



Third Progress Report on the Development of the New International Airport of Mexico

ACHIEVEMENTS AND LESSONS LEARNED



Third progress report on the development of the New International Airport of Mexico

ACHIEVEMENTS AND LESSONS LEARNED

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

© OECD 2018

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of the source and copyright owner(s) is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.

Table of contents

Acronyms and abbreviations.....	6
Executive summary	13
Follow up on the OECD reports and the current context.....	19
Background.....	19
The current context	20
Chapter 1. Lessons learned in supporting the development of the NAIM	23
1.1. Governance of mega infrastructure projects	23
1.2. Procurement strategies	26
1.3. Integrity and transparency.....	28
Chapter 2. The value added and main achievements of the GACM-OECD co-operation	33
2.1. Corporate governance	33
2.2. Public consultation and stakeholder engagement	35
2.3. Public tendering	38
2.4. Market research.....	40
2.5. Contract management	42
2.6. Open contracting.....	44
2.7. Risk management and internal control.....	47
2.8. Ethics and management of conflicts of interest	48
2.9. Communications	51
Chapter 3. Implementation of the recommendations from OECD’s second progress report.....	53
3.1. Strengthening the governance of the project to sustain effective delivery	53
3.2. Adapting the procurement framework to mitigate risks posed to the effective delivery of NAIM.....	69
3.3. Integrity and transparency.....	87
3.4. Robust communications to strengthen social support for NAIM.....	113
Annex A. Roadmap for the reform of GACM corporate governance	117
Background and context	119
Evaluation of GACM corporate governance framework	121
Assessments and recommendations.....	141
References	146

Tables

Table 0.1. Working groups and their corresponding recommendations from the Second Progress Report	20
Table 2.1. Evolution of competition in tenders for construction works over time	40
Table 2.2. Evolution of market analysis in GACM	42
Table 2.3. Followers in Facebook, Youtube, Twitter, and Instagram	52
Table 3.1. Evolution of GACM organisational structure	54
Table 3.2. Additional posts suggested by GACM after the gap analysis	55
Table 3.3. Meetings with interest groups	59
Table 3.4. Sample from the matrix to align interventions with the Social Master Plan	64
Table 3.5. Competition indicators suggested by SFP to GACM	75
Table 3.6. Participation of stakeholders during a typical procurement cycle	81
Table 3.7. Identification of suppliers in NAIM	83
Table 3.8. Action Plan for the implementation of GACM’s Protocol for the Prevention of conflict-of-interest situations	90
Table 3.9. Examples of tailored protection measures that may be granted by GACM	93
Table 3.10. Training activities provided by GACM in 2017 and 2018	96
Table 3.11. CEPCI composition	97
Table 3.12. INAI decision on appeal requests (as of September 2018)	106
Table 3.13. Followers in Facebook, Youtube, Twitter, and Instagram	115
Table A A.1. GACM’s Committees	133
Table A A.2. Board arrangements in selected airport companies	136

Figures

Figure 1.1. At what stage of the process does consultation take place?	26
Figure 1.2. Process of capacity building for transparency in GACM	30
Figure 2.1. Evolution of GACM Board of Directors	34
Figure 2.2. Number of access to information requests received by GACM, 2014-2018	45
Figure 3.1. Process for the payment of works estimations SEDP/SIGA	56
Figure 3.2. Fields and documents in SIGDA	57
Figure 3.3. Financing of the NAIM project	67
Figure 3.4. What criteria determine whether a project gets on the short list of priority projects?	69
Figure 3.5. Competition throughout evaluation stages in packages relating to simpler works	74
Figure 3.6. Competition throughout evaluation stages in packages relating to complex works	74
Figure 3.7. Delays in tenders affect construction pace	76
Figure 3.8. Number of items included in GACM prices database	78
Figure 3.9. Evolution of deviations according to completion stage	80
Figure 3.10. Development of contract management strategies	82
Figure 3.11. Suppliers’ segmentation	84
Figure 3.12. Development of an Action Plan through a change management approach	89
Figure 3.13. Example of a GACM risk heat map with Severity/Urgency components	102
Figure 3.14. Global Indicator of Physical Progress of the Project	108
Figure 3.15. Interactive map interface of the new international airport of Mexico	109

Boxes

Box 2.1. Results from Social Dialogue	36
Box 3.1. The Inter-ministerial Commission for Special Economic Zones.....	65
Box 3.2. Delivering an airport full economic potential – case studies from the UK.....	71
Box A A.1. Role of the board at daa plc	124
Box A A.2. Nomination committee at Aéroports de Paris	126
Box A A.3. Board composition and independence at Avinor AS	129
Box A A.4. Norway’s ownership policy	131
Box A A.5. Evaluation of the board of directors at Aéroports de Paris	135

Acronyms and abbreviations

ADP	Paris Airports <i>Aéroports de Paris</i>
AGM	Annual Shareholders General Assembly <i>Asamblea General Anual de Accionistas</i>
AICM	Mexico City International Airport <i>Aeropuerto Internacional de la Ciudad de México</i>
AMACARGA	Mexican Association for Cargo <i>Asociación Mexicana de Agentes de Carga</i>
ANAFAC	National Association of Fiscal Warehouses <i>Asociación Nacional de Almacenes Fiscalizados</i>
APF	Federal Public Administration <i>Administración Pública Federal</i>
ASA	Airports and Auxiliary Services <i>Aeropuertos y Servicios Auxiliares</i>
ASF	Superior Audit Institution <i>Auditoría Superior de la Federación</i>
Banobras	National Bank for Public Works and Services <i>Banco Nacional de Obras y Servicios Públicos</i>
BIM	Building Information Modeling <i>Modelado de Información de Construcción</i>
CANAERO	Air Transport National Chamber <i>Cámara Nacional de Aerotransporte</i>
CCM	Master catalogue of concepts <i>Catálogo de Conceptos Maestro</i>
CEDN	Co-ordination of the National Digital Strategy <i>Coordinación de Estrategia Digital Nacional</i>
CEPCI	Ethics Committee <i>Comité de Ética y Prevención de Conflictos de Interés</i>

CFE	Federal Electricity Commission <i>Comisión Federal de Electricidad</i>
CICOB	Centre for Integration, Training and Operation of the BIM <i>Centro de Integración, Capacitación y Operación del BIM</i>
CMIC	Mexico's Construction Chamber <i>Cámara Mexicana de la Industria de la Construcción</i>
COCODI	Control and Institutional Performance Committee <i>Comité de Control y Desempeño Institucional</i>
CONACYT	National Council for Science and Technology <i>Consejo Nacional de Ciencia y Tecnología</i>
CONAGUA	National Water Commission <i>Comisión Nacional del Agua</i>
CONAPRED	National Council to Prevent Discrimination <i>Consejo Nacional para Prevenir la Discriminación</i>
CORETT	Commission to formalise land property <i>Comisión para la Regularización de la Tenencia de la Tierra</i>
CSO	Civil Society Organisations <i>Organizaciones de la Sociedad Civil</i>
DDSCPR	Deputy Directorate for Social Communications and Public Relations <i>Subdirección de Comunicación Social y Relaciones Públicas</i>
DGAC	General Directorate of Civil Aeronautics <i>Dirección General de Aeronáutica Civil</i>
DIANA	Dialogue for Open Information on the New Airport <i>Diálogo por la Información Abierta del Nuevo Aeropuerto</i>
EPE	State Productive Enterprises <i>Empresas Productivas del Estado</i>
Fibra E	Mexican Energy and Infrastructure Investment Trusts <i>Fideicomiso de Inversión en Infraestructura y Energía en México</i>
FIDIC	International Federation of Consulting Engineers <i>Federación Internacional de Ingenieros Consultores</i>
GACM	Airport Group of Mexico City <i>Grupo Aeroportuario de la Ciudad de México S.A. de C.V.</i>
GIACC	Global Infrastructure Anti-corruption Centre <i>Centro Global de Anticorrupción en Infraestructura</i>

IATA	International Air Transport Association <i>Asociación Internacional de Transporte Aéreo</i>
IMCO	Mexico's Institute for Competitiveness <i>Instituto Mexicano para la Competitividad</i>
IMJUVE	Youth Institute <i>Instituto Mexicano de la Juventud</i>
IMSS	Mexican Institute for Social Security <i>Instituto Mexicano del Seguro Social</i>
INAI	National Institute for Transparency, Freedom of Information and Personal Data Protection <i>Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales</i>
INMUJERES	National Institute for Women <i>Instituto Nacional de las Mujeres</i>
LAASSP	Law on Acquisitions, Leasing and Services of the Public Sector <i>Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público</i>
LFEP	Federal Law on Parastatal Entities <i>Ley Federal de las Entidades Paraestatales</i>
LFPRH	Federal Law on Budget and Treasury Responsibility <i>Ley Federal de Presupuesto y Responsabilidad Hacendaria</i>
LFTAIP	Federal Law on Transparency and Access to Public Information <i>Ley Federal de Transparencia y Acceso a la Información Pública</i>
LGRA	General Law on Administrative Responsibilities <i>Ley General de Responsabilidades Administrativas</i>
LGSM	General Law on Mercantile Corporations <i>Ley General de Sociedades Mercantiles</i>
LOAPF	Organic Law of the Federal Public Administration <i>Ley Orgánica de la Administración Pública Federal</i>
LOPSRM	Law on Public Works and Related Services <i>Ley de Obras Públicas y Servicios Relacionados con las Mismas</i>
MAAGMOPSRM	Administrative Manual for General Application concerning Public Works and Associated Services <i>Manual Administrativo de Aplicación General en Materia de Obra Públicas y Servicios Relacionados con las Mismas</i>

MPIE	Business Integrity Model <i>Modelo de Programa de Integridad Empresarial</i>
NAFIN	National Finance Development Bank <i>Nacional Financiera</i>
NAIM	New International Airport of Mexico <i>Nuevo Aeropuerto Internacional de México</i>
NDP	National Development Plan <i>Plan Nacional de Desarrollo</i>
OCDS	Open Contracting Data Standard <i>Estándar de Datos para las Contrataciones Abiertas</i>
OCP	Open Contracting Partnership <i>Alianza para las Contrataciones Abiertas</i>
OECD	Organisation for Economic Co-operation and Development <i>Organización para la Cooperación y el Desarrollo Económicos</i>
OIC	Internal Control Body <i>Órgano Interno de Control</i>
PEMEX	Mexico's Oil <i>Petróleos Mexicanos</i>
PGPI-RISK	Risk Management Platform and Dashboard <i>Plataforma para la Gestión de Riesgos</i>
PRS	Social Responsibility Programme <i>Programa de Responsabilidad Social</i>
PTCI	Working Programme for Internal Control <i>Programa de Trabajo de Control Interno</i>
RAN	National Agrarian Registry <i>Registro Agrario Nacional</i>
ROPSRM	Regulation on Public Works and Associated Services <i>Reglamento de la Ley de Obras Públicas y Servicios Relacionados con las Mismas</i>
SACM	Airport Services of Mexico City <i>Servicios Aeroportuarios de la Ciudad de México</i>
SAGARPA	Ministry for Agriculture, Livestock, Rural Development, and Fisheries <i>Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación</i>

SCII	System of Institutional Internal Control <i>Sistema de Control Interno Institucional</i>
SCOP	System for Control of Works and Projects <i>Sistema de Control de Obra y Proyectos</i>
SCT	Ministry of Communications and Transport <i>Secretaría de Comunicaciones y Transportes</i>
SE	Ministry of Economy <i>Secretaría de Economía</i>
SECTUR	Ministry of Tourism <i>Secretaría de Turismo</i>
SEDATU	Ministry for Agrarian, Territorial, and Urban Development <i>Secretaría de Desarrollo Agrario, Territorial y Urbano</i>
SEDESOL	Ministry for Social Development <i>Secretaría de Desarrollo Social</i>
SEDP	System to draft payment documents <i>Sistema para la Elaboración de Documentos de Pago</i>
SEGOB	Ministry of the Interior <i>Secretaría de Gobernación</i>
SEMARNAT	Ministry of the Environment and Natural Resources <i>Secretaría de Medio Ambiente y Recursos Naturales</i>
SENEAM	Navigation Services in the Mexican Airspace <i>Servicios a la Navegación en el Espacio Aéreo Mexicano</i>
SENER	Ministry of Energy <i>Secretaría de Energía</i>
SEP	Ministry of Education <i>Secretaría de Educación Pública</i>
SFP	Ministry of Public Administration <i>Secretaría de la Función Pública</i>
SHCP	Ministry of Finance and Public Credit <i>Secretaría de Hacienda y Crédito Público</i>
SIGA	Institutional System of the Airport Group <i>Sistema Institucional de Grupo Aeroportuario</i>
SIGDA	Comprehensive Solution for Documents and Archives Management <i>Solución Integral de Gestión Documental y Archivo</i>

SIPOT	System of Portals of Obligations of Transparency <i>Sistema de Portales de Obligaciones de Transparencia</i>
SMP	Social Master Plan <i>Plan Maestro Social</i>
SNA	National Anticorruption System <i>Sistema Nacional Anticorrupción</i>
SOE	State-Owned Enterprises <i>Empresas Propiedad del Estado</i>
SSA	Ministry of Health <i>Secretaría de Salud</i>
STPS	Ministry of Labour <i>Secretaría del Trabajo y Previsión Social</i>
SWOT	Strengths, weaknesses, opportunities, and threats <i>Fortalezas, debilidades, oportunidades y amenazas</i>
TUA	Airport Tax <i>Tarifa de uso de aeropuerto</i>
UEIPPCI	Unit on Ethics, Public Integrity and Prevention of Conflicts of Interests <i>Unidad de Ética, Integridad Pública y Prevención de Conflictos de Interés</i>
UNDP	United Nations Development Programme <i>Programa de las Naciones Unidas para el Desarrollo</i>
UK	United Kingdom <i>Reino Unido</i>

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 of Mexico's Government concerning the 17 high impact recommendations presented at the "Second progress report on the development of the New International Airport of Mexico City: Adapting practices to meet emerging challenges" in January 2018. It also documents the results and impact of the co-operation between OECD and GACM in light of the challenges faced by the project of the New International Airport of Mexico (*Nuevo Aeropuerto Internacional de México*, NAIM) during the period 2015-18 and the good practices and innovations implemented for the management of the project.

These reports are presented 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 NAIM project.

Indeed, the NAIM project has led to lessons learned in the execution of mega infrastructure projects. First, NAIM illustrates the importance of the governance of infrastructure and ensuring that capacities match the complexity of the project. Governance arrangements evolve as mega infrastructure projects move from planning to tendering, from tendering to construction, and from construction to contract management. The entities in charge should continuously assess capacities to make sure they are fit-for-purpose at each stage. Second, NAIM has proved the value of risk management. A mega infrastructure project is subject to different kinds of risks, including operational, political, integrity, and procurement risks. Institutions managing infrastructure should anticipate these risks, as many of them will necessarily materialise and projects should be prepared to proactively manage opportunities and mitigate risks, when needed. Likewise, in line with international experience, the evolution of NAIM illustrates the difficulties in aligning interests, informing, and creating trust in mega infrastructure projects. Hence, it is important to consult and engage stakeholders from the early stages to collect information, identify and mitigate risks, and continuously advance transparency as a tool to inform the public about the main characteristics of the project (i.e., finance and procurement structure) and its progress.

The co-operation impacted the project through the implementation of innovations and good practices that position GACM in the forefront of Mexico's public administration. For example, the Boards of Mexican state-owned enterprises (SOEs) are usually populated exclusively by public servants. Upon the OECD recommendation, GACM incorporated four independent members, which will increase to six with the additional two to represent the interests of the holders of Mexican Energy and Infrastructure Investment Trusts (*Fibra E*), to turn the Board into a deliberative body and bring in valuable expertise, setting an example for other SOEs. Even with a high number of contracts awarded through direct awards, 88.3% of the value of procurement undertaken for the construction of NAIM has been awarded through competitive tenders. In contrast, the value of procurement of

Mexico's public administration awarded through public tender represented 54% during the period January-August 2018 (72% for public works and related services).¹

Likewise, GACM is the arrowhead of the implementation of the Open Contracting Data Standard (OCDS) among Mexican institutions. The 461 contracts making up the NAIM project, as of September 2018, are published following this standard. As mentioned before, this level of transparency aims to create trust in the project and has helped different civil society organisations, such as Mexico's Institute for Competitiveness (IMCO) and *México Evalúa*, carry out analyses on the performance of the project, enabling social control and, in consequence, creating a delivery environment in which public officials know the project is under a high level of scrutiny. Additionally, innovations in the context of the Mexican public administration to better integrate integrity and anti-corruption considerations in institutional processes were tested in GACM, including the establishment of an Ethics Unit as a one-stop shop for all integrity related issues (i.e., conflict of interest management and public ethics), the development of a tailored corruption risk management strategy and protocols to protect whistleblowers.

The project has now fully entered the heavy construction stage and its overall progress is at 31.9%, as of 31 August 2018, according to the indicator designed by GACM and the project manager (Parsons).² This level of progress is illustrative of specific operational challenges, such as those relative to contract management and whole-of-government co-ordination. Indeed, as the works of the airport itself mature, other projects closely linked should be advanced accordingly, such as the ones relative to surface access and Airport City (i.e., the complex surrounding the airport to provide basic services for travellers, such as hotels, restaurants, shopping, etc.).

The NAIM project is now in the middle of a critical time as a new administration taking over Mexico's Government on 1 December 2018 has questioned its disadvantages and risks. Alternatives vary from keeping the status quo, changing the delivery mode (i.e., concessioning the construction of the infrastructure), and cancelling the project to develop an alternative airport in what is now a military base. The decision is impacting the governance of the project as GACM had planned to carry out 27 tenders in 2018. Thirteen were organised and awarded during the first semester and the other 14 planned for the second semester were suspended until a decision is reached. This is likely to lead to a "cascade" effect, impacting the cost and timeline of the project.

While a decision arrives and the new administration takes over, the current government stated that the awarded contracts are still underway and the works in development. This is important as a timely decision is due to avoid further delays in the execution of the project. A delayed decision may severely impact the timeline of critical works, such as the terminal building, which in turn would "cascade-down" to other works that depend on the progress of the terminal. Indeed, OECD had already warned about the interconnectedness of the different works and the risks implied for budgets.

In the context of the government transition, during 2018, GACM achieved progress in many of the OECD recommendations, such as the following:

¹ Information provided by the Ministry of Public Administration (SFP) for procedures registered in Mexico's e-procurement system CompraNet.

² The methodology used for this estimation is described at: http://www.aeropuerto.gob.mx/avance_global.php.

- *Governance:* GACM established a working group named Dialogue for Open Information on the New Airport (*Diálogo por la Información Abierta del Nuevo Aeropuerto*, DIANA) to engage stakeholders in its transparency policies. During the second semester of 2018, the group will provide feedback to GACM to upgrade its transparency practices and make information more accessible and user-friendly. Furthermore, GACM secured additional funding to keep the pace of the works until the first semester of 2020, representing approximately 75% of the total investment required, while providing alternatives to avoid any reliance on the public budget if the new administration wishes to opt for alternative financing sources.
- *Public procurement:* Improvements on the evolution of tender competition throughout the different evaluation stages have been witnessed in 2017 and 2018: 80% of bids submitted in response to call for tenders issued in the last two years and qualified after the administrative checks received a sufficient technical score allowing for the evaluation of their financial proposals. This represents a significant increase compared to calls for tender issued in 2015 and 2016, where a little less than 50% of bidders qualified after administrative checks were evaluated on all components. Likewise, the unit responsible for market analyses further developed in 2018 a specific manual detailing the various steps to be taken when carrying out this exercise. It specifically notes that, beyond financial elements, market investigations should include an assessment of potential bidders' technical capacities. This is important as companies and consortia competing are often the same from one tender to the other and also because the decision to suspend tenders will generate additional tensions on the market when the procurement processes resume.
- *Integrity and transparency:* GACM achieved substantial progress with respect to strengthening its integrity system, most notably by implementing a comprehensive risk management strategy that specifically mitigates corruption risks, and by empowering its internal control body to collaborate horizontally with the procurement and ethics units to take on a prevention role in addition to its traditional control activities. GACM sought to strengthen public trust in the governance underlying the construction of the NAIM by implementing the Open Contracting Data Standard and devising a global indicator to follow the physical progress of the construction project as a whole. This had been a reiterated demand from civil society.
- *Communications:* The communication strategy developed two campaigns to position the benefits of NAIM and promote its continuity in the face of criticism and political campaigns.

In spite of this progress, emerging risks and remaining opportunities should be addressed to strengthen execution and make up for delays. Indeed, while the infrastructure was originally scheduled to be delivered by October 2020, Parsons and GACM, according to the update of the Master Plan to expand its scope and dimension due to the increase in passengers, estimate to be able to finish the works by late 2021 and operational by mid-2022. On the other hand, the incoming administration believes it will not be ready before the last quarter of 2023. OECD had already warned of an extremely ambitious execution timeline and this report suggests some risk mitigation measures, such as advancing co-ordination of procurement activities undertaken by different entities (i.e., GACM, SCT, CONAGUA) and evolving from contractual compliance to supplier performance.

