively (e.g. very low, low, medium, high, very high), could help GACM make risk-based decisions on mitigation strategies. In particular, risk tolerances can help to ensure that mitigation measures are proportionate and effective, and they are critical for making decisions about when mitigation measures are sufficient, or when they need adapting. This could mean both reducing and adding control activities. Clarifying how it uses risk tolerances could also help to further link GACM's risk assessment to business objectives, particularly those related to procurement. For instance, defining risks tolerances with regards to the timeframe for carrying out procurement processes, a risk identified by GACM, could trigger different mitigation measures, depending on the severity of delays.

Third, similar to risk tolerances, GACM's Comprehensive Risk Management Policy references inherent risks (risks in the absence of measures to address risks) and residual risks (risk exposure after applying mitigation strategies), but neither the policies nor the risk inventory clearly demonstrate how GACM applies these concepts in practice. Defining these concepts in the policy helps to educate the workforce on key elements of effective risk management. Nonetheless, the process and methodology that GACM actually uses to assess both inherent and residual risks, as well as incorporating risk tolerances into its analyses, could be further clarified. In particular, GACM could clarify, in its policies and guidance, how its assessment of these risks is reflected in the risk inventory, if at all.

Identifying, assessing and documenting both inherent and residual risks can help to inform decisions about mitigation measures. For instance, GACM may have inherent risks that are effectively controlled, and identifying these could be helpful for understanding and communicating which controls GACM perceives to be effective. In addition, risk profiles can change from one risk assessment to the next. A risk that was once scored as low probability and low impact (i.e. risks color-coded as green, according to GACM's risk scoring) can become a higher risk throughout the year, and therefore in need of risk mitigation.

Lastly, GACM could further reflect in its risk management policies, processes and documentation the multidimensional, interrelated nature of the project. For example, GACM currently structures its risk inventory on the basis of general areas of risk, such as finance, human resources or corruption. Many of these risks can influence each other. For instance, risks relating to an insufficient number of staff allocated to specific activities required by the project, such as contract management, not only can influence human

resources, but also can affect the likelihood and impact of other risk areas, such as delays in the construction or certain corruption risks. In its inventory, GACM identifies the risk event and consequences, with the ultimate goal of targeting root causes of risks and determining appropriate measures for risk mitigation across GACM's directorates. While maintaining the structure of the inventory, GACM could further clarify in its tools, policies and guidance any linkages between different risks to better capture the multidimensional nature of the project.

Priority 8: Take ownership over key risk management activities

In 2016, the OECD recommended that GACM take ownership over key risk management activities, including internalising the corruption risk mapping and mitigation strategies developed by private sector consultants. The OECD also recommended that GACM could appoint an official in charge of the risk management function.¹ In the 2015 review, the OECD recommended raising awareness about corruption risks among its personnel, particularly among those involved in the procurement process.

Progress made

GACM has taken steps to raise awareness about risk management, particularly integrity risks, in its policies, guidance and trainings. For instance, GACM reported that all personnel involved in public procurement are required to take trainings on transparency and integrity, and they adhere to a conflict of interest policy that allows them to participate in procurement processes. Moreover, GACM officials reported that the Risk “enlaces” take trainings on different risk assessment methodologies and approaches in order to instil a risk management culture, and that training for other stakeholders and employees are available. The OECD interviewed employees who indicated that they were aware of GACM's messages regarding risk management, namely, that all employees are responsible for identifying risks and communicating them to the Risk “enlaces.”

In response to the OECD's comments and SFP's recommendations, GACM added an explicit reference in its Comprehensive Risk Management Policy to identifying and mitigating corruption risks, including a reference to the high-risk area of public procurement. GACM notes in its policy that the tendering and contracting phases of the procurement cycle are particularly susceptible to corruption, yet all phases can be vulnerable. Emphasising corruption in policy documents helps to set the tone and reinforce a focus on such risks during risk mapping activities. GACM reported advancing this goal through dissemination of messages and information over its intranet, and engaging external consultant to help identify corruption risks.

In addition, to further educate staff and raise awareness, GACM's policies make repeated and explicit reference to the reputational impacts of risks, including guidance on how to score the impact of public perceptions. The scoring scale ranges from 1 to 5, with 1 representing an imperceptible impact (i.e. isolated negative opinions that do not affect the project) to 5 indicating a critical impact (i.e. prolonged condemnation in national and internal media leading to a loss credibility that is potentially irreparable). GACM officials highlighted the benefit of this focus on reputational impact for raising awareness internally about the visibility and magnitude of the airport project, the importance of adhering to laws and the need to report illegal acts.

¹ This aspect of the recommendation, to appoint a risk management official, was originally linked to the previous recommendation and moved for purposes of this progress report.

As noted, GACM initially outsourced much of the risk management function to external consultants. Resource and capacity constraints offered a convincing rationale for doing so. Officials noted that the use of external consultants allowed GACM to not completely abandon risk management and build its own expertise. However, having external consultants leading such efforts meant that risk management and internal control activities were not part of the managerial and staff responsibilities. As such, the OECD encouraged in subsequent recommendations that GACM take ownership over its risk management function and internal controls by, in part, assigning an individual within GACM to be responsible for these activities, separate from the OIC or other relevant bodies and committees.

GACM has made significant strides in creating an internal organisational structure to support its risk management activities. For instance, in August 2017, GACM hired a subdirector to lead risk management initiatives, with the support of private external consultants. The Subdirector reports directly to the General Manager of GACM. Having a dedicated risk manager within GACM demonstrates a commitment to institutionalise risk management, and establishes accountability within the institution for advancing risk management objectives. It is worth noting that on 8 December 2017, GACM unified into a single Committee of Risks two risk committees that were responsible for analysing project risks and corruption risks separately. This unification will allow GACM to treat all risks in an integrated manner.

In addition, the Subdirector complements the work of the Risk Committee, which coordinates with the various Risk “enlaces” (i.e. coordinators) and provides oversight over risk management activities, including reviewing results of risk assessments and reporting to GACM’s leadership on a monthly basis. The Subdirector also is a critical addition for improving co-ordination, both internally and externally. For instance, the Subdirector and Risk Committee work with the OIC and various units that also make up the infrastructure for supporting risk management in GACM, including the Specialized Unit on Ethics and Prevention of Conflicts of Interest (UEEPCI), Control and Audit Unit for Public Works (UCAOP) and the Public Management Control and Evaluation Unit (UCEGP).

Areas for improvement

While GACM has taken considerable steps to demonstrate a commitment to risk management, enhance trainings and raise awareness, opportunities remain to hone its efforts, particularly with regards to corruption risks in procurement. Specifically, GACM with OECD support could continue improving its risk management strategy with a greater emphasis on corruption risks by linking to strategic business objectives and improving awareness-raising initiatives. This work will be jointly defined in the first trimester of 2018.

First, GACM added a reference to corruption risks in its Comprehensive Risk Management Policy, but the policy fails to make a business case for proactive risk management. Specifically, GACM could elaborate on the importance of managing corruption risks by providing a clearer message about the impact of corruption on its strategic objectives. For instance, mitigating corruption risks in procurement helps to ensure the use of high quality goods and services at a fair cost for the public, and avoid substandard contract performance. By honing this message, GACM can more effectively raise awareness internally for proactively managing corruption risks, and connecting individual actions with the success of projects.

Second, GACM could make additional efforts to raise awareness internally about corruption risks in procurement by providing additional trainings on corruption flags and highlighting successful cases of preventing corruption. While GACM has made strides to develop a robust risk management strategy and structure, it could take additional steps to offer additional guidance on managing procurement risks across the life cycle of different projects. For instance, with the support of the OECD, GACM could consider adding an appendix in its risk management policy with common red flags for corruption and fraud risks in procurement/construction in order to further highlight the importance of managing risks in this area.