First, with regards to governance, GACM still needs to reform its corporate governance to get closer to OECD best practice. To start with, in line with OECD *Guidelines on Corporate Governance of State-Owned Enterprises*, the Mexican State should develop a clear ownership policy and allow greater management autonomy for GACM. Likewise, the nomination and appointment process to its board should be more transparent and merit-based. Whole-of-government co-ordination, while improved, still requires a formal mechanism to sustain it and facilitate coherence for government interventions in the impact zone of NAIM.

Second, regarding public procurement, the suspension of the procurement processes until technical and public consultations are carried out highlights the importance of increased co-ordination in implementing the remaining construction works, including those of the airport itself and the peripheral ones (i.e., surface access). Furthermore, GACM needs to continue moving from compliance to supplier relationship management with a holistic view of contract execution. Currently, three different GACM units have similar and central responsibilities relating to contract management, yet they need to co-ordinate better and standardise their procedures, as lack of consistency may create negative incentives for supplier performance.

Third, in relation to integrity, GACM could continue strengthening its efforts to further integrate and effectively monitor the implementation of integrity policies to maximise their impact, for example by ensuring better co-ordination of the Ethics Unit with other integrity actors and defining an optimal use of the information generated by GACM's risk management. GACM may also build on its recent open contracting and transparency initiatives by refining its indicator to measure physical and financial progress against projected timelines and budget, and ensuring frequent updates to the data made available on its website (even in real-time).

Finally, concerning communications, the challenges to build trust in the project and develop ownership among Mexicans remain, as some stakeholders still do not believe in its benefits or the measures taken to mitigate risks, such as those on the environment.

OECD has been working with SCT and GACM since 2015 to strengthen the governance of the NAIM project by transferring good practices in the management of infrastructure. The strong support by SFP and the establishment of a working group SFP-GACM in January 2017 also became a critical factor to advance reforms relative to integrity and public procurement. The implementation of OECD recommendations has mitigated some risks and led GACM to create an upgraded execution environment. After assessing the progress of the project and pondering the emerging risks stemming from its evolution, OECD suggests to focus the government's efforts, particularly those of GACM, in addressing the following recommendations:

- a. GACM should work with the current and the incoming administrations to ensure adequate resourcing and organisation of the key functions for the heavy construction stage and anticipate its future needs, including the approval of the 132 posts proposed and the transition to the operation stage. Likewise, GACM should continue its efforts on systems' interoperability.
- b. GACM should first facilitate the consolidation of the DIANA group and its initial deliverables and then extend the group in its membership and the topics it addresses. At the same time, GACM should keep the dialogue with other stakeholders who are relevant for the future operations of NAIM.

- c. GACM, with the support of the relevant institutions (i.e., SCT, SFP, SHCP, and the Office of the President), should analyse the roadmap for the reform of its corporate governance (i.e., short and long-term recommendations) and prepare an implementation plan, considering the legal, political, and operational implications to make reform happen.
- d. GACM should consider alternatives for the institutionalisation of the Group for Inter-ministerial Co-ordination, such as an inter-ministerial commission. In this context, the engagement of the Government of Mexico City should be pursued.
- e. The incoming administration should quickly take a decision on the delivery mode for the future of NAIM, so as to avoid any further delays or costs which would impact the overall timeline and budget of the project. The financing strategy could respond to this decision by assessing alternatives to further reduce the share of public resources, while keeping the competitiveness of NAIM.
- f. Mexico's Government should ensure co-ordinated decision-making in procurement processes so that the NAIM is comprehensively and effectively delivered. For example, SCT could develop with all stakeholders involved in the project, including GACM, a clear and binding roadmap towards the development of surface access links. Likewise, GACM could provide a general update of the timeline and sequencing of remaining works so that other stakeholders have a clear understanding of impacts on the procurement processes they are managing or contributing to.
- g. GACM should continue its efforts to maximise competition in tenders and streamline processes. In this sense, GACM could expand existing indicators to collect additional insights to inform future strategies and analyse its performance. For example, it could analyse other dimensions of its procurement performance such as comparing the planned timeframe for carrying out the tendering phase until the start of the works and the effective timeframe and identify strategies to reduce the amount of required clarifications during its tender processes.
- h. Considering the constrained pool of available resources in the private sector for the remaining construction works to be put to tender, GACM should follow up on its efforts to upgrade pre-tendering activities. It would contribute to ensure effective competition and develop a greater understanding of technical capacities in the market by systematically using technical information retrieved from previous tenders and by identifying companies which are unlikely to meet the needs defined in future similar tenders.
- i. Re-engineering contract management processes and strategies will continue as a critical element for successful execution of NAIM and, as such, requires special attention. GACM's current organisational structure could be complemented by transversal and co-ordinated strategies to shift from contractual compliance to supplier performance. It should continue its efforts to review its contract management strategies by building on a structured segmentation of the supply base according to criteria based on its values and objectives. Additionally, GACM could revisit the engagement process of the outsourced supervisors considering their critical role in efficient contract management.

- j. GACM could build on its recent progress towards an effective implementation of its conflict of interest protocol by providing increased guidance to GACM staff on the practical implications arising from the protocol and refining conflict of interest mitigation measures.
- k. GACM could continue simplifying its protocols for the disclosure of misconduct and the protection of whistleblowers, ensure ongoing awareness-raising and training activities, and promote a consistent application of relevant standards to all internal and external disclosures of misconduct.
- l. GACM could continue strengthening the co-ordination between core integrity actors with a view to designing a comprehensive strategy supported by an effective action plan. GACM could also entrust the Ethics Unit with the responsibility to provide regular training activities for staff and, under the supervision of the Corporate Directorate for Administration and the Board of Directors, with the programme's overall planning and co-ordination.
- m. GACM could continue its efforts to engage with businesses and civil society to promote the implementation of the Business Integrity Model (MPIE) and ensuring further uptake by businesses of the Integrity Manifesto.
- n. GACM could take further steps to systematically assess and control corruption risks in all phases of the procurement cycle, including by ensuring a co-ordinated use of existing databases (e.g. SCOP, SIGA and SEDP) and improved data collection. In particular, GACM could improve the collection of structured data, especially with regards to contract performance, to support risk assessments and management decision-making. GACM could also further raise awareness about the importance of effective risk management to achieve common goals and objectives.
- o. Building on its significant progress to enhance transparency of the construction of the NAIM, GACM could continue working on simplifying access to and facilitating the understanding of NAIM contracting and progress data.
- p. Future communication campaigns should provide a diversity of contents and messages based on the main topics of interest and concerns of the public.

Follow up on the OECD reports and the current context

Background

In January 2015, the OECD and Mexico's Ministry for Communication 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 (*Nuevo Aeropuerto Internacional de México, NAIM*). 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 and transparency 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 2015.³ The review provided 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 NAIM, 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*.⁴ 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.

In January 2017, SFP joined the efforts and a working group GACM-SFP was established to address the recommendations. A year after, in January 2018, the OECD published the *Second Progress Report on the Development of the New International Airport of Mexico City: Adapting Practices to Meet Emerging Challenges*.⁵ This document analysed progress relative to the 16 high impact recommendations from the First Progress Report. Likewise, it provided 17 recommendations to adapt practices to the evolving nature of the project and the new challenges emerging from the heavy construction stage. Out of these 17

³ The review is available in its English version here: <http://www.oecd.org/gov/effective-delivery-of-large-infrastructure-projects-9789264248335-en.htm>, and in Spanish here: <http://www.oecd.org/mexico/desarrollo-efectivo-de-megaproyectos-de-infraestructura-9789264249349-es.htm> and here <http://www.aeropuerto.gob.mx/informeOCDE.php>.

⁴ This report is available in its English and Spanish versions here: <http://www.oecd.org/gov/ethics/primer-informe-avances-desarrollo-nuevo-aeropuerto-mexico.htm> and <http://www.aeropuerto.gob.mx/informeOCDE.php>.

⁵ This report is available in its English and Spanish versions here: <http://www.oecd.org/gov/public-procurement/publications/segundo-informe-avances-desarrollo-aeropuerto-internacional-mexico.htm> and <http://www.aeropuerto.gob.mx/informeOCDE.php>.

recommendations, 13 were directed to GACM and four require the leadership and co-ordination of other public entities and ministries.

The objective of this Third Progress Report is twofold: i) discussing and promoting the continuity of the achievements of the OECD-GACM-SCT co-operation in light of the challenges faced by the project during the period 2015-18 and the good practices and innovations implemented for the management of the NAIM project, and ii) taking stock of progress made by GACM and other entities concerning the 17 recommendations issued in the Second Progress Report, recognise achievements, highlight the main opportunity areas that are still to be addressed and the road ahead to tackle gaps that remain in the project and may threaten its successful completion on time, on budget, and meeting quality requirements.

The 17 recommendations were clustered into six streams, for which leaders were appointed by GACM and SFP 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:

Table 0.1. Working groups and their corresponding recommendations from the Second Progress Report

Working groups	Recommendation #	Chapters of this report
GACM reengineering	1, 2	3.1
Contract management	5, 6	3.2
Public procurement	3, 4	3.2
Transparency	12	3.3
Integrity	7, 8, 9, 10, 11	3.3
Communications	13	3.4
Recommendations for other entities and ministries	14, 15, 16, 17	3.1, 3.2

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 Mexico's Government, and contributing to capacity building for GACM staff. During the period January-August 2018 the OECD organised and conducted four workshops on developing an implementation plan for GACM Protocol to identify and manage conflicts of interest (14-16 March), contract management strategies (3-4 April), whistleblower protection (15-17 May), and corruption risks management (6-7 June). 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 management and functions of the Ethics Unit, integrity risks, and corporate governance of state-owned enterprises.

The current context

Mexico held Presidential elections on 1 July 2018. During the campaign (April-June), NAIM was a major topic of debate, with some voices arguing in favour and highlighting its benefits, while others raised the risks and disadvantages of the infrastructure. In light of

this debate, the incoming administration taking over on 1 December advanced three alternatives:

- Maintaining the status quo and the delivery mode of the project, based mainly on public procurement.
- Cancelling the NAIM project and building two runways in the military airport of Santa Lucía, State of Mexico, to provide additional capacity to the current Mexico City Airport.
- Concessioneering the construction (and operation) of NAIM.

On 17 August, the team suggested by the elected President for SCT presented a technical analysis of the alternatives. The document discusses the advantages and disadvantages of NAIM and Santa Lucía, supported by a variety of technical studies. This analysis was shared with professional associations of engineers to get their feedback by September. Afterwards, a public consultation will be carried out to get the opinion of the public. Based on these inputs, the incoming administration will take a decision on which alternative to pursue.

The decision is expected during the second half of 2018, after the public consultation to be organised for late October and announced by the incoming administration, and will significantly impact the governance of the project. In fact, GACM had planned to carry out 27 tenders in 2018. Thirteen were organised and awarded during the first semester and the other 14 planned for the second semester were suspended until a decision is reached. This is likely to lead to a “cascade” effect, impacting the cost and timeline of the project.

In summary, NAIM is currently on the top of the public agenda and under scrutiny to decide its future. Interest groups have mobilised for and against the infrastructure and are likely to remain active, at least until the public consultation takes place.

Chapter 1. Lessons learned in supporting the development of the NAIM

1.1. Governance of mega infrastructure projects

Ensuring capacities match the complexity of mega infrastructure projects is critical to advance effective execution.

The institutional set up to carry out an infrastructure project is a key element for successful delivery. Those institutions will need the workforce and the skills to understand the complexities of the project and carry out a wide diversity of functions in a set, often limited, timeframe. Indeed, the Infrastructure UK *Cost Review Report 2010* and the National Audit Office's *Guide to Initiating Successful Projects* stress that rigorous attention should be paid to establishing the right capabilities from the early stages of projects, so that they match their complexity.⁶

However, ensuring the right capacities is not a one-off task. As the project evolves from design to tendering, from tendering to construction, and from construction to contract management, the skills and the capacities needed change as well, so the institutions in charge should have the flexibility to expand and downsize according to the needs of the specific stages of projects. For example, the tendering stage requires personnel with expertise in procurement and market analysis, while the construction stage calls for engineers, project management, and contract administration know how.

This degree of flexibility may be difficult to find in public institutions. This has certainly been the case for GACM, which is subject to the regulatory regime of public institutions concerning, for example, human resources. This regime hinders the flexibility of GACM to hire staff as needs evolve and, when it does hire, the process is complex, having to go through the head of sector (SCT) and SHCP. Furthermore, GACM cannot establish the salaries of its personnel, as these are centrally defined for the whole public administration, including SOEs, such as GACM.

One solution explored is strengthening GACM corporate governance and management autonomy. But again, such reform sometimes requires legislative amendments which take time and political capital. So, the main lesson is that when engaging in a mega infrastructure project, governments should define if and how capacities will match complexities. This will imply the definition of the institution which will be in charge of the project and the delivery mode to carry it out. A wrong decision can represent a straitjacket for the project leading to lack of skills, inability to retain talent and compensate it properly as to motivate good performance, allow a career path, and hinder incentives for corrupt behaviour. On the

⁶ UK Infrastructure and Projects Authority (2016), *Improving Infrastructure Delivery: Project Initiation Routemap*, available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/529311/handbook_2016.pdf, consulted on 25 September 2018.

contrary, a good decision will facilitate keeping the pace of the project and its professional management.

A risk management strategy should be developed from the conception of mega infrastructure projects, as some of them will certainly materialise.

Institutionalising risk management, including a dedicated risk management function, risk management strategy and periodic risk assessments, is critical for effectively safeguarding integrity in infrastructure projects. Risk management should help an organisation anticipate those factors which may hinder its ability to meet its objectives. In the case of infrastructure, the objectives can be as diverse as timing for delivery, quality of the works, budget and spending, and impact on the competitiveness and standards of living of a region or country. Many factors stand in the way of a mega infrastructure project which may present obstacles to meet the objectives. The nature of these obstacles can also be quite diverse, from political and operational to procurement and integrity risks. For example, the OECD *Foreign Bribery Report* suggests that nearly 60% of foreign bribery cases occurred in four sectors highly related to infrastructure: extractive (19%), construction (15%), transport and storage (15%) and information and communication (10%).

One of the main challenges is developing the risk management strategy. A comprehensive risk management strategy is essential to inform the design and implementation of integrity policies. For instance, risk assessments support management in effectively identifying potential irregularities and inefficiencies up front, and therefore manage project resources and operations more effectively. It is critical that the risk management strategy and risk assessments have an explicit focus on corruption and fraud risks, with a view to linking integrity policies and controls to the objectives of the project.

This is not something to be outsourced to a consultant, but rather the institution in charge of the project should ensure ownership by its staff and develop it with the participation and input from the different organisational units. If this is not done so, it will be harder to overcome a second challenge, which is making sure all operational management and staff implements the risk management strategy and assumes responsibility for it, beyond looking at it as another burden to comply with. GACM developed a comprehensive risk management methodology with the support of the OECD and the NAIM Programme Manager. The policy includes both top-down and bottom-up approaches, and will be upgraded to communicate how GACM can use risk data in a strategic manner to inform decisions and adapt control activities.

Over the course of the infrastructure project, some risks will necessarily materialise, which calls for mitigation measures. Furthermore, the risks are not static, but they evolve together with the project. In consequence, there should be a process to continuously review and assess risks and mitigation measures to adjust where necessary. This calls for the organisational structure to co-ordinate the work, update the strategy, and keep it in the day-to-day activities of staff.

At the early stages of the project, GACM had not institutionalised risk management. Its approach to risk management was undeveloped and ad hoc, particularly in relation to assessing corruption and fraud risks. This led to vulnerabilities across the project, but particularly in relation to procurement activities, which remained vulnerable to integrity risks, as well as inefficient and ineffective controls. However, throughout the project, GACM took measured steps to institutionalise risk management and lay the foundations for a risk-based integrity system. GACM, for example, set up a Risk Committee, with representatives from its different units to contribute to the follow up activities. The

Committee included senior officials responsible for leading the development and implementation of risk mapping and risk mitigation strategies. Furthermore, GACM, with the support of the Programme Manager, put in place a Risk Management Organisational Framework that includes all the operational areas (through risk management liaisons), designers, construction managers, and other governmental entities.

Finally, it is important that senior management backs up the risk strategy. A strong tone from the top will help signal staff the importance of this work and, therefore, that they should devote time and resources to contribute to it. Ideally, the Board should also be part of the strategy, through a committee specifically reporting to Board members and taking their input to address the main risks threatening the fulfilment of organisational objectives.

Consultation should not be overlooked, as social unrest can stop a project and lead to a waste of resources and reputation.

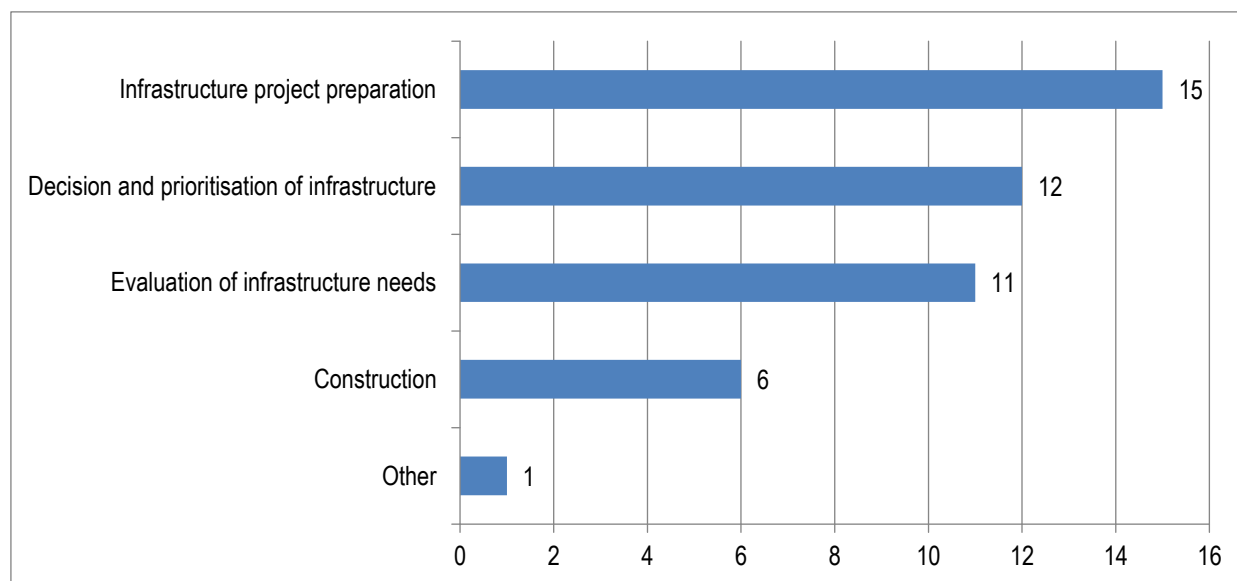
Mega infrastructure projects can have significant impacts in the lives of the inhabitants of the areas surrounding construction sites. For this reason, it is important to know the concerns of different stakeholders and try to mitigate any negative impacts. This can be achieved through public consultation. The consultation process should be proportionate to the size of the project and take account of the overall public interest and the views of the relevant stakeholders.

The process should be broad-based, inspire dialogue and draw on public access to information and users' needs. Consultations in democratic countries should take into account the role of elected representatives and executives to take action on behalf of the public good in a timely fashion. With this in mind, large infrastructure projects should be developed in an open and transparent fashion, with appropriate and well-publicised procedures for effective and timely inputs from interested local, national and even international parties, where relevant.⁷

Consultation processes can indeed enhance the legitimacy of the project amongst the stakeholders, as well-executed consultation can bring a sense of shared ownership. However, structured public consultation not only fosters ownership in infrastructure projects, it also creates opportunities for various communities to become advocates of their benefits and provide incentives for good performance. Nonetheless, it should be noted that while consultation and citizen engagement is necessary for the good governance of infrastructure, it is not an easy undertaking. The decision maker must actively weigh views against each other in order to avoid capture by specific interests. The views of stakeholders negatively affected by infrastructure projects have to be counterbalanced by such projects' contributions to the achievement of policy outcomes for society at large.

Consultations therefore must be structured in such a way that the process can be finished in a timely manner and that policy capture and other distortions are avoided. Even though OECD countries tend to carry out public consultations during the project preparation stage, it is not the only stage in which consultation happens, as it may also take place during the decision and prioritisation of infrastructure, the evaluation of infrastructure needs, and even during construction.

⁷ OECD (2016), *Getting Infrastructure Right: The Ten Key Governance Challenges and Policy Options*, available at <http://www.oecd.org/gov/getting-infrastructure-right.pdf> (consulted on 26 September 2018).

Figure 1.1. At what stage of the process does consultation take place?

Note: Total respondents: 21

Source: OECD Survey of Infrastructure Governance (2016).

Public consultations relative to the NAIM project took place basically during the evaluation of infrastructure needs and construction phases. In the first case, the consultation exercises focused on airport users, airlines, and authorities to define their needs and bear them in mind for the design of the airport. Consultations to those stakeholders have continued during construction, along with other exercises targeted on passengers and, most notably, the neighbouring communities to the construction site to comply with the Equator Principles.⁸ In addition to understanding the concerns of these communities, consultation was useful to draft the Social Master Plan and devise mitigation measures to address the needs of the neighbouring cities and allow benefits to directly impact them through public services, investment and jobs.

1.2. Procurement strategies

Considering the timeframe and complexity of the construction of large infrastructure projects, procurement strategies should be reviewed, assessed and refined as the project evolve, ensuring strategic alignment of all stakeholders.

Procurement strategies for the construction of large infrastructure differ from one project to another. From the choice of delivery modes to the nature and sequencing of construction activities, an almost indefinite number of strategies exist, preventing from over simplistic generalisation. However, a common feature of large infrastructure projects from airports to

⁸ The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. For further information, see <http://equator-principles.com/#>, consulted on 9 October 2018.

bridges and sporting venues, is that they very rarely involve only one procurement process but rather often see multiple and consecutive stages.

Indeed, the NAIM project, and insights from international experience conveyed by the OECD during the support provided to GACM, evidences the criticality of responsive procurement strategies. Considering the time span for the construction of large infrastructure projects, the multiplicity of stakeholders, including suppliers, providing inputs to construction activities and externalities affecting their development, procurement strategies defined before the start of the first procurement processes might not prove the most effective after a period of time. The NAIM project initially foresaw procurement strategies with a sequential programming of construction lots divided into 21 main packages.

Based on lessons learned from the first packages put to tender, this strategy was reviewed and the initial structure significantly re-organised into nine works fronts and more than 50 sub-packages. The sequencing of the packages was revised around the redefinition of the critical path to allow first completing the essential components of the airport infrastructure before delivering the associated supporting facilities.

Aside from construction works and related procurement strategies, under the responsibility of the implementing agency, other contingent public works are often needed to ensure large infrastructure projects are operational. In the case of airports, surface access is paramount to the infrastructure effective use. Yet, roads and public transportation providing access to airports are generally under the responsibility of other stakeholders. In the case of the NAIM, surface access development mainly lies with SCT, the State of Mexico, and Mexico City. Technical interconnectedness of infrastructures calls for a close alignment of stakeholders to design effective procurement strategies and timeframes. Alignment of objectives and values during the construction of large infrastructure projects has been instrumental to their successful delivery around the world such as the Terminal 5 of Heathrow in the UK or the terminal extension at Oslo.

To ensure that all efforts undertaken in previous phases of the procurement cycle materialise and contribute to the effective delivery of large infrastructure, contract management strategies need to be tailored to the nature and characteristics of projects.

Although inherently unique, large infrastructure projects present one common trait because of their size and complexity: by far, the longest phase of the procurement cycle is contract execution. However, while pre-tendering activities and the tendering stage concentrate the attention of stakeholders, further efforts could be devoted to contract execution so objectives defined during early development phases of infrastructure projects translate into tangible achievements.

Based on international experience gathered during the support provided by the OECD to GACM, contract management objectives and supplier relationship strategies need to be enshrined into the project and defined well before construction works are put to tender. Strategic contract management requires to define mechanisms and reporting requirements which would be integrated in tender documents and will form the basis on which suppliers will also be assessed based on their capabilities to adhere to reporting requirements.

Being one of the most labour intensive activities, construction works have a direct impact on the supply base, especially for projects of large magnitude. This holds particularly true in countries where markets in the construction industry are concentrated. The impact on the

supply base is further emphasised by the relative low share of cross-border procurement in OECD countries and, sometimes, local content provisions.

Those elements directly influence contract management strategies since they provide for a higher probability of suppliers holding multiple contracts in the same infrastructure project. In the NAIM, some first tier suppliers contribute to not less than four different packages. This very fact called for a transition from individual contract management to supplier relationship management. Other large infrastructure projects also evidence the need for a cautious analysis of the implementing agency's portfolio of suppliers to ensure that contract management strategies are the most effective in supporting the delivery of the project.

Last, construction works in megaprojects often imply long and sometimes interconnected supply chains. Further, considering the high degree of specialisation of some works, specific subcontractors might provide critical inputs to the overall project. It is therefore necessary to define contract management and supplier relationship strategies that go beyond first-tier contractors and provide implementing agencies with a clear visibility on supply chains composition. This enhanced understanding of relationships between implementing agencies, first-tier suppliers and subcontractors would provide critical insights to effectively manage risks posed to the execution of large infrastructure projects.

1.3. Integrity and transparency

Transparency can be a key tool to advance trust in a mega infrastructure project, but requires capacities to be deployed systematically.

Along with consultation, transparency can be a powerful tool to build and maintain public trust in a mega infrastructure project. Infrastructure demands strict transparency measures over the management of public funds, including public procurement activities, as well as over whether the project advances according to financial and time projections. Considering the amount of public funds usually invested in large infrastructure projects and their utility for the community, transparency over the administration of infrastructure projects is paramount to secure the overall credibility.

Beyond this important effect, transparency can also help governments to collect and systematise data and information helpful to assess the performance of infrastructure assets and the progress of projects. Indeed, to enhance transparency, confidence and value for money, governments should proactively disclose key data in a timely and manageable way.⁹

The fundamental element that enhances the solidity of any kind of value for money test is data. Unfortunately, there is often a lack of systematic data collection regarding the cost and performance of infrastructure assets. In turn, this lack of collection and systematic publication of data also impedes effective monitoring of assets' performance.

There are basically two lessons here to learn from the experience of NAIM:

- Do not be afraid of transparency: Public officials may be tempted to avoid publishing as much information as possible or to restrict themselves to disclosing the information strictly required by law. In an era of technology, social media, and free press, it is hard to hide the facts. On the contrary, holding information may lead stakeholders to wrong assumptions and false arguments, based on misinformation.

⁹ OECD (2016).

Transparency will not only build trust with external stakeholders, but will also create positive incentives for public officials to identify errors and correct them quickly.

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

The experience of NAIM has been illustrative in both lessons. First, the information disclosed has been helpful to inform the press and civil society organisations about the performance of the project. Hence, they can use this information to analyse the achievements and opportunities and GACM can make use of their expertise to identify areas for improvement. Furthermore, GACM can indicate and refer journalists and researchers to its information platforms, possibly avoiding additional requests for information that would have to be answered individually, distracting scarce human resources from other necessary activities.

Second, during 2015 and 2016 the management of information was carried out manually. When GACM started publishing contract information following the Open Contracting Data Standard (OCDS), the exercise was resource intensive and prone to errors. Information had to be uploaded manually in databases, making it inefficient, intensive in man hours, and exposed to a high risk of mistakes. Gradually, GACM staff went through the learning curve and built the information systems necessary to automatise the process (see Figure 1.2). Today, contract information is extracted automatically from information systems to be uploaded in the Open Data website of Mexico's Government (datos.gob.mx). In fact, GACM is now working on second generation improvements to promote data usage through tools such as an interactive map, a publication policy, and a plural working group (see Chapter 3 for further details). Previous OECD reports documented the shortage of staff GACM has experienced since it was entrusted the responsibility of building NAIM. If GACM was able to publish all its contracts following the OCDS, even with such a limited allocation of staff, there is really no excuse for any other public authority not to do it.

Figure 1.2. Process of capacity building for transparency in GACM

	March 2016 Pilot test (2)	July 2016 +198 contracts	2017 8 publication events	February 2018 321 contracts	August 2018 461 contracts
Data inventory		<ul style="list-style-type: none"> Taskforce 25 individuals Several rounds of adjustments and validation 		Design of the contracts module in the SIGA system	
Archives		Collection of documents for OCDS		Redefinition of single file	
Processes				Policies and procedures to upload in SIGA	
Open contracting culture					
Publication mechanism				Automated publication via external servers	
Data use = Effective transparency				Gradual increase in the use of information and data Facilitating access and use of data	

Source: Information provided by GACM.

Managers of large infrastructure projects may consider and plan innovative and interactive ways to ensure the public and relevant expert communities have access to easily digestible data about the evolution and spending of the infrastructure project at the planning stage. Transparency measures based on predefined indicators facilitating regular updates (possibly in real-time) about the work accomplished and spending may have a significant impact on building public trust.

Finally, it is also important to highlight the commitment of senior staff with transparency. Collecting, systematising and publishing information will require some time from all members of the organisation. In a context of limited human resources, this means staff will have to devote some time to manage its information properly and transfer it to the unit in charge of publishing it. If the senior management is not convinced and closely following up implementation, there is a high risk of resistance and quickly finding fatigue along the way. Hence, it should be clear that transparency is not about following a mode, but that it is an absolute priority that goes hand in hand with the management of infrastructure to advance integrity and accountability. Furthermore, in the case of Mexico, many of these practices are required by law.

Designing and implementing integrity policies should be based on specific needs and objectives of the infrastructure projects, with a view to going beyond a compliance-based approach with the legal framework

The size, complexity and strategic importance of infrastructure projects may also require tailored integrity policies and governance structures that are more sophisticated than those applicable in the overall public sector. As such, senior public decision-makers should not indulge to the temptation to solely use the general integrity framework that has been developed for the public sector and apply it to a public entity responsible for the construction of a large infrastructure project for the sake of simplicity and expeditiousness. Indeed, while the integrity structure, policies and standards mandated by law for the general

public sector may constitute a good starting point, these may be insufficient to address some of the challenges that are specific to construction of large infrastructure projects. The design and implementation of integrity policies should thus be defined according to the specific needs and objectives underlying the infrastructure project, and go beyond what has been expressly provided for by the legal framework.

Defining appropriate integrity policies based on needs and objectives allows public institutions to avoid taking an overly compliance-based approach (e.g. “check-the-box”) to public integrity in infrastructure projects that do not assess the impact of integrity measures. Too often, integrity policies are considered as ends in themselves, and integrating monitoring and evaluation features into integrity policies can help managers to use them rather as a means to an end. Also, to be successful, integrity policies must be integrated into institutional and operational processes from the outset of infrastructure projects.

With the help of the OECD, GACM went beyond what was provided by the Mexican legal framework by expanding the role of the OIC in preventing irregularities in public procurement processes, establishing an ethics unit to provide ongoing integrity advice and facilitating enhanced protection against reprisals for whistleblowers. For greater efficiency and stronger governance, needs-based and context-dependent integrity policies may start to be considered as soon as the planning of the project begins.

Chapter 2. The value added and main achievements of the GACM-OECD co-operation

2.1. Corporate governance

In its review *Effective delivery of large infrastructure projects: The case of the New International Airport of Mexico City*, OECD concluded that “GACM’s corporate governance responds to the logic of the governance of public institutions, which prevents it from benefiting from the efficiency gains and operational benefits associated with a more corporatised structure. Indeed, GACM’s corporate governance is not aligned with key issues outlined in the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*” (the OECD Guidelines).

One of the main weaknesses was relative to the composition of the Board, which is GACM’s governing body. The OECD review pointed out that there is growing recognition that certain public sector representatives are not acceptable as SOE board members under any circumstance. Indeed, OECD consensus 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. This finding was striking for Mexican officials given the pervasive culture in Mexico’s SOEs for the government to take decisions and for the board to act as an “informative body”, leading to frustration among board members. Granting an adequate autonomy to SOE boards is often perceived as a “loss of influence” by government authorities and therefore required a change in mentality.

While there were (and still are) legal restrictions to move towards best practice, GACM management welcomed OECD recommendations to incorporate independent members to its Board and use this mechanism to bring in expertise in relevant fields, while allowing plurality and deliberation. Indeed, nowadays Art. 11 of GACM’s bylaws establish that the board of directors shall be comprised of a minimum of seven and maximum 17 members – including 25% of independent board members.

Three independent members joined GACM Board on December 2016, and a fourth one joined in December 2017. All of them have relevant professional backgrounds from the private sector, with expertise on project management, public finance, infrastructure, transport, and public administration. Two additional independent members will join in the upcoming months to represent investors holding shares with special rights (*Fibra E*). GACM’s management has expressed positive feedback with regards to the role of these independent members for enriching the discussions in board meetings and providing more balanced perspectives on key issues. Previous to their incorporation, all members of GACM’s Board were public officials; therefore board meetings were more informative in nature.

GACM’s Board has notably evolved from a body with 15 public officials out of 15 members to a body with 12 public officials and four independent members (25%). After the incorporation of the two additional independent members, they will represent 33% of the Board (see Figure 2.1 below).

Figure 2.1. Evolution of GACM Board of Directors



Source: GACM website, http://www.aeropuerto.gob.mx/estructura_organizacional.php (consulted on 7 August 2018).

Impact

The reform of the corporate governance of SOEs is rather a recent trend in Mexico, which started with the reform of the energy sector in 2013 and led to a new composition of the boards of PEMEX and CFE, which were also granted a new status as State Productive Enterprises (*Empresas Productivas del Estado*, EPEs) with tailored regimes for budgeting, public procurement, human resources management, and other functions. Aside from the EPEs, Mexican SOEs have boards populated almost exclusively by public officials, which represents a big difference from the current GACM Board.

As discussed previously, independent members bring in expertise to the Board and facilitate more deliberative sessions. However, their potential impact goes far beyond. Indeed, according to the OECD Guidelines "SOE board composition should allow the exercise of objective and independent judgment". As documented in previous OECD reports, another structural problem is the lack of vertical separation between the ownership entity (SCT) and GACM. Independent members are less subject to political pressures than public officials whose superiors are also represented at the Board or who might dictate instructions and be influenced by political agendas. In this sense, the incorporation of independent members advances vertical separation and the role that the Board should play,

which is setting strategy and supervising management, based on broad mandates and objectives set by the government.

As it can be seen in Table A A.2 of the annex, independent members are common in the boards of airport companies in the world and, in SOEs like Isavia Ltd (Iceland) and Schiphol Group (the Netherlands), they represent 100% and 87.5%, respectively. So, with the reform of its Board, GACM aligns with good international practice.

That said, the reform should continue to really empower the Board to be fully accountable of GACM performance and able to act in the best interest of the enterprise. As documented in section 4.1 and the annex, there is still a perception of the limited influence that independent members have in reality in the management of the NAIM project and the feeling that important decisions are not actually taken by the Board, but by SCT and other ministries (i.e., SHCP). Even so, the reform of GACM Board is quite unique among Mexican SOEs and prevents the project from being influenced by political criteria. Hence, it should serve as a model to advance a wider reform of the governance of SOEs.

2.2. Public consultation and stakeholder engagement

Since the very beginning of the project, OECD argued in favour of systematic stakeholder engagement, including via public consultation. Indeed, the first OECD report warned that mega-infrastructure, and new airports in particular, are often accompanied by controversy and opposition, which should be addressed by taking into account the concerns and expectations of different audiences. Hence, OECD recommended keeping a continuous and open dialogue with NAIM stakeholders.

During the planning stage, GACM consultation exercises focused mainly on airport users (i.e., airlines and service providers) and government institutions. This group of airport users was consulted early in order to align the design of the airport to the operative criteria of future users and make NAIM more attractive as a regional hub. However, at this point it was clear that many interested audiences were not reached out and consultation needed a more systematic approach.

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 the communities surrounding the construction site, as well as in terminals 1 and 2 of the current airport, during the second half of 2016. Such social consultation aimed to address the commitment to comply with the Equator Principles and other requirements by financing institutions.

During October-November 2016, GACM carried out the process of public information and participation to identify the main needs, opinions, perceptions, and concerns of the inhabitants of the municipalities within the influence zone of NAIM, as well as the future users and employees of the airport. 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 NAIM, distribute brochures with relevant data about the project and questionnaires and templates to collect opinions and ask technical questions to the public. 15 750 individuals visited the modules, 7150 brochures were distributed, 4 750 templates were collected, and 427 specific questions were asked to the participants and 192 complaints and suggestions were received.

The main results of the social consultation exercise dealt with knowledge and opinion about the NAIM project, expectations and benefits from the project, concerns and the changes expected in the communities. For example, the main benefits anticipated by the participants included jobs, tourism, and investment; while some of the concerns raised were corruption, public safety, and effects on the environment.

After the completion of this exercise, during 2017, GACM decided to advance a continuous dialogue and permanent communication with the public through an instrument called “Social Dialogue”, which was leveraged to draft the Social Master Plan (SMP). The objective of the Social Dialogue was informing the public about the construction of NAIM 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 took place in two stages through visits to the households of the participants to apply face-to-face surveys. In total, 318 369 dialogues were carried out by 250 students from local universities, previously trained on the survey methodology. Box 2.1 illustrates the main results from Social Dialogues.

As a result of the Social Dialogue, the SMP aims to decrease inequality between and within the municipalities surrounding the construction site and maximise their capacities to allow social movement by reducing poverty rates, upgrading the quality of public services and widening their scope. The SMP is operational through agreements with ministries and agencies of the Federal Government to intervene in vulnerable communities. It includes six strategies and 51 action categories, grouped in six fields of intervention: poverty, security, education, health, jobs, and infrastructure.

On 27 June 2018, GACM presented to its Board the Social Responsibility Programme (*Programa de Responsabilidad Social*, PRS), which aims to address the demands of the communities impacted by NAIM. The PRS is a self-sustainable programme to engage businesses with which GACM has contracted public works and related services so that they commit a percentage of the awarded amounts to carry out works and initiatives relative to social and environmental responsibility.

Box 2.1. Results from Social Dialogue

The main results from the Social Dialogue were the following:

- Knowledge about the project: 92% of the people surveyed already knew about the construction of NAIM, out of which 55% did not know the benefits NAIM entails for their communities.
- Perception of benefits: 53.4% of the people surveyed think the construction of NAIM 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 NAIM 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 NAIM:
 - After the dialogue, 5 out of 10 people with a neutral opinion on NAIM moved towards a more positive opinion.
 - After the dialogue, 6 out of 10 people with a negative opinion on NAIM moved towards a more positive opinion.
- 10 statistics illustrating the social conditions in the municipalities surrounding the NAIM 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.

Source: Information provided by GACM.

In addition to public consultation, OECD also argued in favour of participation mechanisms allowing stakeholders to provide input and expertise to GACM to support its decision making, as well as to facilitate a channel for GACM to convey information and keep key audiences informed about the progress of NAIM. A working group was established on 27 June 2018 with the participation of *México Evalúa* and *Transparencia Mexicana* (the national chapter of Transparency International) representing civil society organisations; the Construction Chamber (*Cámara Mexicana de la Industria de la Construcción*, CMIC), representing business; the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP), GACM presiding over the group, and OECD serving as the technical secretariat. 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) was invited to join the group, which is waiting for a response.

The agreed name for the group is Dialogue for Open Information on the New Airport (*Diálogo por la Información Abierta del Nuevo Aeropuerto*, DIANA). As of September 2018, DIANA had met two times and was planning to have an ordinary meeting each month. Although the specific objectives were still being discussed, the main objective is to

provide a mechanism for consultation, opinion, and evaluation regarding transparency in public procurement for the construction of NAIM. During the second half of 2018, DIANA, with the inputs of its different members, will prepare an evaluation of the efforts carried out to advance transparency in public procurement for the construction of NAIM and suggest an action plan for implementation of the recommendations.

Impact

Social consultation is not a widespread practice in Mexico when carrying out public works and infrastructure projects, but it is among OECD countries. Consultation processes can enhance the legitimacy of projects amongst the stakeholders, as well-executed consultation can bring a sense of shared ownership. Structured public consultation not only fosters ownership in infrastructure projects, but it also creates opportunities for various communities to become advocates of their benefits and provide incentives for good performance.

While it is true that the public consultation on NAIM could have been carried out earlier, it is also worth mentioning that GACM consultation exercises, and particularly the Social Dialogue, allowed the identification of social and economic conditions in the communities surrounding the construction site. The findings were incorporated in the Social Master Plan so that government entities co-ordinate their actions to improve well-being in these communities. Indeed, the findings of the Social Dialogue should guide and focalise the efforts of government institutions to improve service delivery and raise quality of life (i.e., public safety, access to water, health services, education, public transport, and so on).

Regarding the DIANA group, this is still one more strategy to create an execution environment which is quite different from any other infrastructure project in Mexico. The work and the observation of NAIM by different interest groups created the feeling among GACM officials that they are being scrutinised at all times. Indeed, some of these groups are vocal in media and public events regarding areas of improvement for GACM public procurement processes and strategies and DIANA will be a mechanism for them to directly communicate their concerns and expectations to GACM senior leadership. Furthermore, the expertise of the members of the DIANA group is widely recognised, as well as their capacities to recommend preventive actions to further integrity and good governance of public procurement.