Officials said that GACM is working to further create a culture of risk management that is process-driven, including digitalisation of information related to key procedures and contracts. According to GACM, this will make it more difficult for processes to be undermined. GACM expects this initiative to be completed in April 2018. As part of this process, GACM could ensure that it applies to all aspects of its risk management activities, including those that ensure the quality and utility of its risk data.

Transparency

The 2016 progress report recommended that GACM develop an archives system and a database where information could be disclosed and regularly updated, in order to allow for an easier visualisation of the NAICM's project evolution and its budgets. This recommendation built on the recommendations made in 2015, which suggested that GACM enhance the transparency of its activities by undertaking a number of activities. These included:

- ensuring that the needed resources, structures and capacities to perform the transparency obligations were assigned;
- publishing online all procurement information not only related to the airport but also to the functioning of the GACM;
- publishing online procurement information by type of procurement used in terms of quantity and in terms of values;
- publishing online procurement plans in a useable format that enabled clear separation between what was already procured, what was currently procured, and what would be procured in the future.
- publishing online all relevant information such as annual procurement programmes, tender procedures, contract awards history, contract modifications and the signed declarations of bidders.
- establishing and publishing online guidelines in plain language on all the information disclosed
- providing clear definitions online of the procurement procedures used and the most common exceptions to public bidding.

Priority 9: Continue strengthening resources, structure and capacities

Progress made

GACM has continued to make significant progress in increasing transparency, becoming the first entity of the Federal Public Administration of Mexico to open information on its contracting procedures under the Open Contracting Data Standard (*Estandar de Datos para las Contrataciones Abiertas* or EDCA). This information is published in the

government's open data portal² in three different formats (JSON, PDF and XLSX), which allows different forms of exploitation of the information; including exploitation by machines using the JSON format. These results have been achieved in part because of ongoing interactions between the Office of the Coordination of the National Data Strategy of the Presidency of the Republic, the Open Contracting Partnership, the National Institute of Transparency, Access to Information and Personal Data Protection (INAI) and Transparencia Mexicana. Moreover, this progress has been highlighted in both international and national forums as a successful case study in the execution of major infrastructure projects. As well, GACM's progress serves as a predecessor to the launching of Mexico's Open Contracting and the formation of C5 (Contracting 5), which includes Mexico, France, the United Kingdom, Colombia and Ukraine.

Given the open data, it is now possible to see that the total value of contracts made since the start of the NAICM project is 136 134 million MEX. Of this total, public tenders (both national and international) represent 88 per cent of the contracts, while direct awards account for 0.4 per cent. 97.5 per cent of the contracted values have been for public works and related services. Moreover, based on the information available, of the total number of contracts, 224 have been concluded (71 per cent) and 97 are still active (29 per cent). The amount of the current contracts amounts to 130.3 billion MEX, 96 per cent of the total value contracted, with 98 per cent corresponding to public works and services related to the works, and 2 per cent corresponding to goods and services.

In addition, the previous OECD progress report recommended that the Office of National Digital Strategy of the Presidency and GACM could finalise a clear policy that governs the update process and the scope of the disclosure. In GACM's 2017 update to the OECD, it was noted that the SIGA repository, an internal GACM database, was implemented and now facilitates the concentration of information on open contracting for publication on the government's Open Data Portal of the Republic as well as the National Transparency Platform (PNT) of INAI and on the GACM website.

In regards to access to information requests, GACM noted that the number of requests have continued to increase steadily since 2015, with the first five months of 2017 seeing the same number of requests as the total received in 2016. By the end of October 2017, a total of 932 access to information requests had been made, five times more than in 2016. As well, the subject matter qualitatively reflects the transition from the planning phase to the contracting and construction phases of the project. During the first quarter of 2017, the number of requests relating to bids and contracts represented almost seven times those related to the design and project studies.

In GACM's new organisational structure, the Transparency and Open Data Branch is created, thereby strengthening GACM's capacity for greater transparency by creating a specialised open data unit.

GACM has continued to strengthen its Transparency Team through training initiatives. In April 2017, GACM signed a collaboration agreement with INAI to strengthen the culture of transparency amongst its personnel. At the end of May 2017, the first meeting of the Follow-up Committee for the Agreement was held, during which INAI, through the Directorate General for Training, designed a training programme for GACM staff. This training programme focuses on the most relevant issues concerning GACM's daily work, including awareness raising of a culture of transparency, classification and

² <https://datos.gob.mx/nuevoaeropuerto>

declassification of information and proof of damage, Open Government, as well as protection of personal data in light of the new regulations published in the Official Gazette on 26 January 2017, the General Law of Protection of Personal Data held by Obligated Subjects (*la Ley General de Protección de Datos Personales en Posesión de Sujetos Obligados*).

On 4 July 2017, GACM received INAI's endorsement in recognition for having a committee of Transparency which is fully trained, as well as recognition for being a 100% Transparency-trained institution. According to INAI, GACM's Transparency Committee is 100% trained in four essential areas: General Transparency Law, Documentary Organisation, Public Ethics and Classification and Disclosure of Information.

Areas for improvement

To further improve the transparency of its procurement activities, the resources and structure of GACM on transparency activities needs to be further strengthened.

Priority 10: Continue enhancing transparency of procurement activities

Progress made

GACM has made progress on improving the transparency of its procurement activities, both in terms of providing information on GACM and information related to contracts. In terms of making information available on the website regarding the functioning of GACM, the tab *¿Quiénes Somos?* provides details on the following:

- The organisational structure (including the Board of Directors)
- The integrity and ethics efforts of GACM, such as actions to strengthen the transparency, accountability and integrity in the airport's construction, the Code of Conduct, and the Ethics Committee and its work plans (amongst others)
- The financial plan for the airport, including details on public and private financing arrangements
- Occupational safety reports, environmental sustainability actions and expected socioeconomic impact of the airport
- Project characteristics, including details about the design firm selection process, project phases, and the business case for the airport
- Users can also access the complaints function and write to the Director General under this tab.

Moreover, under the tab *Transparencia* on the GACM website, there are 11 sub-sections, which should be incorporated in terms of the *standardisation criteria of the transparency section of the institutional internet portals* issued by SFP. The first page contains information regarding applicable regulation for open data and transparency, with links to the relevant laws. The second page includes information on Access to Information and describes the functions and members of the Transparency Unit. The third page refers to the transparency obligations provided for in the relevant law and contains a link to the National Transparency Platform (PNT) of INAI. The fourth page links to the Transparency Highlights page, and contains information such as the annual works and procurement programmes, the minutes of the boards of directors, and the access to contracts section. The fifth page links to a PDF document on the results of the public consultation on the NAICM held in 2016 at the current airport and in the municipalities of

Atenco and Texcoco. The sixth page is on “Budgetary Programme Indicators”, the seventh “Recommendations”, the eighth “Studies Financed with Public Resources”, the ninth “Plans, programmes and reports”. Finally, the tenth link refers to privacy policies.

Under the tab *Contrataciones*, the sub section *Testimonios de Testigos Sociales* includes testimonies of the social witnesses who took part in the proceedings. Similarly, under the sub-section *Sondeos de Percepción en Materia de Transparencia*, opinion polls on the transparency of the tenders can also be found. An investors section also exists under the tab *Inversionistas*, in which information on the second green bond placement is given, including reports from the rating agencies. As well, information about the awards and recognitions GACM has received for the project’s financing strategies can be found here.