2.3. Public tendering

Optimising the benefits of public tendering:

Open public tendering is the procurement method internationally supported to reap most of the benefits of contracting goods, services and public works in OECD countries. Those benefits accrue in terms of transparency, value for money and increased competition. This is not different in Mexico where Article 134 of the Constitution sets this procurement method as the principle for public contracting.

When GACM started to put to tender works and services relating to the construction of the NAIM in 2014, notably preliminary impact assessment studies and design works, this was however not the case. Indeed, until mid-August 2015, more than two-thirds of the procurement processes carried out by GACM since its inception were conducted under exceptions to open public tenders and most notably under restricted competition (OECD, 2015^[1]).

These trends were not specific to GACM since in 2016, federal entities in Mexico used open public tender for works and related services only in 29% of the procurement processes carried out (Secretaría de la Función Pública, n.d.^[2]). Against this backdrop, GACM committed to use open public tender as the preferred procurement method for the construction of the NAIM.

Besides using open procedures for awarding construction works, GACM also progressively systematised the use of award criteria tailored to the scale and complexity of the needs put to tender. The LOPSRM allows for two methods of bids evaluation: the points-based or the binary criterion. GACM shifted from using binary criterion to points-based criterion (*puntos y porcentajes*) which provides a multidimensional assessment of goods, services and works.

To capitalise on accumulated experience, GACM produced in 2016 a “Lessons learned” report. It took stock of shortcomings experienced in the first tenders such as the extension of the timeframe established for each process, the necessity to complement or amend technical specifications, or the reasons leading to disqualification of bidders. This document helped improve and standardise the tendering documentation and also led to the identification of mitigation measures to reduce the number of suppliers disqualified in tender processes for administrative and legal reasons.

With the view to further streamline its procurement processes and ensure that tenders are not unduly excluding potential bidders, GACM worked closely with SFP in the most complex tenders through the preventive support programme (*mesas de acompañamiento*). These programmes offered the support from SFP in analysing tender documentation and identifying unnecessary barriers that could reduce competition. The analyses led to changes in administrative requirements and adaptation of weightings for technical criteria.

While all the above elements illustrate the achievements of GACM in implementing effective public tendering practices, they were all subject to the overall procurement strategy defined at the inception of the project. In June 2015, the then Minister of Transport and Communications (SCT), publicly disclosed the packaging strategy applied to the construction of the NAIM, which divided works into 21 sequential packages to cope with the extremely ambitious timeline of the project.

Based on international experience, the first report already questioned a very ambitious execution timeline. It also argued that the anticipated sequencing of works would lead to significant overlaps putting further at risk the effective development of the project. When some of those initial findings materialised in 2015 and early 2016, GACM adapted its procurement strategy to be best aligned with these evolving conditions. Anticipating potential delays, the strategy has been significantly reviewed and construction broken down into nine works fronts and more than 50 packages. The sequencing of the packages has been revised around the definition of a critical path to allow first completing the essential components of the airport infrastructure before delivering the associated supporting facilities.

Impact

Based on OECD’s recommendations, the multiple efforts carried out by GACM, together with SFP, to streamline procurement procedures supported increased competition in tenders in almost all stages of the tendering phase. These efforts should bring about multiple benefits from greater stimulation of the market and reduced exposure to collusion risks to financial savings. Based on a sample of 200 infrastructure works put to tender in

developing countries, the mere fact of promoting competition in infrastructure projects has been estimated to generate approximately 8.2% of savings (Estache and Iimi, 2008^[3]).

To understand the impact of GACM's efforts, the Mexican public procurement framework provides for an assessment of the proposals received according to a two-stage procedure whereby only bidders reaching a minimum technical score are evaluated on economic elements. Complemented by initial administrative requirements, this evaluation system allows for an analysis of GACM tenders' capacity in fostering competition. The table below offers an assessment of the evolution of competition over time.

Table 2.1. Evolution of competition in tenders for construction works over time

	Tenders issued in 2015	Tenders issued in 2016	Tenders issued in 2017
Share of bids qualified after administrative checks	67.5%	69.7%	51.8%
Share of bids qualified after technical assessment compared to bids received	18.8%	41.6%	42.9%
Share of bids subject to economic assessment compared to bids qualified after administrative checks	18.2%	67.1%	84.3%

Source: Analysis based on information from CompraNet.

The above table shows that the level of proposals meeting the minimum technical score defined in tenders significantly increased between 2015 and 2017. Interestingly, the ratio between bids subject to comprehensive assessment and bids qualified from an administrative perspective has sharply augmented. This evidence suggests that GACM's tenders are better aligned with market capacities since, irrespective of the number of bids received, the vast majority now compete on both technical and financial components. Therefore, the assurance of receiving value for money at the tendering stage has been significantly reinforced.

2.4. Market research

Market analysis: accounting for the specificities of large infrastructure projects

Large construction companies in Mexico capable of meeting the needs for the construction of the NAIM by themselves are scarce (OECD, 2015^[1]). Further, the national legislative procurement framework for public works imposes a share of national content into proposals received from bidders, therefore reinforcing the reliance on the Mexican construction market. It had been therefore of critical importance that works put to tender by GACM were meeting market capabilities, an element which has been highlighted since the original report.

However, the standard process, established by law, to develop market analyses in Mexico did not cope with the NAIM's scale and complexity. Indeed, the main focus of market analysis depicted in the normative framework is to help contracting authorities to estimate budgets for the procurement of public works. While this remained in the case of NAIM a necessary component of market analyses, the specificities of this mega-project required additional efforts to understand market capacities to respond to GACM tenders.

At the beginning of the project, GACM had been confronted with a lack of information sources and methodologies to implement sound market investigations. Market research carried out by GACM primarily verified in Compranet whether comparable works had been carried out in the past and included quotes and information provided by suppliers, specialised entities, and business chambers. Although similar works could be found in Compranet, they could hardly be compared with the scale and magnitude of the NAIM packages.

Therefore, GACM developed in 2016 a template for market analysis going beyond information retrieved from Compranet, yet the analysis solely focused on whether suppliers have been contracted in the past for comparable works. In 2017, GACM went a step further and developed a methodology to ensure that research going beyond what is prescribed by law is systematically included in market analyses. From multiplying information sources to establish financial estimates to building on the Project manager's knowledge of the international markets, GACM reinforced its understanding of market capabilities.

However, those efforts did not take into consideration the structure of the project itself, with sequenced packages, which generates additional complexities that should be factored in the pre-tendering activities. Following OECD's recommendations in the Second progress report, GACM therefore further developed market analysis activities by designing in 2018 a specific manual detailing the various steps to be taken when carrying out this exercise. It specifically notes that, beyond financial elements, market investigations should include an assessment of potential bidders' technical capacities.

Further areas for improvement remain to allow GACM to benefit from a dynamic assessment of market capacities to respond to needs put to tender. This imperative is exacerbated by the characteristics of the project and by the outcomes of previous tenders. Indeed, one noticeable feature of the construction of the NAIM is that companies and consortia competing are often the same from one tender to the other.

Sustaining competition in the construction of the NAIM as it progresses over time is fundamental to the effective delivery of the project. Indeed, considering market concentration and the amount of human and financial resources necessary to carry out the different construction works, available resources tend to decrease over time.

Impact

The immediate consequence of creating more robust pre-tendering activities, and specifically reinforced market analyses, lies with a greater resilience of the project to risks of absence of competition and recourse to direct awards. In fact out of the 23 main construction packages concluded until August 2018, only two led to the absence of suitable offers, with solely one eventually ending in a direct award.

Further, a brief comparison of standard components of market analyses as prescribed by the law and those developed over time by GACM helps to understand the efforts undertaken to ensure that pre-tendering activities are better aligned with the scale and magnitude of the NAIM (see table below).

Table 2.2. Evolution of market analysis in GACM

	GACM's process when initiating the project	GACM's process at August 2018
Methodological framework	Articles 2 and 16 of the ROPSRM	GACM's manual for elaborating market investigations
Information sources	CompraNet Web research	CompraNet GACM's catalogue of items containing more than 27,000 unit prices GACM's past tenders database Web research
Financial estimates of packages	Estimated price based on similar works found in Compranet	Estimated price based on similar works found in Compranet Estimated price based on GACM's catalogue of items Financial estimates by designers and architects Financial estimates by the Project's Manager
Analysis of potential bidders	Existence of national and international suppliers	Existence of national and international suppliers Assessment of technical capabilities of potential bidders Identification of comparable works carried out by potential bidders

Source: Analysis based on information provided by GACM.

Besides providing GACM with a more holistic approach to market analysis, and while further areas of improvement remain, these efforts are ultimately meant to support increased competition in tenders. For the 23 main construction tenders completed until August 2018, the average number of bids subject to a comprehensive assessment went from 4.4 in 2015 to 6.4 in 2017, representing a 45% increase of suitable offers.

2.5. Contract management

Contract management: ensuring positive outcomes of the tendering phase deliver on their promises

At the beginning of the project, contract management was not considered as a priority in the development of the NAIM. However, the very structure of the project, with sequenced and interconnected packages of construction works, called in itself for a structured contract management framework supported by adequate technological and human resources. Indeed, the interrelated nature of the works awarded to different suppliers and the potential spill over effects of delays in one contract warranted for contractual robustness and strategic monitoring of contractors' performance.

In late 2015, GACM first applied the Building Information Modeling (BIM) methodology to the project. The BIM consists in co-ordinating different technologies for project management through a single 3D digital model that eases assessment of real time progress against construction plans and design. It allows to co-ordinate inputs from the different teams involved in engineering projects, architecture and construction. This methodology provided GACM with the overarching technological support to monitor contract execution, yet it was only the first required step.

The first progress report foreshadowed the future criticality of contract management considering the development stage of the project with major construction works to come and recommended to devote significant efforts to develop a sound framework tailored to the scale and complexity of the NAIM. In response to this call, GACM implemented dedicated tools to better monitor contract execution.

To address this fundamental issue, GACM expanded its supporting technological infrastructure by implementing a 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.

Last, GACM deployed in April 2017 another IT system, the System to draft payment documents (*Sistema para la Elaboración de Documentos de Pago*, SEDP) covering the payment cycle of estimates submitted by suppliers during contract execution. This tool helps GACM ensure that data and calculations of estimations and invoices are correct and that the main stakeholders validate claims submitted by suppliers.

However, technological resources in contract management could only be effective if they are supporting a robust internal structure with dedicated roles and responsibilities. The progress reports all highlighted the necessity to entrust contract management activities with resources, adequate in numbers and skills, and to adapt its internal processes to the scale and complexity of the project.

GACM progressively upgraded its contract management processes by creating a Change Committee (*Comité de Cambios*) responsible for discussing major changes to signed contracts, to ensure an efficient management of deviations and changes to contracts. It further revisited its governance structure in April 2017 by undertaking a complete review of its structure and procedures for managing contracts. Now, responsibility for contract management activities within GACM lies with three technical units supported by dedicated outsourced supervisors.

This reinforced technological environment and strengthened internal processes however needed to develop contract management strategies adapted to GACM's supply base. Indeed, awarded construction contracts revealed trends, such as the predominance of consortia with members contributing to multiple contracts, which required further adaptations of the contract management framework. Therefore GACM started in 2018 to assess its supply base and not only listed first-tier contractors, but also identified sub-contractors, which provide critical inputs for the effective delivery of the NAIM.

Impact

The above efforts clearly evidence transformational changes within GACM when developing a contract management framework. In addition, the commitments to further pursue the objective of moving towards the development of supplier relationship management strategies will contribute to adapt GACM's contract and supplier management frameworks to the structure of its supply base.

Based on all recent reviews carried out with Mexican institutions, this would represent an unprecedented move in contract management practices and strategies in the country and would follow OECD's comparable recommendations to IMSS or PEMEX (OECD, 2017^[4]) (OECD, 2018^[5]).

Considering the delays experienced in contract execution, the findings by the Superior Audit Institution (ASF), and the recent suspension of the 14 tenders planned for the second semester of 2018 until a decision is made by the new administration on the future of NAIM, strategic contract and supplier management will be even more critical to ensure an effective delivery of the project, should it continue. Indeed, some of the on-going contracts with suppliers will be affected by those changes and only a strategic management of contractual relationships with suppliers could help identify alternative solutions which would cope with these evolving conditions.

2.6. Open contracting

Since the beginning of the project, the OECD has encouraged GACM to increase its transparency efforts, both in terms of access to information and open contracting. It was noted that while GACM was processing access to information requests, more work was required to proactively disclose information. At the core was a need to reinforce the structure, human resources and responsibilities for transparency, a necessity which was heightened due to the enhanced legal framework for transparency and access to information.

The OECD also acknowledged that while GACM was disclosing information, the quality and availability was inconsistent, making access to understandable and up-to-date complete information difficult for citizens and suppliers. The OECD recommended that GACM publishes all procurement information not only related to the airport but also to the functioning of the GACM, as well as procurement information by the type of procedure used in terms of value and numbers. Moreover, the OECD recommended that GACM provide clear definitions of the procurement procedures and the most common exceptions to public bidding, and publishes procurement plans in a usable format to allow for distinguishing between past, present and future procurement needs. Lastly, the OECD recommended that GACM develop a routine system of data collection to support the proactive and timely disclosure of documents and data.

In response to these recommendations, GACM undertook a number of initiatives to advance the transparency and open contracting of the airport project. In January 2016, the first OECD workshop on integrity and transparency in procurement was held, with national institutions such as SFP, ASF and the Co-ordination of the National Digital Strategy, along with international peers from Italy Open Expo, the International Federation of Consulting Engineers (FIDIC) and the Global Infrastructure Anti-corruption Centre (GIACC).

Following this, during the first half of 2017, GACM upgraded its website. Over the course of May 2016, the OECD provided recommendations to GACM to improve the design and content of its website. In particular, the OECD prepared a short briefing that recognised the efforts made by GACM to advance the open contracting data standards, and identified key information that would be of interest to the average citizen that could be included. Then, together with the peer from Italy Open Expo, the OECD also developed a proposal on the website's dashboard and indicators. This was a result of the May 2016 workshop on open contracting, which included peers from the Open Contracting Partnership and Italy Open Expo.

Impact

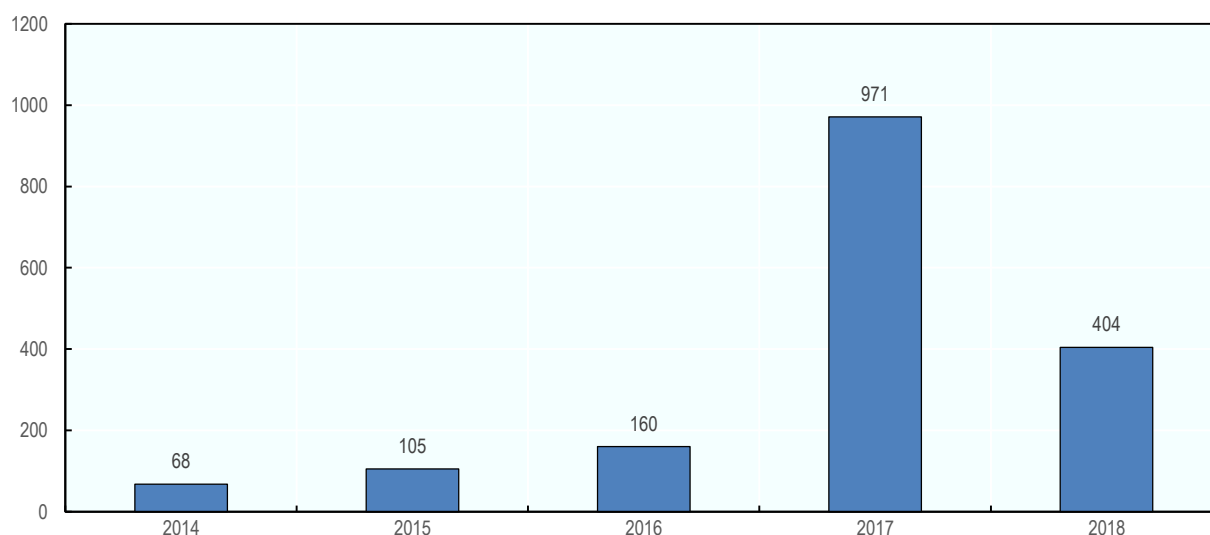
Until January 2016, GACM had a Transparency and Accountability Management unit, which had three staff in the so-called Liaison unit (*Unidad de Enlace*). At that time, the

OECD worked with GACM to address the recommendations made in the 2015 report in terms of enhancing the administrative structure of the transparency units. Following this, the team was strengthened with specialised staff and in August 2017 the Deputy Directorate for Transparency and Open Data was established, and to it was attached the Transparency Management Unit and a newly created Open Data Management Unit. As of 2018, the transparency team in GACM consists of 12 individuals.

GACM also conducted a series of capacity building exercises to increase the knowledge and skills of the staff under the General Collaboration Agreement on Transparency and Government Openness that GACM signed 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. This instrument includes training for GACM staff on the new regulatory framework for the right of access to information, the protection of personal data, as well as training on managing the System of Portals of Obligations of Transparency (SIPOT). These activities led INAI to certify GACM Transparency Committee as 100% trained and GACM as a 100% trained entity. Likewise, in co-operation with INAI, an annual training plan exists for GACM personnel.

GACM has made considerable progress in complying with its transparency obligations. In May 2017, GACM published in the SIPOT the information required by freedom of information regulations, which is periodically updated. INAI continuously reviews the SIPOT, assesses it, and provides recommendations for improvement to GACM. In terms of access to information requests, since 2014 GACM has consistently received requests for information and a visible trend has been the increasing number of requests in line with the development of the project across its various stages of planning, bidding, awarding, contracting and execution of contracts (see Figure 2.2).

Figure 2.2. Number of access to information requests received by GACM, 2014-2018



Note: The data for 2018 is up-to-date as of September.

Source: Information provided by GACM.

GACM also dealt with appeals for review of access to information requests (*recursos de revisión*) in a timely manner. In cases warranting further review, GACM carried out the

corresponding actions necessary to comply with the instructions issued by the INAI. From 2014 to 2018, GACM received 1 708 requests for access to information and 88 requests for review (e.g. 5.1% of GACM's responses were appealed by applicants). Of the 88 review appeals, 81% (71) were resolved by INAI in favour of GACM as of 30 September 2018.

Concerning open contracting, during the Global Open Government Summit held in Mexico City in October 2014, President Enrique Peña Nieto stated that NAIM would be the first infrastructure work to adopt the OCDS. This commitment made NAIM the first major infrastructure project in Mexico and an international reference in publishing information about the whole procurement cycle following the OCDS.

Following an analysis of the OCDS against existing regulations in Mexico, in 2016 GACM carried out a series of actions to implement OCDS in the airport project. This included collaboration with several national bodies (e.g. the Office of the President, SFP, and the INAI), as well as support from *Transparencia Mexicana* and the Open Contracting Partnership (OCP). In March 2016, the implementation of OCDS version 1.0 began with the publication of two contracts on the Government of Mexico Open Data Portal (datos.gob.mx) as pilot tests. In March 2018, with the support of the Office of the President, and specifically, the Co-ordination of the National Digital Strategy (*Coordinación de Estrategia Digital Nacional*, CEDN), GACM transferred to OCDS v.1.1, which updates the standard and, particularly, reorganises the information about suppliers and allows comparisons between the entities publishing information. This makes GACM the first parastatal entity of the Federal Public Administration to publish information with the new OCDS version.

In order to support the transition to OCDS, GACM advanced its technical capacity for uploading data to the web portal. Initially, the open contracting publication was manual and resource intensive. Now, with the Institutional System of the Airport Group (*Sistema Institucional de Grupo Aeroportuario*, SIGA), which is a GRP system, GACM's transparency team can pull the required data for the open data portal. This significantly reduces time and resources, and minimises errors.

Throughout this period, GACM has co-operated with the OCP Helpdesk. The OCP Helpdesk evaluated the implementation of the OCDS in GACM and provided GACM with two reports highlighting areas of progress and further reform. The first report, received in October 2017, validated the use of JSON files under version OCDS 1.0. The report also recognised progress made by GACM, and requested minor technical adjustments, all of which GACM has completed. Similarly, following implementation of the OCDS 1.1, GACM received a second report in June 2018, which recognises the migration to OCDS 1.1, and identifies several minor technical observations that GACM is currently addressing.

As of September 2018, GACM has published 461 contracts, representing a total value of MXN 153.8 million, in the Open Data Portal, in the Graphic Viewer of GACM's Open Contracts and on the GACM website.¹⁰ Published information includes contracting procedure documents, the physical and financial progress of each published contract, as well as the type of contracting procedure used.