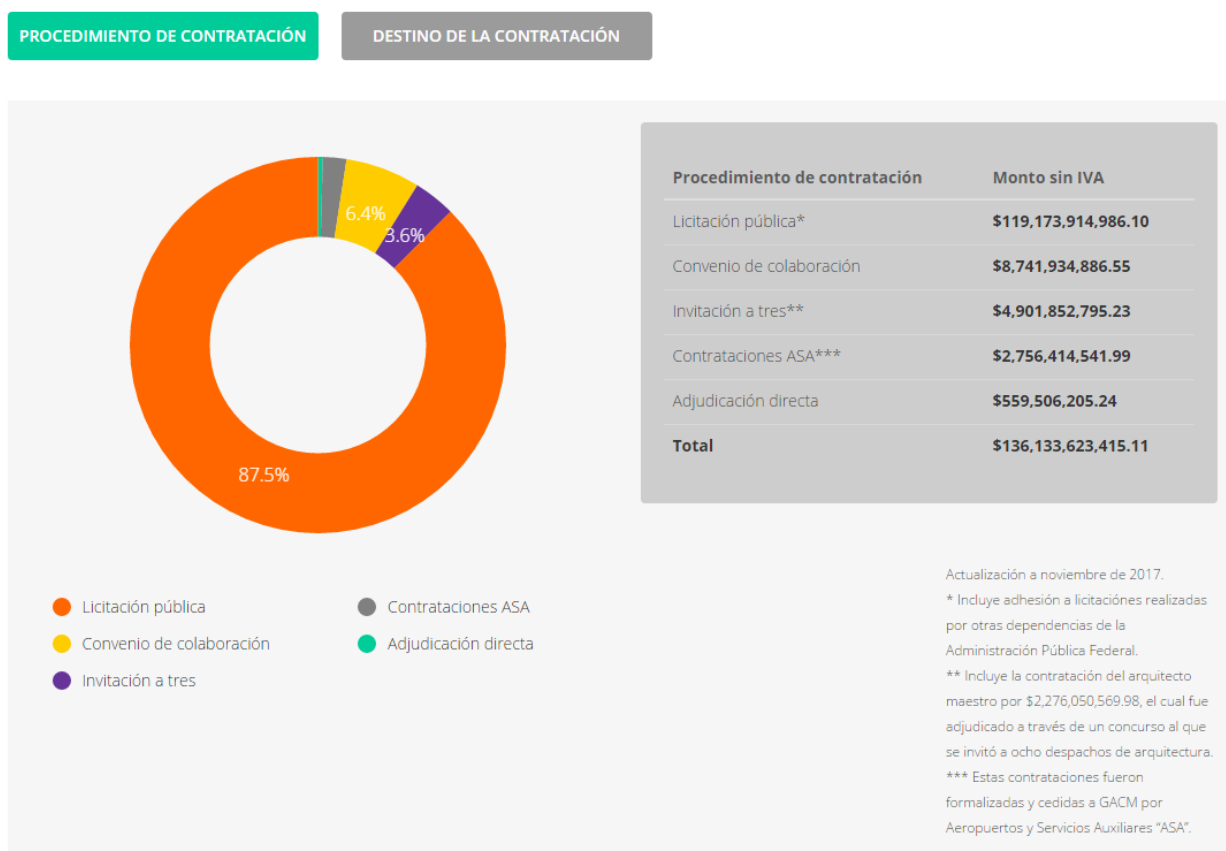
In regards to improving the transparency of the procurement process, both the GACM website and the government open data portal contain relevant information. This includes details on the 321 contracts, which can be assessed not only individually but also by aggregating the data in a number of ways.

On the GACM website, details on contracts can be found under the sub section *Contractos* of the *Contrataciones* tab. Here, users can access an executive file with the basic data of each contract, such as the name of the contractor, its value, dates of signature and conclusion. On the government open data portal, it is possible to follow the course of each of the contracts from planning, bidding, award, contract and implementation; information regarding tender procedures, the physical progress of 275 contracts³ and financial progress of all 321 contracts, amending agreements and contract termination (where applicable) is also included.

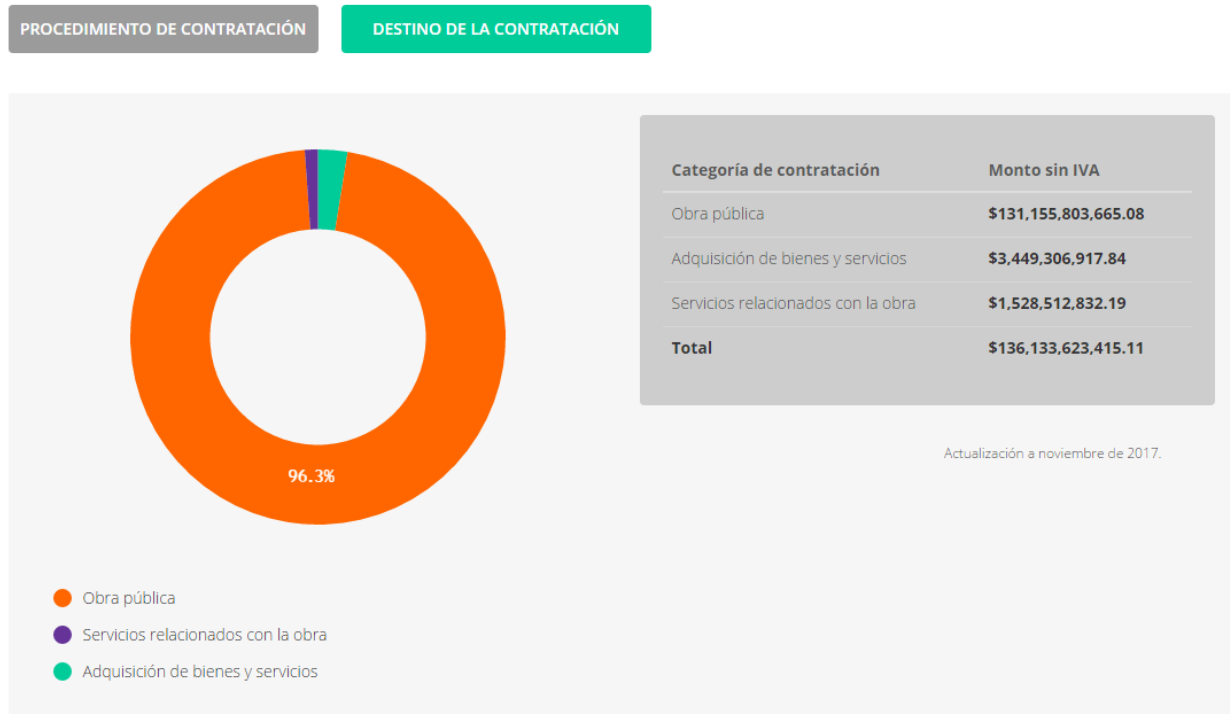
It is also possible to view the data in an aggregated way through graphic tools contained in the two websites. On the GACM website, under the sub-heading *Contractos*, users can access the “*Indicadores de Contractos*”, which provides an overview of the 321 contracts published online such as the contracting procedure used, the type, and the status. This information is provided both in terms of percentage and Mexican pesos (excluding value added tax).

Similarly, on the Open Data Portal of the Government, under the tab *Procedimiento de Contratación*, data visualisation tools display information regarding the distribution of contracts by type of procurement procedures used, both in terms of values and numbers (see Figure 3.4). Under the tab *Destino de la Contratación*, data visualisation tools show the percentage and contract amounts per category of procurement: public works, acquisitions of goods and services, and services related to the works (see Figure 3.5). Other visualisation tools include graphs portraying information by contracts and suppliers according to their company name, contracting procedure or duration of the contract (see for example Figure 3.6).