Now GACM works on a series of second generation improvements to make available to those interested a number of easy-to-use tools on GACM's website, which enable public access to information related to the project. For example, GACM now has a "Global Indicator of Physical Progress", so that users can easily see the progress to date of the

¹⁰ Available at <https://datos.gob.mx/nuevoaeropuerto/>, consulted on 10 October 2018.

project. An interactive map was added, providing public with information on the progress and status of various elements of the project in an easy-to-use and engaging tool. To further guide users, and in response to OECD recommendations, GACM also published the Open Contracting Disclosure Policy, which covers the publication process, and provides users with detailed information regarding scope, application and timeframe (see section 3 for more details).

GACM also launched a citizen survey to identify potential areas of improvement. In particular, the survey, conducted through GACM's webpage from 26 June – 27 September 2018, aims to seek input on improving access to information and enhancing the various tools for navigating the construction progress of the NAIM project.

GACM has delivered on its commitment to be a leader in transparency for large infrastructure projects, and leads by example for Mexico's public administration on open contracting. GACM received two gov.mx recognitions from SFP and CEDN for excellence in digital government, which highlight innovation and the use of digital strategies. Moreover, GACM is recognised both nationally and globally for its work on open contracting. In March 2018, GACM presented its experience on implementing OCDS at the Open Contracts forum, hosted by the Alliance for Open Contracts in Mexico. Participants included representatives from INAI, SFP, SHCP, CEDN, the World Bank, the OCP and *Transparencia Mexicana*, along with representatives of state and municipal government comptrollers. It is also worth noting that GACM's progress also 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, and recently incorporated Argentina.

2.7. Risk management and internal control

In the initial assessment and subsequent analysis undertaken by the OECD of GACM's risk management measures in 2015, significant challenges were highlighted. Despite having a risk management strategy in place, the OECD report, *Effective delivery of large infrastructure projects: The case of the New International Airport of Mexico City*, drew attention to a lack of provisions relating to corruption risk management. Specifically, the report outlined how GACM's risk map neither included corruption as a risk, nor did it contain measures to prevent possible integrity breaches from materialising in procurement processes considered at-risk to corruption. To safeguard integrity and effectively mitigate corruption risks, the OECD recommended that GACM develops a corruption risk map which would clearly outline where significant risks lie in the project and its processes, as well as identifying which actors may be susceptible to integrity breaches. Furthermore, the report recommended that GACM uses red flags to help prevent wrongdoing, develops an integrity plan to aid risk mitigation activities, and provides training for personnel to enable them to better detect corruption risks and prevent them from materialising.

OECD's first progress report (2016) acknowledged an ongoing commitment to strengthening the legal and policy framework with regards to anti-corruption in Mexico, but highlighted how GACM could do better in promoting a culture of integrity, going beyond compliance with legal requirements. In addition, the OECD assessments outlined challenges regarding roles and responsibilities vis-à-vis risk management within GACM. The OECD recommended that GACM take steps to ensure that all parties involved in the risk management process are aware of existing integrity risks and mechanisms, as well as their own responsibilities.

Impact

In the years following OECD's initial report, the GACM-OECD cooperation resulted in significant progress being achieved with regards to risk management measures. GACM's Comprehensive Risk Management Policy now includes an explicit reference to identifying and mitigating corruption risks, and addresses the high-risk nature of procurement processes. The GACM has not only developed a dedicated risk management policy and strategy since the beginning of the project; these measures have been translated into practice, resulting in a stronger risk assessment processes. Notably, the GACM has developed a multi-stakeholder approach including every department to its risk assessments, undertaking them on a monthly basis; these stakeholders also provide guidance for the designated Risk Owners within the relevant departments, the Risk Committee, and its own staff.

The approach that GACM has developed regarding risk management since the beginning of the project is holistic in nature, addressing policy gaps and making structural changes where necessary. In response to OECD recommendations, progress has also been made with regards to internal organisational structure vis-à-vis risk management: a Deputy Director hired by GACM in 2017 now leads the body's risk management activities, complementing and supporting the work of the Risk Committee, which was established in 2017. Through trainings and awareness-raising activities, the GACM has made an ongoing effort to clarify roles and responsibilities regarding risk management, as well as raising awareness about corruption and fraud more generally.

Although strides have been made through the GACM-OECD cooperation, there are still opportunities to advance GACM's risk management measures. GACM could take further steps to better utilise data analytics in its risk management processes by refining corruption and fraud indicators utilising existing data and risk dashboards, and also developing a dashboard to support its corruption risk assessments, in addition to GACM Risk Management Platform and Dashboard (PGPI-RISK). Through GACM's continued commitment to improving its practices and the expertise provided by the OECD, the GACM has the tools to achieve further progress in its risk management activities.

2.8. Ethics and management of conflicts of interest

Integrity and transparency has been one of the cornerstones of the GACM – OECD collaboration for the execution of NAIM. In 2015, GACM was only at the early stages of considering developing a strategy to prevent corruption in the construction of the airport. As such, much needed to be done to mitigate the risks of corruption and inefficiencies, with a view to preserving the overall credibility of the project. Indeed, large infrastructure projects are particularly prone to fraud and corruption. Thus, OECD and GACM quickly decided to undertake common efforts to promote a culture of integrity across GACM's operations.

The OECD guided GACM in the elaboration of an overarching strategy to identify vulnerabilities to corruption in GACM's overall operations, with a particular focus on public procurement processes. To do so, tailored and practical advice was given to GACM to develop its strategy, including by way of workshops, focus groups, policy reviews and informal discussions. The OECD identified areas underlying this strategy; including (1) promoting a culture of integrity; (2) establishing a robust integrity infrastructure; (3) strengthening business integrity; and (4) enhancing transparency and access to information to monitor the construction of the NAIM.

First, until October 2015, GACM did not have its own OIC. The OIC of the Ministry of Transport was responsible for internal audit in GACM, but its involvement was limited as there was no annual audit plan developed by the OIC. Oversight activities were limited to those carried out by the Superior Audit of the Federation (*Auditoría Superior de la Federación*, ASF), which conducted external audits of financial processes and contracts. When a decision was made to appoint an OIC in GACM, the OECD recommended that it be allocated sufficient resources to act as both a control and advisory body to GACM management and procurement units, with a view to ensuring efficient and transparent procurement procedures. The OECD also provided hands-on advice for the establishment of a one-stop shop on integrity, with the objective of developing policies on conflict of interest and whistleblower protection, as well as providing staff with ethical advice.

Furthermore, the OECD provided significant support to GACM to shape and implement a genuine culture of integrity. In 2015, GACM had not developed any specific policy to prevent, identify and manage situations of conflict of interest potentially involving its officials. As a result, the OECD recommended developing a comprehensive conflict of interest policy with clear objectives in terms of avoiding and mitigating conflicts of interests. In early 2016, GACM established a mandatory conflict of interest declaration both for officials (*Declaración de Posible Conflicto de Intereses*) and bidders (*Manifestación de Integridad*) participating in tender procedures, as well as an anti-corruption declaration for private companies. Nevertheless, the first progress report of the OECD pointed out that there was no systematic review process of the declarations nor mitigating measures to offset emerging conflicts. The OECD thus recommended that GACM defines what to do with the information gathered through the disclosure of private interests, as well as practical training for its staff by providing guidance on resolving ethically challenging situations and dilemmas.

In June 2017, the GACM developed an Internal Protocol to prevent, identify and manage conflict-of-interest situations (*Protocolo Interno de Grupo Aeroportuario de la Ciudad de Mexico para prevenir, identificar u gestionar situaciones de conflicto de intereses*) for all employees, regardless of their contractual status. The Protocol, updated in October 2017 and January 2018, lays out the different options senior officials have in case a civil servant under their responsibility is in an apparent, real or potential conflict-of-interest situation. To ensure its effective implementation, the OECD supported GACM in developing an Action Plan with concrete objectives and indicators through workshops held in July 2017 and March 2018.

Openness to discuss ethical concerns or dilemmas in an organisation is an essential component of a sound culture of integrity. However, GACM did not have appropriate mechanisms that would allow employees, subcontractors or business partners to disclose misconduct while being eligible to effective protection. As such, and to address the lack of formal mechanisms to disclose misconduct, the OECD recommended that GACM define with its employees which channels would yield their trust to report misconduct, with a view to adopt additional policies that would increase transparency as to how disclosures of misconduct would be handled in GACM. The OECD advised that such policies be as clear and simple as possible, to ensure certainty about whether reporting persons will be eligible to protection measures. The OECD also advised GACM to conduct training, education and outreach to foster a culture of openness and empower staff to adequately react to ethical dilemmas and apply integrity standards.

Since the early stages of the NAIM project, the OECD encouraged GACM to support measures that would cultivate a culture of integrity in the private sector. In response,

GACM developed integrity clauses for procurement contracts, as well as an Integrity Manifesto for non-public employees. In addition, GACM promoted the application of the SFP Business Integrity Programme (*Modelo de Programa de Integridad Empresarial*, MPIE) amongst its partners.

At the start of the NAIM project, GACM used social witnesses to promote public scrutiny and ensure the integrity of the procurement process. The procedure however required more criteria to apply it below the threshold. The OECD encouraged GACM to establish criteria around the mandatory involvement of social witnesses in its procurement manual, including clear rules to define when to include social witnesses below the legal thresholds. In response, GACM established a lower threshold to involve a social witness (MXN 100 million as opposed to the legal requirement of MXN 400.2 million for goods, leasing and services, and MXN 800.4 million for public works and related services (OECD, 2018_[6])), and has regularly engaged social witnesses in key public works procedures.

Impact

With the help of the OECD, GACM made significant progress in the development and implementation of its integrity strategy. GACM's institutional arrangements are now better integrated and co-ordinated to more effectively build integrity in its operational processes. Indeed, the OIC now acts not only as a traditional control body; it plays an important advisory role for various technical committees. The OIC also plays an important preventive role by being involved in various capacity-building workshops in relation with strengthening accountability and contract management mechanisms. The strategic role played by the OIC was fully understood by GACM and the Mexican government, as at least 20 positions were created during the collaboration with the OECD. Finally, the OECD-GACM collaboration led to an unprecedented step forward in the Mexican public administration, i.e. the establishment of an ethics unit responsible for co-ordinating among relevant units the design and implementation of integrity policies across GACM.

The development of an internal protocol for conflict-of-interest management has laid the foundation for a robust culture of integrity. GACM managers and staff now understand the need to go beyond the sole disclosure of private interests and compliance with established rules and procedures. The OECD has moderated discussions among GACM staff and managers about how the conflict of interest protocol can contribute to maintain the integrity of management and decision-making, including by using real-life cases to promote a practical understanding. These discussions also led to the development of an Action Plan with concrete objectives and measurable actions to enhance the impact of the conflict of interest protocol. Finally, the OECD supported GACM and SFP to design and implement a methodology to assess the impact of training activities on specific relevant behaviours (i.e. the ability of staff members to identify a conflict-of-interest situation and knowing what to do). In 2017, a total of 341 staff members received training (in person or video conference) on conflict-of-interest prevention.

GACM has undertaken efforts to reinforce trust in relation with reporting misconduct by offering various internal and external channels and empowering an ethics unit to play an advisory role before such disclosures are made. For example, GACM developed a procedure for reporting misconduct to the CEPICI, as well as a protocol to ensure accountability and transparency as to how disclosures are handled. Awareness of the reporting channels was raised through a variety of means, including direct references within GACM's code of conduct, numerous signs and postings to advertise whistleblower hotlines and training by the Unit on Ethics, Public Integrity and Prevention of Conflicts of Interests

(*Unidad de Ética, Integridad Pública y Prevención de Conflictos de Interés*, UEIPPCI) on the benefits of raising ethical issues in the workplace. Additional training and advice directed at staff specifically involved in the management of disclosure of misconduct was also conducted by OECD and international peer experts to increase their capacity and responsiveness to disclosures of misconduct. Finally, the SFP has developed a set of comprehensive policies to grant protection to whistleblowers through CEPCI's Protocol for the granting of protection measures to integrity managers (i.e. whistleblowers).

As a result of GACM's efforts to partner with the private sector on the issue of integrity, anti-corruption and conflict of interest clauses are now included in all procurement contracts. As well, in March 2018, GACM implemented the Integrity Manifesto, detailing the expected behaviours of any non-public employee working onsite. Since its introduction, the most relevant contractors of GACM (e.g. with contracts for a joint value of MXN 115 billion or 87 per cent of the total contracted) have signed the Integrity Manifesto of the NAIM. In co-operation with the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP) and the Construction Chamber (*Cámara Mexicana de la Industria de la Construcción*, CMIC), GACM also encouraged its suppliers to adopt the MPIE launched by the SFP in June 2017.

GACM's commitment to engaging external partners, including social witnesses on key procurement procedures (such as in the award of contracts for the construction of the control tower and roadways to the airport), allowed the public to exercise scrutiny over the procurement process. To reinforce its commitment to external engagement, GACM also engaged social witnesses on tenders below the new threshold of MXN 100 million. Interested parties can now see twenty-four different testimonials from social witnesses on GACM's public website, thereby contributing to a culture of openness and transparency.

2.9. Communications

Since the early stages of the NAIM project, OECD recommended designing a communications strategy, in the understanding that a successful communications strategy would help to improve the project perceptions among key players to achieve certainty, transparency, and trust as core vectors. Indeed, the use of proper communication enhances sustainable infrastructure and facilitates good governance by promoting open government, increased accountability, and the active engagement of participants in civil society.

In early 2015, there was not a clear communications strategy for NAIM and, in fact, there was not a communications unit in GACM, but rather project communications were managed ad hoc from SCT, which of course had NAIM as just one element of its portfolio, as it has to manage other policies and projects dealing with communications and transport in the country. In consequence, OECD recommended GACM to take over the communications of the NAIM project and establish a formal strategy with goals, means, actions, budget, and responsible units.

In October 2015, GACM started putting together its very own communications unit. It drafted its Social Communications Programme, in line with its mission and institutional rules. GACM forwarded the draft programme to the Ministry of the Interior (*Secretaría de Gobernación*, SEGOB) to get its opinion, which was issued favourably in November 2015. Specialised staff joined the Communications Unit during 2016 to undertake the tasks related to communications, such as documenting the project progress in photos and videos, drafting press statements, addressing requests by media, monitoring news regarding NAIM,

designing and implementing communication campaigns, managing the website and social media, among others.

During the second semester of 2017, GACM Board approved adjustments to the organisational structure to formalise the Deputy Directorate for Social Communications and Public Relations (DDSCPR) with the objective of “promoting and maintaining a positive perception of NAIM and GACM in the public opinion in general and the media in particular, informing about its objectives, goals, characteristics, and progress”.

Impact

Today, the DDSCPR has a formal budget, it is a formal unit of GACM, as illustrated in its Organisation Manual, and deploys several communications measures and strategies in a systematic way to communicate the benefits and the progress of NAIM. For example, it is advancing two communication campaigns in 2018, issuing press statements to inform about the progress of the project and the outcomes of the tenders, organising press conferences and interviews to GACM officials, measuring impact of the news regarding NAIM, updating the GACM website and managing its social networks.

The growth in social networks is just a concrete example of the impact of the social communications strategy. The number of followers in Facebook, for instance, grew more than 20 times in the period November 2016-June 2018 (see Table below).

Table 2.3. Followers in Facebook, Youtube, Twitter, and Instagram

	November 2016	July 2017	June 2018	September 2018	% growth 2016-2018
Facebook	2 285	34 760	55 722	67 742	2 865
YouTube	929	2 843	6 790	7 414	698
Twitter	N.A.	8 893	16 502	20 828	134
Instagram	N.A.	1 079	2 690	3 519	226

Note: Activity on Twitter and Instagram started on 2017; hence the percentage growth refers to the period July 2017-September 2018.

Source: Information provided by GACM.

Social communication activity may have something to do with the favourable position of most Mexicans towards NAIM. A national survey published on 29 July 2018 by *Consulta Mitofsky* found that 54.4% of the population is in favour of keeping the project as it is, while 29.4% wants to adjust it. The numbers are even more favourable of the project as it is among those people who have travelled by plane (79.2% vs. 12.4%), but remain in the same tendency even among those who have never travelled by plane (43.9% vs. 35.1%). This probably means that people understand the positive impact of the project beyond the direct benefits for those who travel by plane often. (Eje Central, <http://www.ejecentral.com.mx/54-4-favor-de-mantener-el-naicm-consulta-mitofsky/>).

Furthermore, the communications strategy has allowed GACM to respond to negative notes and those containing wrong information or misinterpretations. Finally, it has been a mechanism to reach out to several audiences and get them closer to the NAIM project, developing ownership as an infrastructure for all Mexicans. For example, 11 384 individuals participated in the guided tours to the construction site between January and September 2018, notably students, business chambers, investors, interest groups, and journalists from different media outlets.

Chapter 3. Implementation of the recommendations from OECD's second progress report

3.1. Strengthening the governance of the project to sustain effective delivery

The governance of an infrastructure project determines to an important extent its effective delivery. From design to construction and from construction to operation, the governance of infrastructure is always confronted with complex challenges and difficult decisions, implying policy trade-offs. For example, insufficient consultation and dialogue with stakeholders may lead to opposition and demonstrations against a project. Likewise, political dynamics may undermine sound decision making with regards to infrastructure when processes for identifying priority projects and choosing delivery modes are not sufficiently formalised.

Today, the governance of NAIM has notably progressed with regards to GACM organisation, stakeholder engagement, and the financing scheme of the project. Nonetheless, important challenges remain relative to the GACM corporate governance and whole-of-government co-ordination, which require political support for concerted action. In particular, the decision by the incoming administration on the delivery mode will have important consequences for the governance of the project, including the kind of threats to integrity, ensuring value for money, the performance, and the resilience of the infrastructure.

A quick decision is imperative. GACM had planned to carry out 27 tenders in 2018. Thirteen were organised and awarded during the first semester and the other 14 planned for the second semester were suspended until a decision is reached. This is likely to lead to a “cascade” effect, impacting the cost and timeline of the project. Furthermore, the airlines have expressed concerns as they had developed their business plans based on the assumption of specific characteristics of NAIM and its delivery calendar.¹¹

Assuming the project main delivery mode continues preferring public procurement and GACM maintains the concession to operate NAIM, the enterprise needs to start thinking about how it will evolve to facilitate the transition from construction to operation, ensuring adequate capacities and avoiding delays.

These decisions will be critical for the future of NAIM and its potential contributions to Mexico's competitiveness. Indeed, GACM has already implemented several good practices suggested by OECD and hence NAIM can still be a landmark and a source of pride for Mexicans. But the Mexican Government should not halt its efforts and should keep reforms going to ensure that the execution and the delivery of the infrastructure progress meeting time, budget, and quality objectives.

¹¹ See, for example, <http://www.milenio.com/negocios/no-construir-naim-seria-catastrofico-aerolineas>.

Priority 1: Consolidating the new organisational structure of GACM and assess remaining opportunities

The Second progress report documented that GACM Board approved its new organisational structure on 29 March 2017. While this is a significant breakthrough in the path to strengthen the governance of the project and given that budget limitations moved GACM to prioritise on the areas to reinforce, OECD still recommended to review the situation after the reorganisation and assess which areas should still be supported with additional staff, bearing in mind the current stage of the project, in which heavy construction calls for specific skills and capacities. Likewise, OECD observed progress in the management and the interoperability of information systems, but recommended to keep the efforts to interconnect those systems and facilitate decision making.

Progress made

The organisational structure of GACM has been continuously evolving. In 2015, GACM was provided with 11 structural positions (*plazas de estructura*), which were complemented with 74 positions under short-term contracts (*eventuales*) and 48 for outsourced personnel. Indeed, from the very beginning, GACM was conceived to be a slim organisation supported by outsourced staff in order to avoid creating budgetary pressures.

The new structure, approved in March 2017, includes 31 structural positions and 159 on short-term contracts, which are supported by 514 outsourced personnel, working mainly on supporting works supervisors (*residentes de obra*), contract managers, and administrative staff.

Table 3.1. Evolution of GACM organisational structure

Type of position	2015	2017	TOTAL 2018
Structure public servants	11	20	31
Short-term contracts	74	85	159
TOTAL	85	105*	190

Note: *Out of the 105 employees, 20 work for the Internal Control Body (OIC) and 48 are works supervisors.

Source: Information provided by GACM.

Upon the OECD recommendation, during 2018 GACM performed a gap analysis, in particular for specific functions which are critical for the heavy construction phase, such as contract management and audit. Hence, the participation of specific areas of GACM, such as the corporate directorates for construction (air side and land side) was of the highest importance.

The gap analysis included the following elements:

- Designing the methodology for the analysis of the organisation and potential solutions.
- Building a SWOT matrix (strengths, weaknesses, opportunities, and threats).
- Analysing the organisational structure (functions, positions, etc.).
- Reviewing the job structures and categories.
- Assessing the degree of implementation of the Organisation Manual.
- Identifying and selecting priority processes for design and implementation.

- Identifying systematisation and interoperability needs for information systems.
- Drafting a proposal to restructure the construction directorates.
- Quantifying and categorising positions.
- Reviewing the functional framework for works supervisors.

GACM management met with representatives from SHCP, SFP, and SCT to present the suggestions to strengthen the works supervision structures and the audit function of the OIC. In an initial scenario, GACM suggested the need for 132 additional posts, as follows:

Table 3.2. Additional posts suggested by GACM after the gap analysis

Type of position	Number
Deputy Director (OIC)	1
Auditors	10
Works supervisors AAA	3
Managers, works supervision	7
Contract managers	26
Specialised technical analysts	25
Deputy co-ordinator of airport services	20
Professional evaluator of airport services	20
Executive assistant	20
TOTAL	132

Source: Information provided by GACM.

In order to further clarify the boundaries, attributions, and scope of each position, GACM produced the Framework of attributions (*Marco de Facultades del GACM*), which aims to be explicit about the specific functions of GACM officials to support their performance and the attention to the issues inherent to their mandates.

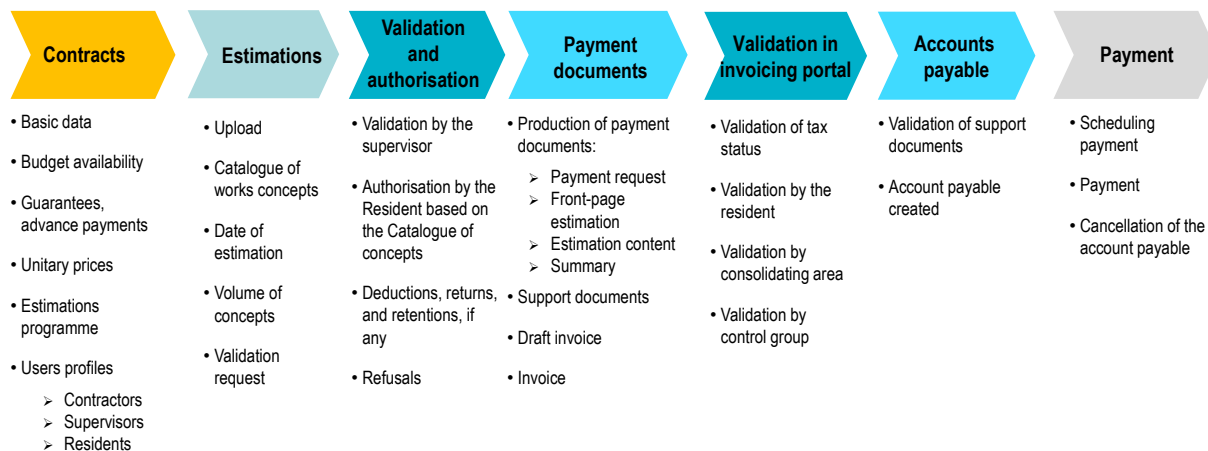
At the same time of performing the gap analysis, GACM continued working on process reengineering. During 2017, GACM identified five macro-processes, 18 processes, 48 sub-processes, and 85 procedures. By the end of the year, 32 new procedures were designed.

Of particular importance, since April 2018, GACM started working with the works supervisors of the terminal building to design, map and document the procedures, from beginning to end, dealing with contract management. 18 procedures for contract management were identified for implementation during the second semester of 2018. Likewise, 96 additional procedures, relative to other functions, are being designed for full implementation by November 2018. These procedures refer to functions such as finance, transparency, technical planning, risk management, procurement, human resources, information technologies, and institutional relations.

Regarding information systems, GACM has notably progressed in the interoperability of two of its main systems: Institutional System of the Airport Group (*Sistema Institucional de Grupo Aeroportuario*, SIGA) and System to Produce Payment Documents (*Sistema de Elaboración de Documentos de Pago*, SEDP). SIGA is a GRP system with functionalities such as accounting, budget control, treasury, accounts payable, procurement, stock and fixed assets, business intelligence, and electronic accounting for the Revenue Service (*Servicio de Administración Tributaria*, SAT). SEDP, on the other hand, is a system to streamline payment procedures while avoiding errors, standardise payment documents, and

facilitate the follow up of works. The interoperability of these two systems supports the contract management process from beginning to end, as illustrated in the following figure.

Figure 3.1. Process for the payment of works estimations SEDP/SIGA



Source: Information provided by GACM.

The interoperability of these two systems leads to the following benefits:

- Decreasing time for payment to contractors and suppliers.
- Controlling and following up processes for payments to suppliers and contractors.
- Minimising errors when entering data.
- Standardising payment documents.
- Allowing e-invoicing.
- Standardising criteria for costs adjustments, updates, financing costs, and retentions.
- Electronic warnings in each step of the process for the contractor, the supervisor, and the resident.
- Quickly verifying the tax status of the contractors.

The implementation of the Comprehensive Solution for Documents and Archives Management (*Solución Integral de Gestión Documental y Archivo, SIGDA*) is another highlight in the use of information systems by GACM. This process started on December 2017 to manage and store paper and electronic files relative to the construction of NAIM, ensuring information confidentiality, comprehensiveness, and availability. SIGDA is aligned with the requirements of laws and regulations on transparency, archives, public works, and procurement in general.

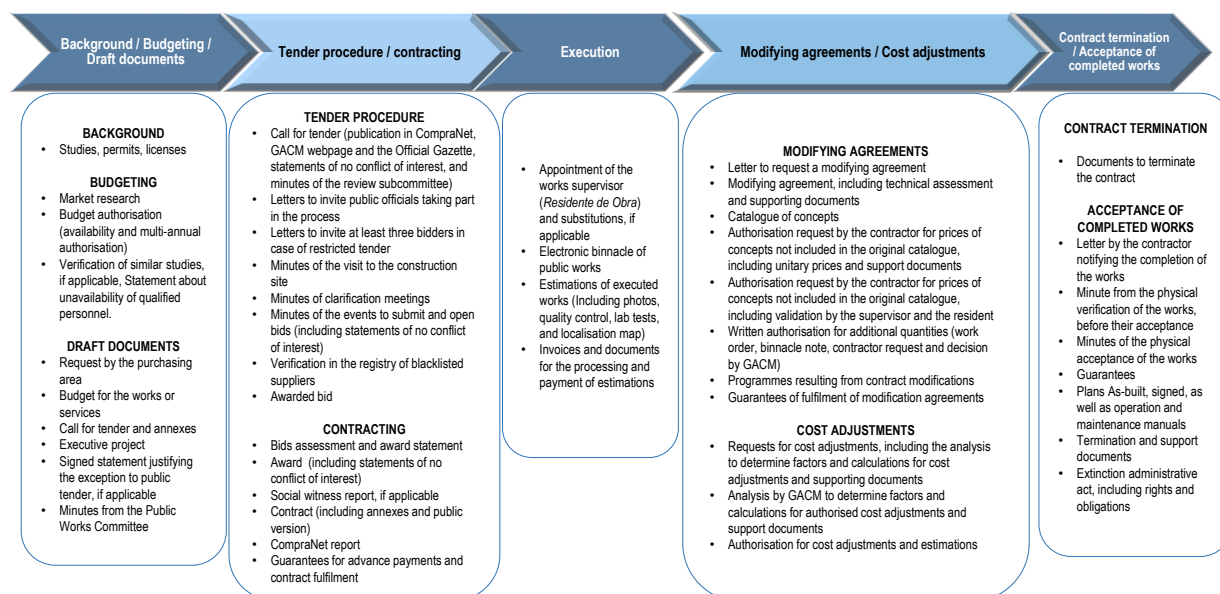
SIGDA leads to several benefits such as the identification and classification of official information relative to the construction of NAIM, the availability of information, and the storage of historical information to preserve the institutional memory. Likewise, it facilitates the process to provide information and address requests by citizens, private, or public institutions.

In its First progress report, OECD noted that the process GACM was following to upload information in the open data portal of Mexico's government (*datos.gob.mx*) was resource intensive, with little automatisation and, hence, with wide room for errors when entering data. In consequence, OECD suggested GACM that information systems “should be useful to automatise the retrieval of data to be presented in the different portals and tools to advance transparency, such as the open data portal”. (OECD 2016).

SIGDA is precisely the solution GACM is using to address this recommendation as it now allows its transparency team to pull the data to be presented in the open data portal, dramatically cutting the time and resources required and minimising the possibility for errors. Complementing other procedures, in just a few minutes and after entering some basic identification information for the tenders, SIGDA produces the files to be uploaded in *datos.gob.mx*. Indeed, SIGDA organises the information of tender procedures into a single file (*expediente único*), including comprehensive information of each procedure. In fact, the system is organised following the same fields used by the Open Contracting Data Standard (Figure 3.2).

Additionally, SIGDA will allow providing the next government administration with a systematic and comprehensive set of information of the contracts for the construction of NAIM. As of 2 August 2018, the system was at about 60% implementation, but GACM is aiming to reach 100% well in advance of inauguration day (1 December 2018).

Figure 3.2. Fields and documents in SIGDA



Source: Information provided by GACM.

Areas for improvement

GACM did its homework by performing the gap analysis in key functions for the heavy construction stage (i.e., contract management and audit) and by advancing interoperability of critical information systems. The next steps consist on using the information produced by these exercises to strengthen the organisational structure of GACM and prepare the way ahead.

First, GACM should continue its discussions with SCT, SHCP and SFP to get the approval for the 132 posts proposed, particularly those relative to the works supervision structures and the audit function of the OIC. As GACM relies heavily on personnel on short-term contracts and outsourced staff, it is very important to except it from austerity measures dealing with cross-cutting downsizing. Instead, GACM austerity measures should be analysed on a case-by-case basis to avoid weakening its structure and the progress achieved so far. While this is a positive effort to allow flexibility for the administration taking over on 1 December 2018, OECD believes that GACM case should be analysed on its own merits, instead of simply applying a horizontal policy.

Second, GACM should anticipate its needs as the project progresses. For example, there is no clear perspective on how the organisation will transition from the construction to the operation stage. As getting the approval to hire staff is a complex and lengthy process, GACM would benefit from starting a raising awareness effort for SCT, SHCP and SFP to understand its future (but not so distant) needs. This anticipation should reflect on how GACM will rely on the staff already working in the current Mexico City Airport, assuming GACM retains the concession to operate the NAIM.

Finally, in terms of information systems, GACM should continue its efforts on interoperability, particularly linking the BIM (Building Information Modeling) to other platforms to maximise the benefits of its use. Likewise, GACM should complete the implementation of SIGDA and keep it updated as new contracts are entered into.

Priority 2: Creating new mechanisms for stakeholder engagement in order to build trust in the project

OECD recognised in the Second progress report that GACM had engaged through a series of ad hoc meetings with a number of stakeholders to discuss different dimensions of the NAIM project, such as environmental issues, finance, open contracting, procurement, and transparency, among others. However, in light of these dialogues, OECD recommended to establish a more systematic mechanism to structure the dialogue, take the input from stakeholders, and inform them about progress, innovations, and challenges. In addition, OECD suggested the model of the Plural Working Group on Public Procurement, established by SFP to advance the reform of Mexico's e-procurement system CompraNet.

Progress made

The DIANA group was established on 27 June 2018 with the participation of *México Evalúa* and *Transparencia Mexicana*, representing civil society organisations; the Construction Chamber (*Cámara Mexicana de la Industria de la Construcción*, CMIC), representing business; SFP, GACM presiding over the group, and OECD serving as the technical secretariat. Early exchanges with INAI were positive after it was invited and the group is waiting for a formal response.

As of September 2018, DIANA had met two times and was planning to have an ordinary meeting each month. Its main objective is to provide a mechanism for consultation, opinion, and evaluation regarding transparency in public procurement for the construction of NAIM. The specific objectives are, among others:

- Communicating first-hand and systematically with key stakeholders of the NAIM project.
- Institutionalising good practices for the transparency of procurement activities.

- Encouraging the participation of stakeholders as observers of GACM procurement activities.
- Providing feedback for the design and implementation of good practices for the transparency of procurement activities.
- Strengthening and evaluating transparency in GACM procurement practices.
- Sharing good practices and lessons learned with other public institutions.
- Promoting the use of the procurement information produced by GACM.

During the second half of 2018, DIANA, with the inputs of its different members, will prepare an evaluation of the efforts carried out to advance transparency in public procurement for the construction of NAIM and suggest an action plan for implementation of the recommendations. Indeed, during the third plenary meeting, the template for the stakeholders to collect information, assess progress, identify challenges, and make recommendations will be reviewed. OECD will then systematise the contributions to put together a consolidated draft.

In addition to the formal establishment of DIANA, GACM has pursued a continuous dialogue with other stakeholders to ensure the functionality of NAIM, align its characteristics with the current and future needs of users, and collect timely and sufficient information for decision making. As of September 2018, 710 meetings had taken place with interest groups, including national and international airlines, authorities, and relevant associations such as the Mexican Association for Cargo (*Asociación Mexicana de Agentes de Carga, AMACARGA*), the National Association of Fiscal Warehouses (*Asociación Nacional de Almacenes Fiscalizados, ANAFAC*), the Air Transport National Chamber (*Cámara Nacional de Aerotransportes, CANAERO*), and the International Air Transport Association (*Asociación Internacional de Transporte Aéreo, IATA*).

Table 3.3. Meetings with interest groups

	Oct 2014	2015	2016	2017	Sep 2018	TOTAL
Government agencies	8	112	78	95	45	338
Airlines	12	85	11	36	31	175
Ramp services	1	12	0	1	1	15
Airport operators	3	40	21	10	13	87
Transport	0	5	2	7	6	20
Aircraft maintenance (MRO)	1	5	0	0	0	6
Helicopters	0	0	3	3	0	6
Telecommunications	0	1	4	7	0	12
VIP Lounges	0	0	1	0	1	2
Cargo companies	1	5	5	6	5	22
Others (Associations, business chambers, etc.)	3	3	6	6	5	23
Service providers	0	1	2	0	1	4
TOTAL	29	269	133	171	108	710

Source: Information provided by GACM.

Areas for improvement

The establishment of the DIANA group, taking the model used for the Plural Working Group on Public Procurement, was a solid first step towards a systematic dialogue with

selected stakeholders. The group decided to focus specifically on the transparency of public procurement and to keep the number of members manageable in the initial stage. So, the evident next steps are basically two: i) consolidating the group and its first deliverables, notably the analysis, recommendations, and action plan to upgrade the transparency of GACM procurement, and ii) extending the group in its membership and the topics it addresses.

Regarding the extension of the group, it could work through sub-committees to bring in other stakeholders with valuable expertise for the NAIM project. Some of the topics that could be analysed through such sub-committees are environment, finance, social issues, urban development, surface access, SMEs participation and competition in tenders, among others. Upon the completion of the draft report on transparency in procurement, the experience could be replicated in all these topics.

Finally, as the project is progressing through the construction phase and when transitioning to operations, GACM should keep the dialogue open with users so that their needs can be accounted for and they are ready to participate in each stage of the project. It is foreseeable that operational issues will come up as the construction moves on and there should be well-established communication channels for consultation to address such issues in a timely manner.

Priority 3: Strengthening the management autonomy of GACM by completing the reform of its corporate governance

The Second progress report reiterated the need to strengthen the corporate governance of GACM by advancing the vertical separation between SCT and GACM, establishing an internal audit function, and making the appointment process to the Board more transparent and merit-based. In fact, during the presentation of this Second progress report (January 2018), the SCT Minister asked OECD to produce a model or roadmap for the reform of the corporate governance of GACM. The annex to this document provides the roadmap.

Progress made

Progress has been difficult because of mainly three reasons: i) raising awareness about the need for reform has been a complex process due to the practice of corporate governance in Mexican SOEs, which is not aligned with the OECD Guidelines, ii) reform is not within the exclusive realm of GACM and would require the concerted action of several ministries (i.e., SCT, SHCP, SFP, the Office of the President), and iii) the political timing, with presidential elections held on July 2018 and a new administration taking over in December, did not allow the introduction of legislative bills to address the structural limitations to reform established by law, such as the requirements for SOE boards established by Art. 11 of the Federal Law on Parastatal Entities (*Ley Federal de las Entidades Paraestatales – LFEP*):

- the appointment of board members is executed by the Executive Power – through the SCT without specific criteria with regards to skills or professional background;
- the board must be composed, at all times, by at least 50% of public officials; and
- the SCT – as the sector co-ordinator - chairs the Board.

Despite these obstacles, OECD explored with Mexico's government alternatives to reform the corporate governance of GACM. A fact-finding questionnaire and a mission (28-30 May 2018) served to gather information and discuss alternatives with SCT, SFP, SHCP,

the Office of the President, ASF, GACM staff and independent board members, as well as academics and civil society experts. The result is the roadmap presented in the annex.

In light of these difficulties, the highlight was the incorporation of the fourth independent member of the Board in December 2017, along with the plans to incorporate two more as a result of the *Fibra E* during the second semester of 2018.

Areas for improvement

Much rigidity persists hindering the capacity of GACM to benefit from its corporatised structure. First, the general lack of ownership policy and co-ordinating body for exercising ownership rights in the Mexican public sector leads to unclear lines of responsibility and accountability, which may ultimately result in political interference and state excessive intervention in matters or decisions that should be left to the enterprise and its governance bodies. As developed by the SOE Guidelines, corporate governance difficulties arise when the accountability for performance of SOEs involves a complex chain of agents (management, board, ministries etc.) without separating and clearly defining the competencies.

Second, as established in the regulatory framework, SCT – as the ownership entity – sets implementable objectives for GACM, albeit in a manner that is not free from political motivations. GACM Board of directors has reported two main problems: i) important and strategic decisions regarding the company are taken by government officials, without necessarily sharing them in Board meetings, and ii) SCT does not grant GACM full operational autonomy to achieve its defined objectives, and intervenes in its management. This situation could be explained by the “hybrid” nature of GACM as a corporatised and commercial entity, subject to the limitations generally imposed on institutional bodies.

Third, the legal and regulatory framework applicable to GACM includes requirements, which could potentially lead to conflicts of interest and result in the politisation of the board. These requirements are not conducive to a professional and merit-based board. The inclusion of four independent board members is a first good step towards the professionalisation of the board, but their nomination should be transparent as well. Another important aspect is that public officials and independent members integrating the board of directors do not have the same liabilities – as public officials are subject to administrative duties set by the LGRA. This could create potential issues with assigning liability for corporate misconduct.

Finally, while general state audit and other controls are in place, it is important for a company such as GACM to establish an independent internal audit function, reporting directly to the board and management. State audit controls such as those provided by SFP and ASF are generally designed to monitor the use of public funds and budget resources, rather than the operations of the SOE as a whole; they should therefore be complemented by an internal audit function to strengthen their own oversight role.

In light of the weaknesses described above, the opportunities for improvement (described at length in the recommendations section of the roadmap) can be summarised in the following recommendations:

- Short-term:
 - a. GACM could implement several dispositions – in consistency with current applicable legal and regulatory framework – in its bylaws, as it has already done for the inclusion of independent board members, for example. This solution is

limited in so far it does not allow to fundamentally change the current composition of the board. It could, nonetheless, i) help implement more transparent and merit-based nomination processes, even for public officials, ii) apply a broad definition of Art. 11 of the LFEP granting management autonomy to quasi-state entities for the fulfilment of their objectives, iii) include more independent members of the Board, iv) apply diversity measures to improve gender balance in the Board, amongst other aspects, v) develop training and evaluation mechanisms for the board, and vi) set up board committees, including one on audit with its corresponding internal audit function in GACM.

- b. Mexico's government could act by developing and communicating a heightened support for an improved corporate autonomy of GACM. This would need to be backed by actual willingness by the SCT and other government authorities involved in GACM's ownership to delegate some of the powers they currently hold, as well as assurances that the required capabilities to handle these delegated powers are present in GACM's board and management.
- Long-term:
 - a. In terms of legal reform, the government should aim to simplify and standardise the legal forms under which SOEs operate – particularly SOEs engaged in economic activities which should follow commonly accepted corporate norms.
 - b. The government should also consider revising overall state ownership practices in line with commonly accepted good practices. There is an apparent need to centralise the state's ownership functions and rights within one single entity (independent or within a specific ministry). This, as well, should help ensure a more consistent and professional implementation of the ownership policy by reinforcing and bringing together relevant competencies, while also providing for a clearer separation between the state's ownership function and other state functions (i.e. market regulator) which can create conflicts of interest. If not possible, the SOE Guidelines generally recommend establishing a strong co-ordinating entity among the different administrative departments involved; which would harmonise and co-ordinate the actions and policies taken on a whole-of-government basis.
 - c. The government should jointly approve a clear and explicit ownership policy providing for clearer lines of responsibility and accountability. The ownership should ideally take the form of a “concise, high level policy document that outlines the overall rationales for state enterprise ownership” as recommended by the SOE Guidelines. Such a document could include ownership policy objectives such as the creation of value, the provision of public services or strategic goals, as well as other more detailed information such as the main functions and responsibilities of all government entities that exercise state ownership.
 - d. GACM could assume another legal form more suitable for a commercial airport operator. There would seem to be three main options, all of which would require legislative/constitutional changes: i) Making GACM a state productive enterprise with its own regulatory regimes, ii) turning the overall NAIM project into a concession or PPP, and iii) addressing the weaknesses in corporate governance through the classification SHCP and SFP are developing to discriminate between commercial and traditional SOEs. All of these

alternatives imply advantages and disadvantages and should be considered carefully, along with the appropriate mitigation measures.