³ The difference with respect to financial progress is the contracts for the acquisition of goods and services that remain in force and cannot be assigned a percentage of physical progress until their conclusion.

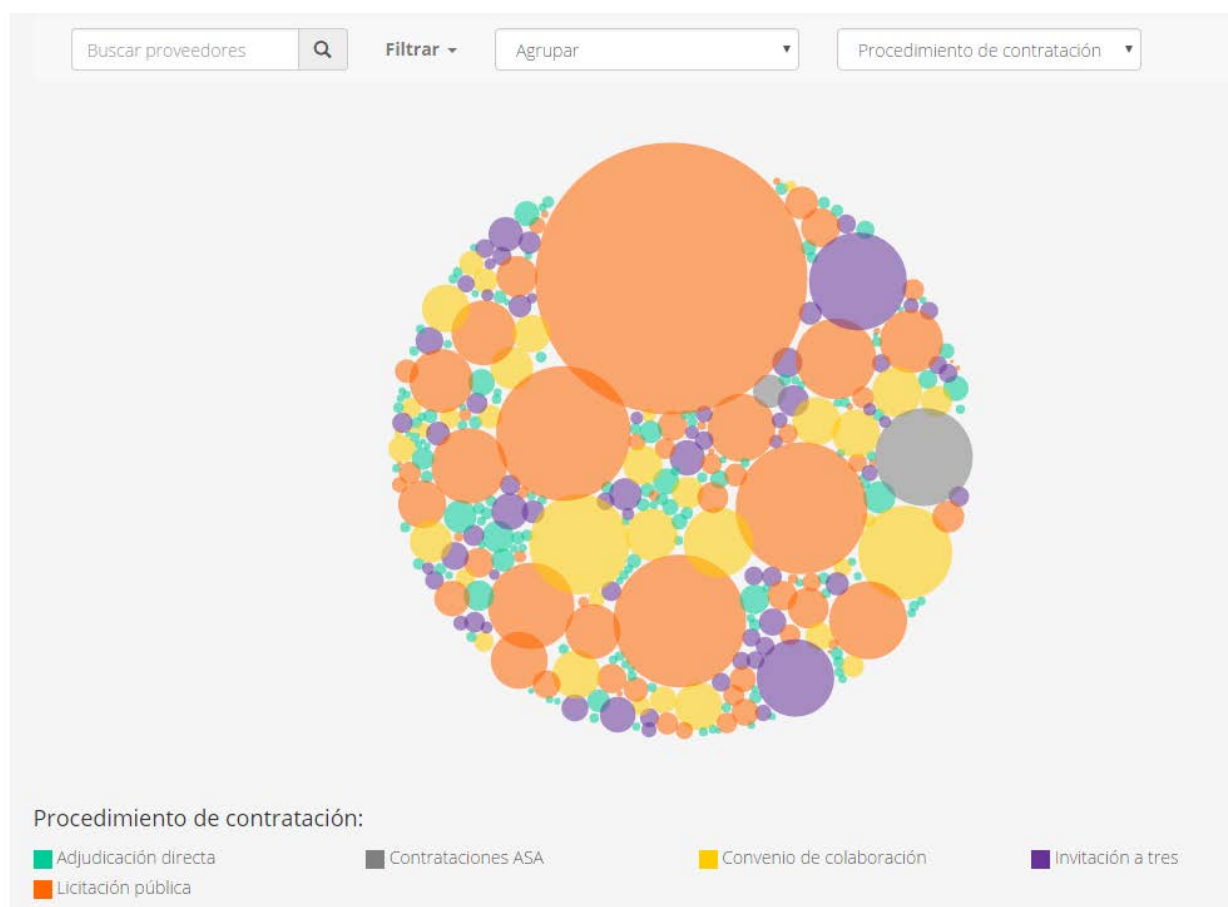
Figure 3.4. Extracted from datos.gob.mx, *Procedimiento de Contratación*

Source: <https://datos.gob.mx/nuevoaeropuerto/>, retrieved 1 December 2017

Figure 3.5. Extracted from datos.gob.mx *Destino de la Contratación.*

Source: <https://datos.gob.mx/nuevoaeropuerto/>, retrieved 1 December 2017

Figure 3.6. General information on contracts and suppliers



Note: This data visualisation tool allows users to explore contracts and suppliers according to their company name, contracting procedure or duration of the contract..

Source: <https://datos.gob.mx/nuevoaeropuerto/>, retrieved 5 December 2017

Moreover, both the GACM website and the Open Data Portal of the Government display information on the fifteen largest contracts, which constitute the core of the airport's construction, in terms of contract number, contract objective, contractor, amount committed, amount paid, as well as physical and financial advance of the work (as of 30 September 2017). These fifteen contracts represent 87 per cent of the total amount contracted, and relate to the core construction of the new airport. Figure 3.7 highlights the graph found on GACM's website.

Figure 3.7. Relevant projects for the construction of the NAICM: works on land side

Proyectos relevantes para la construcción del Nuevo Aeropuerto Internacional de México
Obras Lado Tierra

No.	Contrato	Objeto del Contrato	Contratista	Importe Comprometido	Importe Pagado al 31-10-17	Avance Físico	Avance Financiero	Cédulas de Información	
1	LPI-OP-DCAGI-SC-070-16	EDIFICIO TERMINAL	PILOTES DE CIMENTACIÓN	GAMI INGENIERÍA E INSTALACIONES S.A. de C.V.	\$822,363,697.05	\$646,299,946.78	99.63%	90.93%	
2	LPI-OP-DCAGI-SC-080-16		LOSA DE CIMENTACIÓN	ICA CONSTRUCTORA DE INFRAESTRUCTURA S.A. DE C.V.; IMPULSORA DE DESARROLLO INTEGRAL S.A. DE C.V.; CONSTRUCCIONES Y TRITURACIONES S.A. DE C.V.; CONTROLADORA DE OPERACIONES DE INFRAESTRUCTURA S.A. DE C.V.; CONSTRUCTORA EL CAJÓN S.A. DE C.V.	\$7,555,647,477.04	\$802,278,813.75	12.50%	10.20%	
3	LPI-OP-DCAGI-SC-002-17		TERMINAL DE PASAJEROS	CONSTRUCTORA TERMINAL VALLE DE MÉXICO S.A. DE C.V.	\$84,828,377,320.13	\$3,282,049,033.56	3.80%	3.87%	
4	LPI-OP-DCAGI-SC-011-17	TORRE DE CONTROL	CONSTRUCCIONES ALDESEM S.A. DE C.V. ALDESA CONSTRUCCIONES S.A. JAGUAR INGENIEROS CONSTRUCTORES S.A. DE C.V."	\$1,242,171,349.64	\$63,038,454.63	7.22%	5.02%		
5	LPI-OP-DCAGI-SC-093-16	LOSA DE CIMENTACIÓN CTT	SACYR EPCCOR NAICM S.A.P.I. DE C.V.	\$1,399,983,017.99	\$213,993,439.22	18.53%	14.68%		
Datos Preliminares									

Source: http://www.aeropuerto.gob.mx/obras_lado_tierra.php, retrieved 1 December 2017

GACM also uploaded the annual procurement plans for 2015, 2016 and 2017 for both public works and related services, as well as acquisitions, leases and public sector services. Amongst other details, these plans contain information about the contracts that will be procured during the given year, the procurement procedure used, the estimated cost of the contract, and the timeframe for procurement of the goods within that year.