Priority 4: 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

The Second progress report acknowledged the contribution of the Group for Inter-ministerial Co-ordination, whose objective is to establish links between the participating institutions to address the identified social issues in the area surrounding the NAIM construction site. However, it also pointed out that it is limited in its scope, as several relevant institutions were not among its members, such as the ministries for education, health, environment, SHCP, SFP, the Government of Mexico City, and municipalities.

Progress made

The Group for Inter-ministerial Co-ordination has evolved and improved its organisation. Its membership is now extended and includes SCT, SEGOB, SEDATU, SEMARNAT, SFP, SHCP, RAN, CONAGUA, the Ministry for Social Development (*Secretaría de Desarrollo Social*, SEDESOL), the Ministry for Agriculture, Livestock, Rural Development, and Fisheries (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*, SAGARPA), the Ministry of Economy (*Secretaría de Economía*, SE), the Ministry of Health (*Secretaría de Salud*, SSA), the Ministry of Education (*Secretaría de Educación Pública*, SEP), the Ministry of Labour (*Secretaría del Trabajo y Previsión Social*, STPS), the Youth Institute (*Instituto Mexicano de la Juventud*, IMJUVE), the Commission to formalise land property (*Comisión para la Regularización de la Tenencia de la Tierra*, CORETT), the General Directorate of Civil Aeronautics (*Dirección General de Aeronáutica Civil*, DGAC), and the Government of the State of Mexico. OECD had particularly pointed out the need to incorporate other entities of the Federal Government, such as SHCP, SFP, SEP, and SSA, which are now part of the group.

Federal Government institutions participate through 12 working groups, two for each field of intervention (poverty, security, education, health, jobs, and infrastructure). On the side of the Government of the State of Mexico, 18 entities participate in 10 working groups, which are divided into five fields of intervention: governance and political development, economic development and jobs, education and social development, urban development and housing, and infrastructure and mobility.

The group plans 459 interventions during 2018 divided by field: 34 in poverty, 60 in health, 100 in infrastructure, 145 in education, 42 in jobs, and 78 in security. Out of these, 48 have been financed by the GACM social fund to benefit the communities surrounding the construction site for a total of MXN 150 million, 14 funded directly by contractors, as part of their social responsibility initiatives, for MXN 113 million, and 14 executed by the Government of the State of Mexico with GACM funding for MXN 308 million.

The group aligns the different interventions with the Social Master Plan through a matrix, describing the corresponding objectives, strategies, line of action, field of intervention, and responsible entities (Table 3.4). Likewise, GACM keeps track of the interventions.

Table 3.4. Sample from the matrix to align interventions with the Social Master Plan

Objective	Strategy	Line of action	Field of intervention of the Social Master Plan	Responsible entity	Other participating entities
1. Reducing inequality within and between municipalities and maximising social mobility in the impact zone of NAIM, by: i) decreasing poverty rates, ii) upgrading the quality of public services, and iii) extending the scope of social services, improving co-ordination to advance the balanced development of the region	1.3. Advancing co-ordinated interventions by the three levels of government to tackle famine in the area of influence of NAIM	1.3.3. Increasing the intervention of entities from the social development sector, expanding their scope in the area of influence of NAIM	Poverty	SEDESOL	N.A.

Source: Information provided by GACM.

In addition to the activities of the Group for Inter-ministerial Co-ordination, GACM has continued participating in bilateral groups with entities such as SEDATU, SCT, and CONAGUA. Likewise, the Working Group GACM-SFP continues meeting each month to take stock of progress in addressing OECD recommendations and find solutions when facing obstacles. During 2018, up to August, this working group met five times and the last meeting was led by the SFP Minister and GACM General Director. As highlighted in the Second progress report, the working group is a model to follow by other ministries which should be more deeply and continuously engaged in the NAIM project. Some of the achievements of the SFP-GACM co-operation during 2018 are the following:

- SFP accompanied GACM and shared experience to set up the DIANA group.
- SFP provided GACM with indicators to analyse the degree of competition in tenders.
- SFP facilitated training on public ethics and management of conflicts of interest to GACM.
- From 2016 to 2018, SFP accompanied GACM in the preparation and execution of five public tenders through the mechanism called “*Mesas de Acompañamiento*”.

Areas for improvement

The main weakness of the Group for Inter-ministerial Co-ordination is that it is lacking the formality that other existing mechanisms have, such as Inter-ministerial Commissions, for which there is regulation formally establishing them. In fact, in consultations with the Office of the President, the model used by the Federal Authority for Special Economic Zones (*Autoridad Federal para el Desarrollo de las Zonas Económicas Especiales*) came up as an alternative to formalise whole-of-government co-ordination around NAIM.

Box 3.1. The Inter-ministerial Commission for Special Economic Zones

Article 37 of the Federal Law for Special Economic Zones establishes the Inter-ministerial Commission with the objective of co-ordinating the government entities with attributions for planning, establishing, and operating the economic zones.

The Inter-ministerial Commission is led by SHCP and the members are SEGOB, SEDESOL, SEMARNAT, SE, SAGARPA, SCT, SFP, SEP, STPS, SEDATU, SSA, the Ministry of Energy (*Secretaría de Energía*, SENER), the Mexican Institute for Social Security (*Instituto Mexicano del Seguro Social*, IMSS), and the National Council for Science and Technology (*Consejo Nacional de Ciencia y Tecnología*, CONACYT). The law establishes that the President may include other institutions as deemed appropriate and that legislators from the lower and upper houses will be invited to the sessions (without voting capacity).

The Federal Law establishes the periodicity of the meetings of the Commission, its attributions, and organisation, among other elements.

Source: Mexico's Government website, <https://www.gob.mx/zee/es/documentos/marco-juridico-de-la-comision-intersecretarial-de-zee>, consulted on 9 August 2018.

Notably, the Group for Inter-ministerial Co-ordination is missing the participation of the Government of Mexico City. While it has incorporated the participation of the Government of the State of Mexico, it has not yet engaged Mexico City. This participation is important as the impact of NAIM will be definitely strong in the city and many of the works to reach NAIM (i.e., metro, express train, roads) will necessarily involve Mexico City. Likewise, maximising the benefits and mitigating the risks for the city's population will definitely require co-ordinated action between the local and the federal governments.

Furthermore, SHCP could approach the different entities participating in the group to establish its main initiatives in the impact zone of NAIM and ensure adequate and earmarked funding in the 2019 budget, avoiding duplication and maximising social impact.

It will be up for the administration taking over on 1 December 2018 to determine how to approach the required co-ordination to address all the issues of such a mega project as NAIM, but it will be important to build on the foundations set by the Group for Inter-ministerial Co-ordination and its working subgroups. Likewise, the capacity of the members of the group to take decisions and intervene to mitigate the main risks will be critical to maintain public support for NAIM.

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

The financial plan for the construction of NAIM was conceived from the beginning as a mix of public and private resources. In the Second progress report OECD warned about the risks stemming from depending excessively on the public budget beyond 2019. Indeed, 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 this sense, the financing plan aims to minimise the impact on public finances, make the project self-sustainable so that the resources from the current airport and NAIM are used to refinance the investment, keep NAIM as a public asset, and ensure that the current airport and NAIM will have enough resources for their operation and maintenance.

Progress made

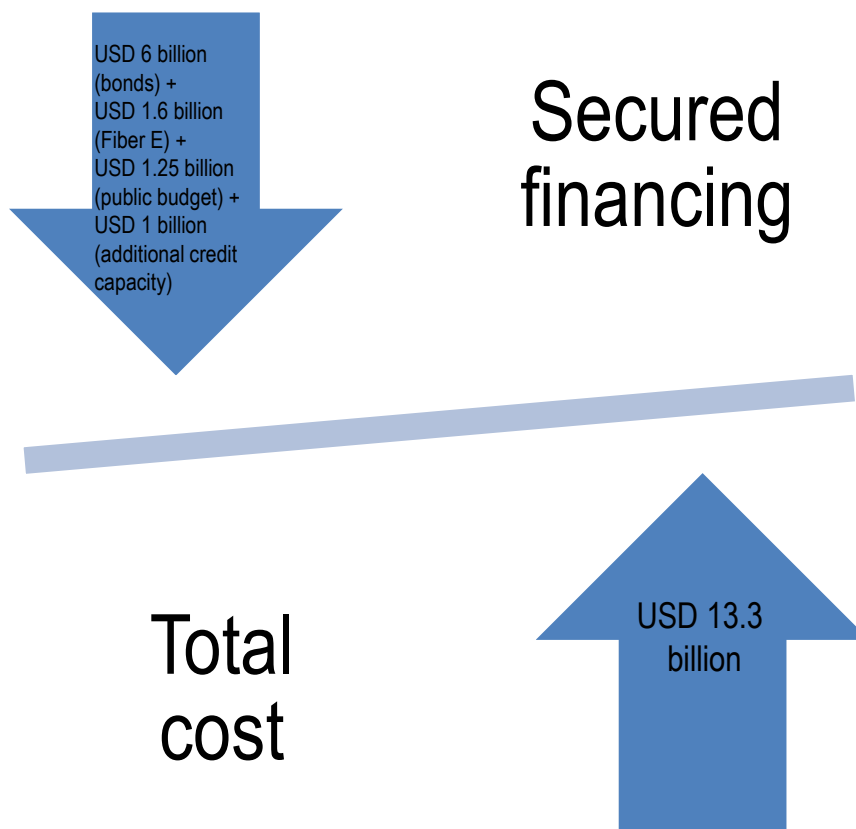
Notably, the overall budget for the NAIM project remains unchanged in dollar terms (USD 13.3 billion). In order to address OECD recommendations and obtain additional funding to keep the pace of the construction and reduce the necessary public funds, GACM leveraged on an instrument called “Fibra E”, which is a financing scheme designed to facilitate investment in energy and infrastructure and allows the owners of assets in these sectors to monetise such assets, keeping operational control. The Fibra E raised USD 1.6 billion (or about MXN 30 000 million) and the source of payment will be surpluses in operation. It is not guaranteed by the government, so it is not considered public debt.

In addition, in January 2018, the international TUA was raised to USD 44.07, which increases the capacity to obtain new financing up to USD 1 billion. In this sense, GACM is assessing alternatives and started talks with the National Bank for Public Works and Services (*Banco Nacional de Obras y Servicios Públicos*, Banobras) to open a credit line of precisely USD 1 billion.

These new strategies come in addition to the bonds issued in the international capital markets for USD 2 billion on 22 September 2016. It was the biggest transaction ever for an airport and with the longest maturity (USD 1 billion to mature in 10 years and USD 1 billion 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 billion (USD 1 billion to mature in 10 years and USD 3 billion 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). The credit rating that Moody’s granted had a negative perspective as a consequence of the same perspective issued for the debt of the Mexican government. However, in April 2018 Moody’s changed the perspective to stable, responding as well to the change applied to the sovereign debt. Likewise, on 20 July 2018, Fitch ratified the credit rating of the green bonds at BBB+, with a stable perspective.

In summary, NAIM has now financing for about USD 10 billion, including USD 6 billion from bonds, USD 1.6 billion from the Fibra E, USD 1.25 billion from the public budget, and USD 1 billion in additional credit capacity, which is enough to reach the first semester of 2020.

Figure 3.3. Financing of the NAIM project



Source: Information provided by GACM.

Areas for improvement

GACM believes there are alternatives to public funding in case the incoming administration wants to avoid any public financing. These alternatives include another set of Fibras E, increasing the TUA even more, and concessioning some of the works still to be carried out, without losing ownership of the infrastructure. On the one hand, the sustained growth in traffic in the current airport is good news, as it allows leveraging even more in the resources from the TUA, but special consideration should be given to avoiding raising it to a point where NAIM's competitiveness would suffer. On the other hand, some of the works for 2019 are already structured to be public-private partnerships under two conditions: i) these works should produce their own financing sources and ii) they do not imply giving up important revenue for NAIM.

Evidently, the choice of alternatives will be heavily influenced by the decision of the incoming administration regarding the delivery mode. If the decision is to keep the project as it is, executed via public procurement, then the above alternatives for financing could be further explored. However, if the decision is to concession the overall project, then the financing would be decided by the beneficiary of the concession. In any case, and in order to avoid an increase in the cost of the infrastructure, it is critical that the new administration takes a decision soon. A delay in the decision will not only impact the calendar for delivery, but also lead to a “cascade” effect due to the interdependence of the different works. In

addition, contractors may sue GACM and claim compensations if the works are suspended for a long time.

Summary of recommendations

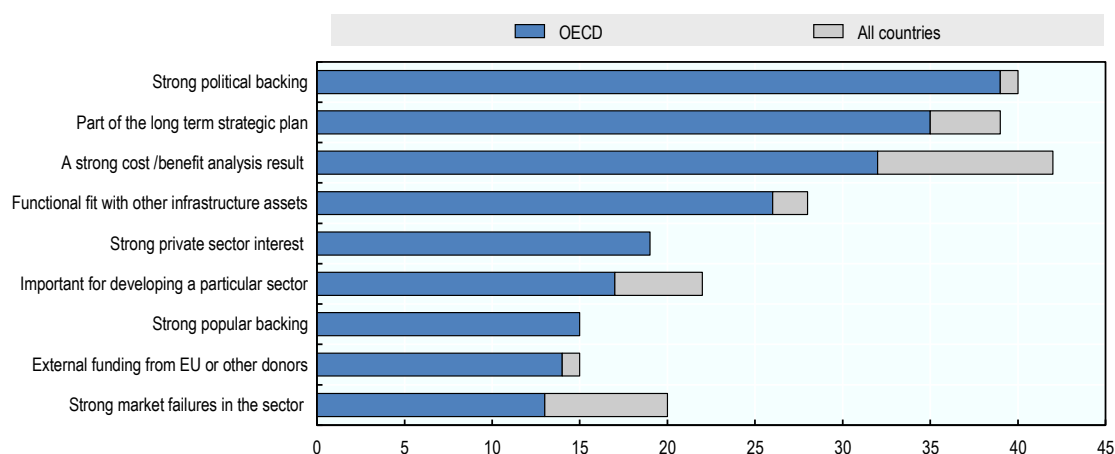
- GACM should work with the current and the incoming administrations to ensure adequate resourcing and organisation of the key functions for the heavy construction stage and anticipate its future needs.
 - a. GACM should continue its discussions with SCT, SHCP and SFP to get the approval for the 132 posts proposed, particularly those relative to the works supervision structures and the audit function of the OIC.
 - b. As GACM relies heavily on personnel on short-term contracts and outsourced staff, the current and the incoming administrations should except it from austerity measures dealing with cross-cutting downsizing. Instead, GACM austerity measures should be analysed on a case-by-case basis to avoid weakening its structure and the progress achieved so far.
 - c. GACM should anticipate its needs as the project progresses, for example, by starting planning for the transition to the operation stage.
- GACM should continue its efforts on interoperability, particularly linking the BIM to other platforms to maximise the benefits of its use, and complete the implementation of SIGDA.
- GACM should first facilitate the consolidation of the DIANA group and its initial deliverables and then extend the group in its membership and the topics it addresses. At the same time, GACM should keep the dialogue with other stakeholders which do not participate in the DIANA group, but are relevant for the future operations of NAIM.
- GACM, with the support of the relevant institutions (i.e., SCT, SFP, SHCP, and the Office of the President), should analyse the roadmap for the reform of its corporate governance (i.e., short and long-term recommendations) and prepare an implementation plan, considering the legal, political, and operational implications to make reform happen:
 - a. Implementing transparent and merit-based nomination processes for GACM Board, seeking diversity and relevant expertise.
 - b. Strengthening GACM management autonomy by exploring alternatives to provide greater flexibility, suitable for a commercial airport operator.
 - c. Incorporating more independent members to GACM Board.
 - d. Developing training and evaluation mechanisms for GACM Board.
 - e. Setting up board committees (i.e., audit).
 - f. Reviewing overall state ownership practices leading to a clear and explicit ownership policy.
- GACM should consider alternatives for the institutionalisation of the Group for Inter-ministerial Co-ordination, such as an inter-ministerial commission.
 - a. The engagement of the Government of Mexico City should be pursued.

- b. SHCP could approach the different entities participating in the Group for Inter-ministerial Co-ordination to establish its main initiatives in the impact zone of NAIM and ensure adequate and earmarked funding in the 2019 budget, avoiding duplication and maximising social impact.
- The incoming administration should quickly take a decision on the delivery mode for the future of NAIM, so as to avoid any further delays or costs which would impact the overall timeline of the project. The financing strategy could respond to this decision by assessing alternatives to further reduce the share of public resources, while keeping the competitiveness of NAIM.

3.2. Adapting the procurement framework to mitigate risks posed to the effective delivery of NAIM

Because of their long time horizon and high visibility, the development of megaprojects is closely linked to political decisions. From their initial identification to their effective delivery, those projects bear the influence of governments' priorities and strategic orientations. As shown in the figure below, political considerations are amongst the first reason to put infrastructure projects into government's shortlist.

Figure 3.4. What criteria determine whether a project gets on the short list of priority projects?



Note: Total respondents: 16 (Countries with an overall shortlist of priority projects); the criteria for the determination of the short list projects could be rated by one to five points. The ranking is based on the final sum of all rating points assigned to the criteria.

Source: (OECD, 2017^[7]).

Aside from decisions preceding public investment in infrastructure projects, political considerations are also sometimes affecting their development. For example, in Portugal, the government announced in 2009 the construction of a high speed rail from Lisbon to Madrid and the corresponding public contracts were awarded in 2010. Amidst the financial crisis, the Portuguese authorities decided to cancel the project in 2012 and the decision was challenged by the awarded contractors. The arbitration tribunal ruled in 2016 in favour of the contractors and requested the government to pay EUR 150 million to the members of the awarded consortium.

The construction of the NAIM on time and on budget is now facing additional risks stemming from changes in the new government's strategic orientations. While delays in completing the project, already foreshadowed in the previous OECD reports, are materialising, the construction of the NAIM is subject to new types of risks linked to the decision to interrupt on-going and future procurement processes until a decision on the continuation of the project is taken.

These recent developments call for even more adaptive strategies which would build on past experience and provide insights to inform future procurement strategies. Therefore, the priority areas defined in the previous reviews continue to be of strategic importance for the effective delivery of this megaproject. From increased whole-of-government co-ordination on remaining public works necessary for putting to life an airport delivering its full anticipated impact to strengthened supplier management providing the required agility to respond to evolving construction phases, these elements, irrespective of the strategic orientations taken, will play a central role in minimising the risks posed to its effective delivery.

Priority 1: Ensuring coordinated decision-making in procurement processes

Initiatives and efforts carried out by GACM and other stakeholders under this priority evidence partial progress in the implementation of OECD's recommendations. The first reviews identified challenges related to the participation of the different stakeholders in the procurement processes, in terms of co-ordination of actions and sequencing of tenders.

Progress made

The second progress report highlighted the importance of co-ordination between the different stakeholders involved in the development of the NAIM. It stressed that some construction works are under the responsibility of other institutions and ministries such as SCT or CONAGUA. The report also insisted on the interdependence of components relating to the construction of the airport and those defining access to this new transport infrastructure.

Being under its responsibility, SCT continued to devote efforts to increase co-ordination 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 Rural, Urban and Territorial Development (*Secretaría de Desarrollo Agrario, Territorial y Urbano, SEDATU*).

This group held more than fifteen meetings where issues relating to connectivity are discussed. According to SCT, those meetings initially proved useful to raise awareness among the various stakeholders on the activities carried out under the NAIM project. Building on experience gained over time, those meetings now provide the occasion to discuss in much more detail the advancement of surface access projects. Those meetings also serve as a platform to foster co-ordination in procurement processes between the different stakeholders.

However, while they illustrate positive developments towards increased co-ordination and strategic alignment between stakeholders, they fail to demonstrate concrete progress on the advancement of the surface access works. Further, the recent decisions affecting the project execution exacerbate the imperative of relying on close and effective co-ordination between procurement processes carried out by the different stakeholders.

Areas for improvement

As noted in OECD's review of plans and strategies relating to surface access to the NAIM, the success of the new airport will depend on its accessibility and the efficiency of its surface access links. Among the different access routes that are to be developed to ensure an efficient access to the airport, very few seem to be under tangible developments.