Areas for improvement

The implementation of a mega-infrastructure project such as the NAICM is a complex process where activities such as finance, procurement, contracting, logistics, construction, security, etc. are mixed together. Citizens see the process as a whole and consequently look for “at a glance” information. Their questions are usually straightforward: “how much was the work initially expected to cost?”, “how much is the work expected to cost at present?”, “what is the overall rate of progress of the entire work?”, “what is (if any) the delay at present?” While GACM has made significant strides in transparency, particularly in terms of publishing all 321 contracts online in useable formats, these questions are not easily answered by the existing data provided.

As noted in the 2016 Progress Report, GACM could select key indicators that would feed into an additional automated procedure that would allow for an overview of the operational and budget progress of the entire NAICM project. This would enable stakeholders to visualise its evolution. If appropriate automated indicators are used, the required procedure can be relatively simple.

Moreover, while GACM has made significant progress in displaying information regarding types of procurement procedures used, clear definitions and explanations regarding the most common exceptions to public bidding are unavailable. Previously, the “21 Paquetes” guide on the GACM website contained information about the public procurement cycle, including the most common exceptions to public tender. The guide has been removed from the website. Moreover, while a Glossary of Terms exists, definitions related to procurement procedures are not included. Without clear definitions about the types of procurement procedures and the most common exceptions to public bidding, the risk of misinterpretation of the available data arises. GACM could consider including a short definition of each of the procurement processes used, and placing it on both the government’s data portal, where the data visualisation tools exist, as well as on the GACM website under the *Contractos* section. This would be particularly useful for the average citizen, as well as non-procurement experts. Where applicable, GACM could also add clear explanations about the most common exceptions to public bidding that are foreseen.

In terms of the annual procurement plans, they are currently uploaded in PDF format on the GACM website, which limits usability for the user. In the procurement plans, information on the individual contracts is provided, which while necessary, does not allow the user to have a view over the entirety of the process for that year (as noted in the 2015 OECD report). As the procurement plans are uploaded annually, it is also not possible to see what is planned to be procured in the future. The procurement plans also remain unchanged from time of upload, meaning that information related to delays or changes is not provided, making it difficult for both potential suppliers and citizens to stay informed of actual procurement activities. Moreover, it is not clear how the proposed works and services identified in the Annual Plans are displayed as awarded contracts on the open government portal or the GACM website. To facilitate transparency, GACM could make the annual procurement plans available in a user-friendly format, such as an Excel file, to enable user access. GACM could also update the procurement plans quarterly throughout the year to appropriately reflect changes and/or delays. Given the dynamic nature of the project, it is recognised that these quarterly updates would be a snapshot in time and to ensure clarity to users, this should be clearly stated on the website. In addition, GACM could provide information on what is planned to be procured in the future in a user-friendly format.

Priority 11: Continue enhancing user access to the open data information

Progress made

GACM has made progress in improving the transparency of its procurement activities by establishing and publishing guidelines in plain language and moving towards greater proactive publication of data. For example, a “guide for exploring GACM procurement processes” can be found under the sub tab “*Contractos*” of the “*Contrataciones*” tab on the GACM website.⁴ It identifies the four websites where contracts can be found (GACM, SIPOT, datos.gob.mx and CompraNet), as well as what can be found on each site and how to find the contracts (see Figure 3.8). It is specific to guiding users on how

⁴ See http://www.aeropuerto.gob.mx/guia_contratos.php

to access specific contracts. There is also a short video tutorial, which explains how to access the contracts.⁵

Figure 3.8. Extract of guide for exploring GACM procurement processes

The figure is a multi-column guide with text instructions and screenshots of the GACM website interface. It is divided into four main sections:

- Section 1 (Left):** Instructs users to go to the GACM page (www.aeropuerto.gob.mx). It shows a navigation menu with options like 'CONTRATACIONES' and 'CONTRATOS'. It lists types of contracts: 'Obra Pública', 'Servicios relacionados con la obra', 'Adquisición de bienes y servicios', and 'Convenios'. A screenshot shows a contract listing for 'Construcción Terminal Valle de México, S.A. de C.V. en convenio de participación conjunta con las empresas adjudicatarias Operadora Crea, S.A. de C.V., Edificadora GAMA, S.A. de C.V., Promotora y Desarrolladora Mexicana, S.A. de C.V., Promotora y Desarrollador Mexicano RAESTAR 2012-01'.
- Section 2 (Middle-Left):** Explains that selecting 'SIPOT' leads to the National Transparency Platform. It instructs users to select 'Sistema de portales de obligaciones de transparencia' and then 'Ingresa al SIPOT'. It lists selection criteria: 'Entidad federativa: Federación;', 'Tipo de Sujeto Obligado: Poder Ejecutivo;', 'Sujetos Obligados: Grupo Aeroportuario de la Ciudad de México; Artículo: Art.70...;', and 'Formato: XXVIII ya sea para licitaciones públicas e invitación a cuando menos tres o adjunciones directas.' A screenshot shows the SIPOT portal interface.
- Section 3 (Middle-Right):** Instructs users to select the 'datos.gob.mx' button on the GACM page. It shows a search bar on the 'datos.gob.mx' portal with the text 'Descubre Datos Abiertos de tu gobierno' and '20 millones de registros'.
- Section 4 (Right):** Instructs users to select the 'CompraNet' button. It shows the 'DIFUSIÓN DE PROCEDIMIENTOS' menu with options 'Vigentes' and 'En seguimiento y concluidos'. It explains that in both cases, the 'SELECCIONAR UN FILTRO' field is necessary, with options 'CÓDIGO, DESCRIPCIÓN O REFERENCIA DEL EXPEDIENTE'. A screenshot shows a search result for 'Código del Expediente: 1246903' and 'Contrato'.

Source: http://www.aeropuerto.gob.mx/guia_contratos.php, date retrieved 1 December 2017

Areas for improvement

While GACM provides the information in three different formats (JSON, PDF, and XLSX) on the government's open data portal, there is no explanation provided about the formats. For civil society, the difference between various formats may not be clear, and lead to potential confusion. GACM could therefore also provide a brief description of each type on its website.

Significant efforts have been made to ensure that the website is updated regularly, evidenced by the 8 updates taking place over the course of 2017. Going forward, GACM is encouraged to continue this good practice and could even consider making the updates in real time.

⁵See <https://www.youtube.com/v/5XaTCNv4hio?fs=1&autoplay=1>

Summary of proposals for action for the implementation of the recommendations

Integrity

Conflict of Interest

To further strengthen its conflict-of-interest management framework, GACM could improve the content of the new internal protocol to prevent, identify and manage conflict-of-interest situations and develop an action plan with concrete measures to ensure its effective implementation and impact on behaviour. To achieve this, GACM could take the following actions:

- First, revise and strengthen the content of the protocol to prevent, identify and manage conflict-of-interest situations by:
 - Allowing staff to continue working in a process where a real conflict-of-interest situation, but requiring disclosure to the Ethics Committee and increased supervision and audit;
 - Strengthening the identification of risk areas prone to conflict-of-interests by developing, with support from the OECD, a set of concrete examples for each process;
 - Simplifying even further the language of the Protocol, and issuing a flyer or a leaflet with the core relevant messages.
- Second, GACM could build on the improved Protocol and ensure its relevance and impact on day-to-day conduct by:
 - Developing an Action Plan, with the support of the OECD, with a set of concrete and measurable actions pointing to achieve the desired change;
 - Developing and implementing, with OECD support, a new pedagogical training tool to sensitise and train on preventing, identifying and managing conflict-of-interest situations.

Whistleblower protection

GACM could promote trust in the channels to report misconduct by simplifying the reporting procedures and strengthening top management's endorsement of both internal and external channels for the reporting of misconduct. To this end, GACM could implement the following functions:

- Modify the code of conduct:
 - to establish that any misconduct may be reported internally either to an immediate supervisor, to the ethics unit, to the ethics committee or to the OIC, and that the report will be transferred to the most appropriate recipient, as applicable.
 - to mention that disclosures of misconduct could be made externally to the ASF or to the National Digital Anti-Corruption Platform (SNA), to highlight all the options that are available to whistleblowers as per articles 2, 11 and 91 of the LGRA, as well as articles 49 and article 56 of the LGSA.
 - to expressly prohibit reprisals against whistleblowers and provide for sanctions against those who exercise such reprisals against whistleblowers.
 - to refer to and encourage the use of the procedure and protocol for the reporting of misconduct, the Guide for granting protection measures to whistleblowers (when it comes into force), as well as any other whistleblower policy that may be implemented by GACM.

- Simplify the minimal requirements for qualification as a disclosure of misconduct under the protocol, as it is not the whistleblower's duty to gather evidence. Such requirements may be limited to the provision of information that contribute to identify a breach of applicable integrity rules, that the information may be verified by the authority, and that it has not been provided with intention to mislead relevant authorities.
- Expressly state at subsection II.6a) of the Protocol that the CEPCI will make all reasonable efforts to verify the information reported by whistleblowers.
- Update the confidentiality agreements signed by CEPCI members so they refer to the LGRA instead of the Federal Law on Administrative Responsibilities of Public Servants, which was abolished when the LGRA came into force.
- Reinforce tone from the top by having GACM leaders issuing clear statements, on an ongoing basis, provide that all disclosures will be acted upon and that reprisals will not be tolerated, as well as highlighting all channels for disclosing misconduct, including external channels to ASF or the national anti-corruption virtual platform (for the latter, when it comes into operation);
- Provide for training by experienced professionals intended for those who receive disclosures of misconduct on how to interact with whistleblowers (e.g. individuals who may be in emotional distress), as well as on how to manage and use the information reported in an optimal manner.

Private sector and civil society

To ensure effective adoption of integrity requirements amongst non-public employees and private sector partners, GACM could approve the dissemination of the Integrity Manifesto and encourage suppliers to adopt the Model Business Integrity Programme. To that end, GACM and SFP could implement the following actions:

- Once the Integrity Manifesto is finalised and launched, GACM could issue a flyer with the core messages in a readable and appealing design to facilitate its diffusion across the target populations. GACM could also add examples of how the various principles, values and rules could be applied in practice.
- GACM could also consider clearly identifying in the Integrity Manifesto who signatories could contact in case of doubts or to seek guidance. As the Integrity Manifesto will be applicable to all non-public employees, several contact points could be identified to address the different levels of application: the GACM dedicated ethics person, the head of GACM (for senior level non-public employees) or the OIC, for those wishing to make a formal complaint.
- GACM could continue encouraging companies to apply the MPIE, and could consider engaging with other industry associations to facilitate implementation of the MPIE within their respective partners.
- SFP should determine what the benefits for implementing the MPIE will be, for example by considering the request by GACM to award percentage points to suppliers with a MPIE in place.
- The SFP could also determine how (if at all) certification will be conducted.
- The SFP could also continue to encourage business organisations, such as COPARMEX and CMIC to facilitate adoption of the MPIE amongst its members.
- GACM is encouraged to continue the good practice of involving social witnesses in key procurement procedures.

Office of Internal Control and Integrity Coordinator

GACM could ensure that the Ethics Unit has the responsibilities for integrity coordination, making it a one-stop shop for integrity, ethics and anti-corruption for all internal and external actors of GACM. To that end, GACM and SFP could implement the following actions:

- To continue to add coordination responsibilities to the Ethics Unit, including the promotion and coordination of an integrity, ethics and anti-corruption strategy; to promote and implement elements of the integrity, ethics and anti-corruption strategy that are not addressed by other bodies; to act as a point of contact for confidential advice or support within the GACM; to monitor and regularly evaluate the implementation of the integrity, ethics and anti-corruption strategy; and to advise the Director General of GACM integrity, ethics and anti-corruption issues.
- For the training for procurement officials on integrity, ethics and anti-corruption tools to be effective, it should be regular and cover different aspects of integrity. Therefore, to further this progress, GACM could consider continuing the training programmes, offering training in different formats (in-person, online, etc.) and ensuring a robust evaluation system to take stock of the results.
- The Ethics Unit should continue raising awareness about integrity values, and going forward, the Ethics Unit could consider clearly identifying which behaviours they wish to influence and with OECD support, develop evaluation tools to assess behavioural change, such as regular staff surveys capturing essential aspects of the internal culture of integrity.
- For its part, the SFP could continue with the strengthening of the OIC with more personnel in its investigative and sustentative areas so it can deal effectively with the different matters regarding complaints, reports, request for reviews of the procurement process (*inconformidades*) and responsibilities.

Risk Management

GACM could advance efforts to safeguard integrity through further improvements to its policies and guidance for managing risks, particularly corruption risks, as well as refining actions that raise awareness and enhance expertise among staff for better risk management across the procurement cycle. To this end, the GACM could implement the following actions:

With respect to risk assessment policies, guidance and activities:

- GACM's could clarify in its policies and guidance how it scores corruption risks, providing examples to aid employees.
- GACM could create a corruption heat map, as it does with other risks, in order to better illustrate the results of its risk assessments.
- GACM could clarify in its policies how it defines and uses risk tolerances, including tolerances related to risks across the procurement cycle as well as corruption risks, and incorporate them into its assessments and decisions about mitigation measures.
- GACM could clarify the process and methodology that it uses to assess both inherent and residual risks. In particular, GACM could clarify how it assesses inherent and residual risks in its policies, guidance and risk inventory.

- GACM could better capture the multi-dimensional nature of the project by highlighting interrelated risks in the risk inventory, policies and guidance.

With respect to ownership over risk management activities and awareness-raising about corruption risks:

- GACM could improve its risk management strategy with a greater emphasis on corruption risks by linking to strategic business objectives and improving awareness-raising initiatives. Specifically, GACM could elaborate on the importance of managing corruption risks by providing a clearer message about the impact of corruption on its strategic objectives.
- With the support of the OECD, GACM could make additional efforts to raise awareness internally about corruption risks in procurement by providing additional trainings on corruption flags and highlighting successful cases of preventing corruption. GACM could consider adding an appendix in its risk management policy with common red flags for corruption and fraud risks in procurement/construction in order to further highlight the importance of managing risks in this area.
- GACM could ensure that its efforts to create a culture of risk management that is process-driven, including digitalisation of information related to key procedures, considers actions to ensure the quality and utility of its risk data.

Transparency

GACM could advance transparency efforts, in particular by ensuring clarity on the types of data available, developing tools to provide real-time information on such progress, and displaying the physical and financial advance of the entire project in a user-friendly format. To this end, the GACM could implement the following actions:

- To further improve the transparency of its procurement activities, the resources and structure of GACM on transparency activities needs to be further strengthened.
- GACM could select key indicators that would feed into an additional automated procedure that would allow for an overall, simplified visualisation of the whole project. If appropriate automated indicators are used, the required procedure can be relatively simple. This simplified visualisation scheme could be used to display operational and budget progress of the entire NAICM project to allow stakeholders to visualise its evolution.
- GACM could consider including a short definition of each of the procurement processes used, and placing it on both the government's data portal, where the data visualisation tools exist, as well as on the GACM website under the Transparency Highlights section. Where applicable, GACM could also add clear explanations about the most common exceptions to public bidding that are foreseen.
- GACM could provide a brief description of each type of format (JSON, PDF, and XLSX) used on its website.
- GACM could take advantage of technologies and field supervisions to report progress in real-time on the website.
- GACM could make the annual procurement plans available in a user-friendly format, such as an Excel file, to enable user access. GACM could also update the procurement plans throughout the year, to appropriately reflect changes and/or

delays. In addition, GACM could provide information on what is planned to be procured in the future in a user-friendly format.

References

- GACM (2017), , [http://www.aeropuerto.gob.mx;
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- GAO (Government Accountability Office) (2015), “A Framework for Managing Fraud Risks in Federal Programs”, Julio, <https://www.gao.gov/assets/680/671664.pdf>. [3]
- OECD (2016), *Monitoring and evaluating Integrity Policies*, [https://one.oecd.org/#/document/GOV/PGC/INT\(2017\)4/en?_k=9za7ig](https://one.oecd.org/#/document/GOV/PGC/INT(2017)4/en?_k=9za7ig). [1]

Chapter 4. Consolidating communication strategies to develop social ownership of the NAICM project

A common weakness in many large projects is the lack of a coherent and effective communications strategy linking the needs, expectations, and concerns of the project's different stakeholder interests. The general public is often sceptical or negative towards such projects. In fact, citizens and interest groups may orchestrate hostile protests against the undertaking of major infrastructure projects.

International experience shows that effective communication is of utmost importance to the development and completion of any project. According to the Project Management Institute, in organisations whose communicators are considered highly effective, 80% of projects meet their original goals, versus only 52% at their minimally effective counterparts.

The same source estimates that highly effective communicators are also more likely to deliver projects on time (71% vs. 37%) and within budget (76% vs. 48%). Executives claim organisations with effective and efficient communication methods are more likely to stay within scope, meet quality standards, and deliver intended business benefits.

A good communication process keeps stakeholders engaged and project teams motivated. Yet, true communication both inside and outside enterprise walls remains a rare commodity — much of which comes down to the fundamental difficulty of communicating with the right level of clarity and detail (Project Management Institute, 2015).

This is a field in which GACM has strongly advanced. When the OECD established the co-operation with SCT, there was no communications plan for the NAICM project and any communication related to it was managed from SCT, not from the project manager, GACM. Now, GACM has its own communications unit, a specific plan, and uses several channels to communicate progress and the benefits of NAICM. As any communications strategy, it has evolved as GACM gathered the resources and authorisations to roll out the plan. A targeted communication strategy can also be a tool to foster the continuity of the project and build public trust.

Priority 1: Develop tools to provide real-time information to different stakeholders

Recommendation number from the 2016 progress report: 7.

Civil society organisations have been vocal with their request to be continuously informed about the progress of the NAICM project. Trust among citizens in public institutions is at levels that call for heightened efforts to disclose and communicate relevant information.

Progress made

As a result of the commitment to publish NAICM procurement operations following the Open Contracting Data Standards (OCDS), made by the President of Mexico during the Open Government Summit, held in Mexico City on October 2015, GACM gradually published relevant information and documents concerning 321 procurement procedures, including information about their execution. Likewise, it published in its website a report of physical and budget progress of contracts related to preliminary works and studies, land side works, and air side works. The focus is on public works contracts and the information is to be updated every month. As of 30 November 2017, there were eight contracts for preliminary works and studies, five for land side works, and two for air side works. Their total value is illustrated in the next table:

Table 4.1. Contracts published in GACM website to follow up physical and budget progress

As of 5 October 2017

	Number of contracts	Value (MXN)
Preliminary works and studies	8	7 746 132 628.01
Land side works	5	95 848 542 861.85
Air side works	2	15 285 504 535.13
TOTAL	15	118 880 180 024.99

Source: GACM website, www.aeropuerto.gob.mx.

These contracts refer to the core works of the airport, such as the terminal building, the runways, and the control tower, among others. The number of contracts represents only 4.7% of the total (321), but in terms of value, these 15 contracts represent 87% of the total value (MXN 136 133 623 415).¹ GACM has then adequately prioritised the contracts to disclose in order to respond to a reiterated request.

For each contract, there is a template that indicates the contractor and the contract dates and describes the works, their physical and financial status, and progress of each activity, as well as provides pictures.

In addition, as highlighted in the progress report of November 2016, GACM is the first federal entity in Mexico to disclose its procurement procedures following the Open Contracting Data Standard (OCDS). As of 30 November 2017, 321 NAICM contracts had been uploaded in the open data website of Mexico's government (datos.gob.mx/nuevoaeropuerto). The information published includes the purpose of the contract, value, contractor, type of procurement procedure (i.e., open tender, restricted invitation, or direct award), guarantees, calls for tender, and awards. Likewise, documents such as the signed contract, terms of reference, the call for tender, the minutes of the clarification meetings, the award statement, the statement of the reception of the purchased items, and the payment settlement, are accessible through this site. Finally, as of 30 November 2017, GACM published financial progress data for 321 contracts and physical progress data for 275 contracts in datos.gob.mx/nuevoaeropuerto.² Indeed, the

¹ As reported in datos.gob.mx/nuevoaeropuerto/.

² The difference between the contracts published with financial progress and those published with physical progress stems from the fact that on going contracts for the purchase of goods and services do not report physical progress until their completion.

NAICM experience has been discussed as a good practice in the meetings of the Contracting 5 (C-5) Alliance.³

Additionally, GACM has published in its website (<http://www.aeropuerto.gob.mx/contratos.php>) information from all the contracts, including links to *datos.gob.mx* and developed a guide and a tutorial to navigate the contracts, as well as a search tool to find contracts using key words. While the OCDS is an internationally recognised transparency standard to publish structured information and procurement documents, GACM has even published market investigations.

GACM has included indicators to allow a broad vision about procurement methods (88% of the procured amount was carried out through open tender), a collection of applicable regulations, and a glossary, under the section “Contracts” of its webpage, in order to facilitate access and understanding of the published information.

Reports by social witnesses appointed by SFP to follow up tender procedures are also published, as well as the results of three opinion polls aimed to understand perceptions about transparency of the bidders who have participated in tenders.

Areas for improvement

The disclosure of the financial progress of all contracts and the physical progress of 275, including all public works contracts (105), as well as the publication of the contracts of the core works of the airport, amounting for 87% of the value of the contracts awarded so far, is definitely a step in the right direction, which was also mindful of the resource limitations GACM has to bear with (human resources, IT systems, etc). The logic next step for the effort to communicate progress in the execution of contracts consists on doing it in a platform that provides real-time information in a user-friendly format. To do so, GACM needs to advance in the interoperability of its information systems and IT governance, which is part of the reengineering project for GACM.

As mentioned above, GACM publishes all OCDS requirements for all its contracts, from planning to execution, including the tendering and contracting phases, and prioritised the disclosure of the main contracts. Right now, information is updated every month. Information in *datos.gob.mx/nuevoaeropuerto* is available in JSON (Java Script Object Notation) format, which is reusable and machine readable. The ideal would be to take advantage of technologies and field supervisions to report progress in real-time. In other words, GACM would be even more responsive to civil society demands by making the effort to publicise information on the progress of contracts in real time.

Priority 2: Leverage on communications to foster the project’s continuity, inform about good practices adopted by GACM, and build social trust

Recommendation number from the 2016 progress report: 14.

The communications strategy of GACM has diversified, with a well-established unit and even a formal budget to operate. However, it will confront a significant challenge during

³ In order to strengthen rule of law, on 12 May 2016, within the framework of the Anti-Corruption Summit, Mexico became a founding member of the Contracting 5 Alliance (C5) together with Colombia, France, Ukraine, and the United Kingdom. This alliance is a network of countries seeking to effectively implement the OCDS to eliminate corruption in public procurement processes.

2018: fostering the idea that the continuity of the NAICM project is safe and building social trust. Because of the 2018 election and the change in administration by the end of that year, there are analysts who question the continuity of the project and see risks that might jeopardise it. There are reasons to believe the project is solid and the cost of dropping out would be enormous, but these have to be communicated to the wider public.

Progress made

GACM communications unit got a budget of MXN 23.5 million for 2017, being the first year that the unit is actually allocated a budget. Currently, there are two TV spots and one for radio as part of the government campaign “good things count and count a lot” (*Lo bueno cuenta y cuenta mucho*). Two one-minute spots are also portrayed in screens throughout the current airport.

The communications strategy for the second semester of 2017 consists on a campaign divided into three stages:

- Building the biggest infrastructure in Mexico...is a reality.
- Building the biggest infrastructure in Mexico...our pride growing.
- Building the biggest infrastructure in Mexico...a year of great achievements.

As per the authorisations by the General Directorate for Communications Regulation (*Dirección General de Normatividad de Comunicación*) of the Ministry of the Interior (*Secretaría de Gobernación, SEGOB*), the first stage kicks off on 10 November 2017, with publications in 25 national, regional, and local newspapers, and on 13 November in radio and TV. The campaign will also be displayed through street signs and in mass public transport such as buses, express buses (*Metrobús*) and metro, in roads and streets of the metropolitan area of Mexico City. The objective is to communicate the construction of NAICM in the public opinion.

In addition, GACM’s digital strategy includes activity in four social media channels: Facebook, Twitter, Instagram, and Youtube. Growth in social media activity has been more than satisfactory.

- Facebook: 34 760 followers until 30 October 2017. (see Table 4.2 with the evolution in the number of followers).
- Twitter: 8 893 followers until 30 October 2017. Only in this month, 593 new followers joined the NAICM account
- Instagram: 1 079 followers with 28 314 interactions (Likes and comments).
- Youtube: 2 843 subscribers to the NAICM channel and 423 437 video visualisations (see Table 4.2 with the evolution in the number of followers).

Table 4.2. Evolution in the number of followers in Facebook and Youtube

	November 2016	30 October 2017	% growth
Facebook	2 285	34 760	1 421%
• Visualisations	200 000	7 773 149	3 787%
Youtube	920	2 843	209%
• Visualisations	N.A.	423 437	
Twitter	N.A.	8 893	
• Visualisations	N.A.	3 022 832	
Instagram	N.A.	1 079	
• Interactions	N.A.	28 314	

Note: Twitter and Instagram followers were not reported in the November 2016 progress report. Hence, the information for this month is not available (N.A.).

Source: Information provided by GACM.

Internet users were reached in their social networks 4 513 544 987 times during 2017. The number of Internet users impacted per day is equivalent to the combined populations of Mexico City, Guadalajara, Puebla, and Tijuana (more than 14 million users per day).

As per a report by Google Analytics, the webpage www.aeropuerto.gob.mx had 496 122 visits between January and October 2017, out of which 55 303 were recurrent visitors and 155 470 were new ones. The most frequent location of visitors was the following:

- Mexico: 87.39%.
- United States: 5.07%.
- Spain: 1.08%.
- Colombia: 0.8%.
- Canada: 0.5%.

50% of the visits to the website took place from mobile phones, 46.4% from PCs, and 3.4% from tablets. By age, it is clear that electronic communications means used for NAICM are having more impact in younger audiences (see Table 4.3).

Table 4.3. NAICM webpage visitors by age

Age	Sessions	New visitors
25-34	59 874	45 096
35-44	26 931	19 570
18-24	20 729	15 804
45-54	10 190	7 005
55-64	7 590	4 973
65+	3 063	1 913
TOTAL	128 377	94 361

Source: Information provided by GACM.

28 press releases had been published between January and October 2017. Considering that between 1 January and 30 September 2016 there were 27 press statements, one can deduct that this number remained almost constant.

Since July 2017, another important communication initiative has been the publication of a weekly article by GACM's General Director in the newspaper *El Economista*. Such articles contribute to communicating the technical, financial, strategic, and constructive characteristics of NAICM.

Tours in the NAICM construction site for media representatives and interviews that led to articles in printed, mass, and internet-based media are also an important part of GACM's communication strategy. From January to July 2017, such media outlets included La Silla Rota, Eje Central, Grupo Expansión, Reforma, En Concreto, Milenio TV, Uno TV, Televisa, PCTV, The Washington Post, Bloomberg, and various editorialists. In general, 173 groups for a total of 4 964 individuals have taken the tour to the construction site, including business leaders (i.e., CMIC), investors, civil society and opinion leaders, legislators, local, state and federal authorities, students, and international delegations and organisations. Furthermore, GACM prepared learning materials for children 10 to 12 years old to take "NAICM to the school" in 2018.

Areas for improvement

The communications strategy has so far focused on advancing the knowledge of the NAICM project among the public in general, and targeted audiences in specific. For example, it is important for the inhabitants of the municipalities surrounding the construction site to know that the project is already in construction, the benefits it will deliver, and the measures taken to mitigate negative externalities.

Now, it is time to go deeper, in particular for stakeholders directly linked to the project such as the business community, investors, and users of the airport, to let them know that the project has got to a point where dropping out would imply a huge cost. Financial resources are available to sustain the project until 2019 and, when a decision is taken to guarantee the financing beyond that point, it should be communicated to all these communities to create trust in the long-term sustainability of the project.

The strategy should also widely communicate the main achievements in the management of the project, such as the implementation of the OCDS, the measures taken to safeguard the integrity of procurement procedures and mitigate environmental damage, the ethics campaigns and training applied to GACM staff, and progress with the construction packages. Since the degree of scepticism on government actions is quite high, communicating the achievements is critical to balance public opinion towards the project. For example, social benefits and economic development created by new jobs and skills training could be communicated more insistently. The GACM webpage is a critical element to communicate achievements, hence the importance of continuous efforts to improve it and make it more user-friendly (see Chapter 3 for specific recommendations to upgrade it).

In other words, it is important to guarantee the sustainability and integrity of the NAICM project, but it is equally relevant that the public know and believe in these attributes of what will be "the new entrance door to Mexico". Furthermore, the communications strategy could better transmit how complex it has been to carry out the project (since the failed attempt to build it in the early 2000's) and the benefits it will bring even for people who will not be directly using the airport facilities (i.e., benefits in terms of trade, tourism, competitiveness, and so on). Doing so would help to develop ownership of the project for the Mexican people.

Summary of actions for the implementation of the recommendations

- GACM could advance transparency efforts, in particular by ensuring clarity on the types of data available, developing tools to provide real-time information on

such progress, and displaying the physical and financial progress of the entire project in a user-friendly format.

- GACM could develop tools to provide real-time information on the physical and financial progress of contracts.
- GACM could carry out focus groups with different audiences (for example, students, suppliers, researchers, and journalists, among others) to assess how easy it is to find a specific information and how long it takes and, if applicable, consider alternatives to simplify the search.
- Building on the achievements of the communications strategy, GACM should leverage on it to foster the NAICM project's continuity, inform about good practices and benefits for society, and build social trust.
 - GACM should leverage its communication strategy to promote the continuity of the NAICM project, inform about good practices adopted, and the benefits for the Mexican people (even for those who will not be directly using the airport), advancing trust in the project.

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Second Progress Report on the Development of the New International Airport of Mexico City

ADAPTING PRACTICES TO MEET EMERGING CHALLENGES