According to SCT's assessment of progress made under the connectivity plan, only 7 out of the 18 roads connections were already under construction as of September 2018.¹² While the quality of airport access does not only directly influence the efficiency of the airport, it provides for broader consequences on the national economy as a recent report from the Airport Operators Association shows in the box below.

Box 3.2. Delivering an airport full economic potential – case studies from the UK

Through a multitude of channels, better surface access plays a central role in boosting an airport's contribution to the economy. Firstly, there are direct benefits, as reduced costs and time savings make passengers, businesses and airport workers more productive. Secondly, there are knock-on effects through supply chains; these benefits spill over and support further employment. Finally, there are wider benefits throughout the economy, from improving access to hubs of international connectivity.

According to statistical modelling, a 5% improvement in average journey times to and from airports could deliver a 2.7% increase in passenger numbers, generating an additional £1.9 billion for the UK economy per annum and supporting an additional 32 000 jobs. Around one third of these benefits are likely to accrue to the local economy surrounding the airport.

Improvements to transport links can improve transport efficiency, boost catchment areas, make new journeys viable and can prove instrumental in ensuring an airport's ability to service a greater number of destinations at higher frequencies. It is this kind of investment that will enable airports to deliver their full economic potential.

The Chartered Institute of Logistics and Transport commented that "poor surface access inhibits an airport's ability to compete", citing Bristol and Leeds Bradford Airports as examples, while Manchester Airport explained that, despite its comprehensive surface transport infrastructure and plans for an £800 million business park adjacent to the airport, the lack of further improvements to the surrounding road and rail network could become a major limiting factor in seeking to maximise the airport's potential.

Source: Adapted from (Airport Operators Association, 2016^[8]) and (The Chartered Institute of Logistics and Transport, 2015^[9]).

It is therefore imperative that surface access links are developed in a timely manner and are operational once the construction of the NAIM is finalised. Beyond economic growth for the country, this objective should be pursued for a number of additional considerations. First, under the current financing scheme, capital markets having significantly invested in the project are expecting return on investment based on the traffic generated by the new airport.

¹² Information provided by GACM.

Reliance on projected traffic would be even more critical should the recently proposed option of awarding a concession for finishing the construction of the airport be chosen. Indeed, such contracting model implies a transfer of risks to the private operator since payment depends largely on the results of the service operation (Saussier and Tirole, 2015^[10]).

Therefore, the co-ordination efforts advanced by SCT and to which GACM actively participates should be complemented by a clear and binding roadmap towards the development of surface access links. Not doing so would further put at risk the effective use of the airport and will adversely affect its economic sustainability. The new administration in Mexico could play a decisive role in ensuring that stakeholders at all levels effectively contribute to this endeavour.

Further, the recent decision to halt procurement processes until technical and public consultations are carried out will reinforce the importance of increased coordination in implementing the remaining construction works. According to estimates, those consultations will not be finalised before October 2018 which could impact the construction sequencing and timeline of the works. As of August 2018 fourteen procurement processes planned for the second semester of 2018 were suspended and some also impact on-going contracts. For example, the tender relating to the visual aids had not been issued because of the decision taken and it will cascade down and impact the timeframe for testing the systems which is under the responsibility of the Navigation Services in the Mexican Airspace (*Servicios a la Navegación en el Espacio Aéreo Mexicano*, SENEAM), a decentralised entity of SCT.

Because of the number of uncertainties and additional complexities caused by this suspension it is of critical importance that all stakeholders coordinate their activities so that the development of the NAIM is as less disruptive as possible. GACM could therefore use these coordination meetings to provide a general update of the timeline and sequencing of remaining works so that other stakeholders have a clear understanding of impacts on procurement processes they are managing or contributing to.

Priority 2: Benefiting from SFP support in selected tenders

The objective of this priority is identifying ways to maximise competition in tenders. Such objective could be pursued by developing technical specifications, award criteria and weightings fostering the participation of the private sector in GACM's tenders. Doing so necessitates receiving the support from SFP. Indeed, such adaptations might require changes to 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*). Additionally, gaining a better understanding of market capacities in previous tenders could provide GACM with insights to adapt future procurement strategies.

Progress made

Building on previous experience and following recommendations made in previous OECD reports, GACM continued to seek SFP's support 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).

This support focused on one tender relating to the intermodal transport centre, which illustrates the benefits reaped from the support of SFP in designing tender documentation and award criteria. Indeed construction works for the transport centre were already

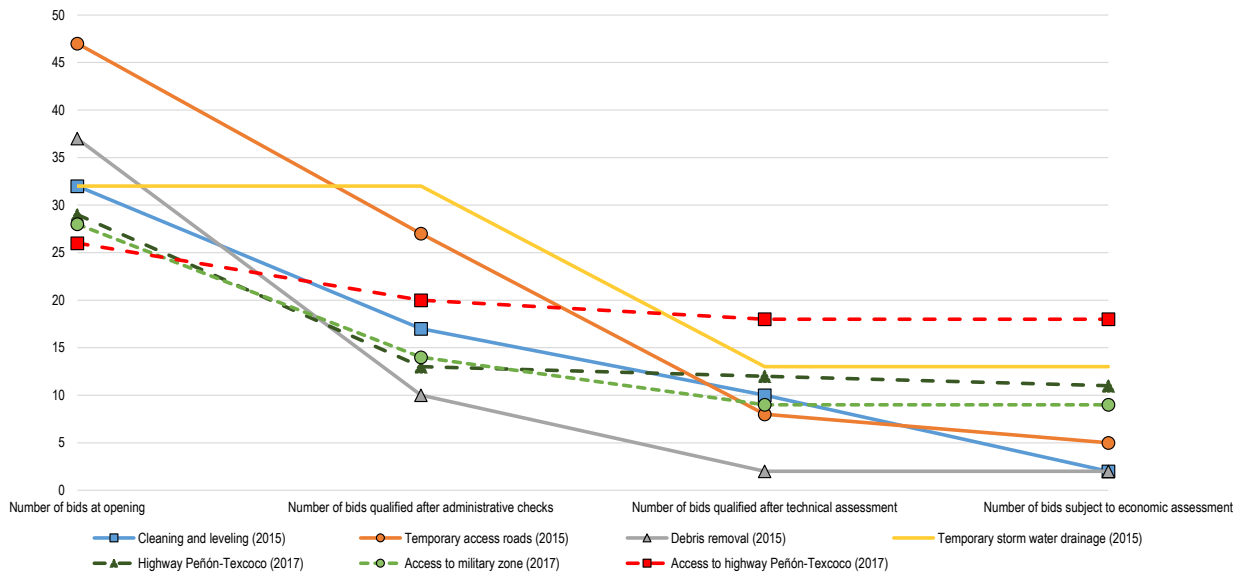
advertised on April 2017. By the deadline, eleven offers were received. Out of those offers, five were eliminated because of exceeding the maximum budget allocated to those works. The absence of required certificates led to the disqualification of four additional bidders, leaving only two offers being analysed against the technical criteria defined in the tender. Since none met the minimum technical score, the call for tender had to be cancelled.

One of SFP's previous recommendations was precisely about streamlining procedures to ensure access to procurement opportunities. SFP suggested achieving this objective by requesting tax and social security 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. The second call for tender reflected this strategy by indicating that failure to provide the supporting documentation in the bid would not lead to the automatic disqualification of the bidder.

Besides administrative requirements, the weighting of the technical criteria was also modified to put more emphasis on the constructive programme and less on the organigram of the bidder. Out of the ten offers received, eight consortia were formed of companies having submitted a bid in the first exercise. Influenced by the above-detailed strategies, results were significantly more positive in the second call for tender. While the number of disqualified bidders did not change, four out of the five remaining offers were comprehensively evaluated both on technical and financial components, thus fostering genuine competition for those works.

Improvements on the evolution of competition throughout the different evaluation stages have been witnessed in 2017 and 2018. Indeed, as shown in Figure 3.5 and Figure 3.6 below, 80% of bids submitted in response to call for tenders issued in the last two years and qualified after the administrative checks received a sufficient technical score allowing for the evaluation of their financial proposals. This represents a significant increase compared to call for tenders issued in 2015 and 2016 where a little less of 50% of bidders qualified after administrative checks were evaluated on all components.

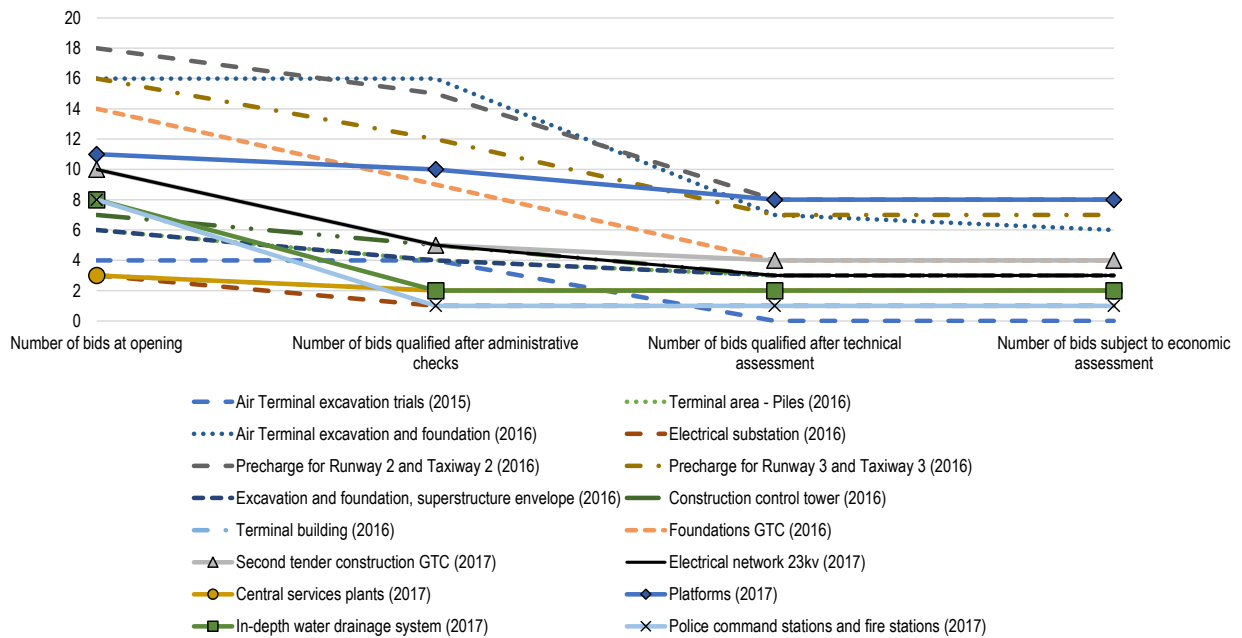
Figure 3.5. Competition throughout evaluation stages in packages relating to simpler works



Note: In parenthesis the year in which the tender was issued. Grey lines represent the evolution of competition throughout evaluation stages for tenders issued in 2015 and 2016. Blue lines represent the evolution of competition throughout evaluation stages for tenders issued in 2017.

Source: OECD analysis based on information available in CompraNet.

Figure 3.6. Competition throughout evaluation stages in packages relating to complex works



Note: In parenthesis the year in which the tender was issued. Grey lines represent the evolution of competition throughout evaluation stages for tenders issued in 2015 and 2016. Blue lines represent the evolution of competition throughout evaluation stages for tenders issued in 2017.

Source: OECD analysis based on information available in CompraNet.

Detailed analysis shows that while the initial number of bidders decreased significantly over time, now there is less disqualification throughout the evaluation process signalling a better alignment of tenders specifications and market capabilities. Considering that competition in tenders often convey the very same consortia it could also be argued that this improvement could be down to bidders being more used to GACM call for tenders.

Following the recommendations from the previous progress report, GACM developed a detailed analysis of the underlying reasons for disqualification of bidders. On that basis, and following a methodology designed by SFP, GACM is now assessing the level of competition in each tender according to the indicators detailed in the table below.

Table 3.5. Competition indicators suggested by SFP to GACM

	Objective	Formula	Target	Frequency
Indicator on participation	Assessing the level of participation in GACM's calls for tenders	$x = \frac{\sum B}{P}$ Where: B=number of bids P=number of procurement	≥5	Semester
Indicator on effective competition	Assessing the level of effective competition in GACM's calls for tenders	$x = \frac{\sum qB}{P}$ Where: qB=number of qualified bids P=number of procurement	≥5	Year

Source: Information provided by GACM.

Areas for improvement

While GACM's efforts in assessing its performance in fostering competition in packages put to tender are a worthwhile initiative, the market structure and the complexity of the works call for more in-depth assessment of competition. Indeed, Figure 3.5 and Figure 3.6 reveal differing bidding patterns in procurement processes relating to simple construction works and those linked to the most complex activities.

In addition, the indicators developed by GACM using the methodology proposed by SFP do not take into account the different nature of the level of participation and the level of effective competition. The level of participation shows the attractiveness of the tenders issued by GACM while the level of effective competition demonstrates its ability to design tenders which are aligned with market capabilities.

Both indicators have the same targets while evidence suggests they have very different results. For example, the average number of proposals received in calls for tenders issued in 2017 and 2018 is more than 9.5 bids while the average number of qualified responses is just above three proposals. These differences call for differentiated targets to ensure the influence of those indicators in increasing procurement performance.

In addition, GACM could develop indicators taking into account the different nature of the works put to tender. For example, it could design indicators of competition based on the ratio of bids subject to comprehensive evaluations versus the number of bids. This indicator, rather than absolute number of qualified bids, would take into account the

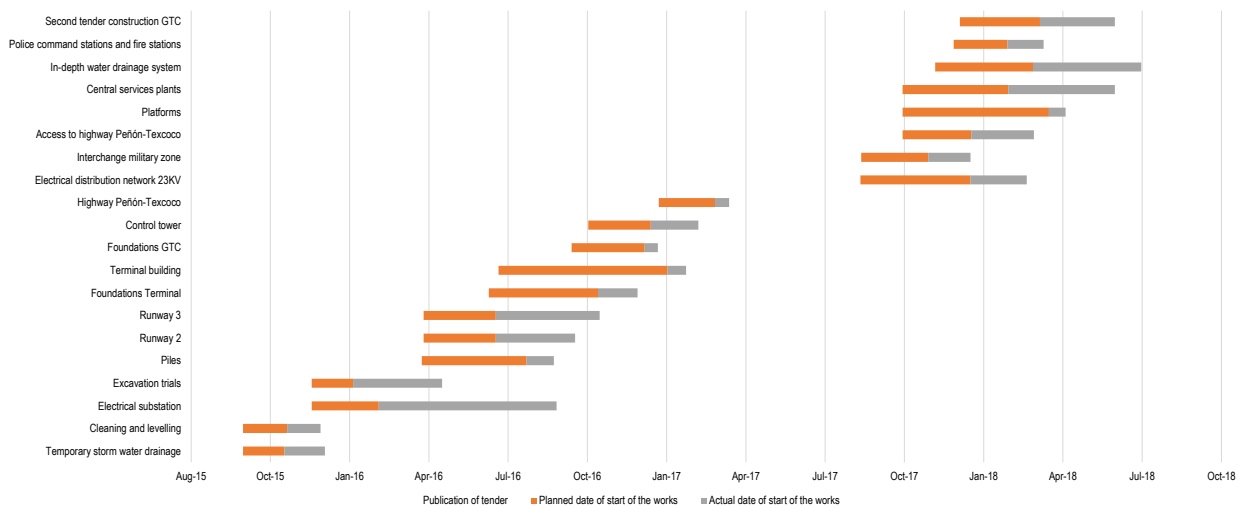
different degree of competition in tenders depending on market structure or complexity while providing comparable results. The package relating to the construction of the terminal building only yielded three offers out of which, however, two were assessed both on technical and economic components. Developing assessment mechanisms based on ratio would therefore better depict GACM's performance in carrying out procurement processes.

This indicator could be further expanded to sub-indicators assessing the effectiveness of competition at the different evaluation stages. These elements would provide additional insights to GACM to further inform future procurement strategies.

Beyond indicators relating to competition, several other aspects of the NAIM development linked to procurement processes and strategies could be further assessed. For example, to assess the maturity of a purchasing organisation, the expediency with which procurement processes are being carried out is often measured (Schiele, 2007^[11]), most notably as it affects the actual delivery of the construction works.

In this sense the analysis undertaken to gather evidence on planned procurement milestones in each package and the actual time necessary to carry out the procurement process could provide insights on planning effectiveness and possible impact on the beginning of the corresponding works (see figure below).

Figure 3.7. Delays in tenders affect construction pace



Source: OECD analysis based on information available in CompraNet.

Analysis suggests that most of the delays are occurring because of the number of questions posed by bidders during clarification meetings held in each package. In response to this issue and following the recommendations included in the second progress report, GACM analysed the typology of the questions to better understand where bidders sought clarifications. Data gathered suggests that the technical components of tender documentation are by far the elements requiring the most additional explanations.

While, by definition, the complexity of a project of this magnitude justifies an important number of technical clarifications, further efforts could be invested in order to reduce the amount of required clarifications. Indeed, throughout tenders some questions are recurrent and could therefore be answered through the creation of a compendium of frequently asked

questions which could be provided to all interested bidders along with the tender documentation, or during the first clarification meeting.

Addressing recurrent interrogations from bidders in a comprehensive way that would positively influence the procurement timeframe by reducing the number of questions and clarifications meetings would require that frequent questions on the administrative and financial dimensions be also covered by such a document. Therefore, GACM could work with SFP to develop a comprehensive account of typical questions posed during clarification meetings which could be answered in a synthetic document.

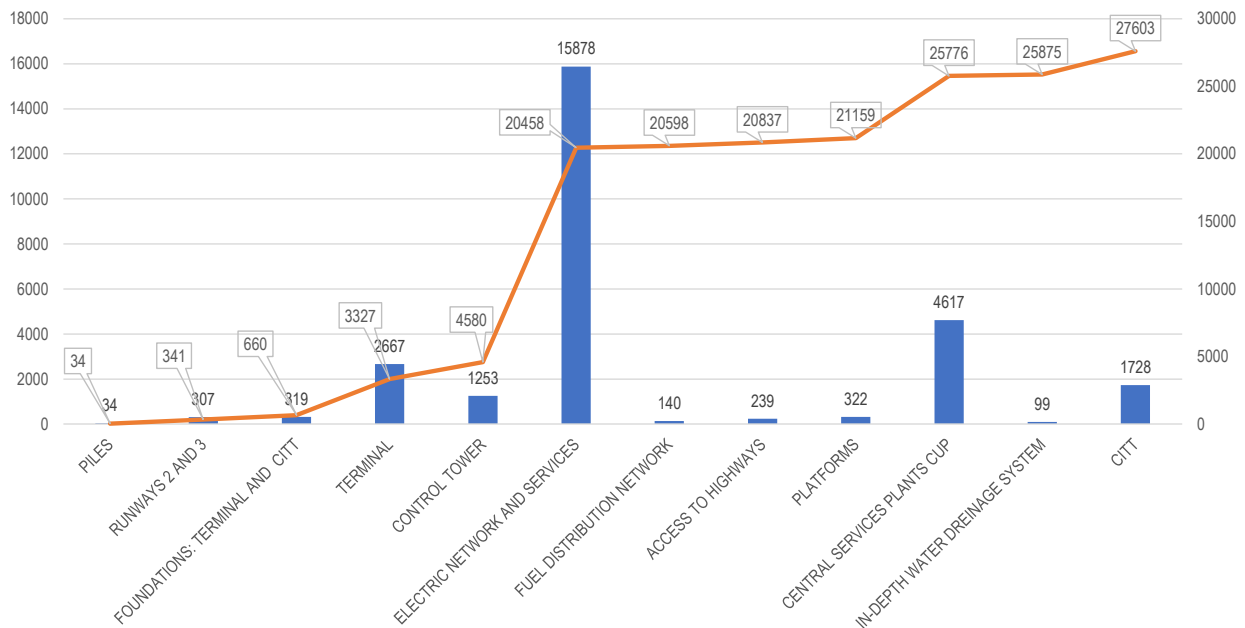
Priority 3: Strengthening pre-tendering activities to ensure effective competition

GACM achieved progress in the implementation of the recommendations supporting this priority area. Thanks to accumulated experience, GACM incrementally increased its knowledge of the national construction market, representing the overwhelming majority of bidders participating in tenders issued to date. However, unexploited opportunities exist to further reduce information asymmetry and to provide better predictability on the level of competition in future tenders.

Progress made

The definition and compulsory nature of market research prior to tendering can be found in Article 2 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 Execution 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 legislative framework and the supporting guidelines primarily aim at leveraging on market research to define the estimated price for the works put to tenders. All previous efforts from GACM also led to reinforcing its ability to correctly define the budget for each package put to tender. Here, accumulated experience gained in previous tenders clearly helped GACM to define more accurate unit prices on which estimates are built. Indeed, to come up with a global reference price which will frame the financial evaluation of proposals, GACM uses a catalogue of items (*Catálogo de Conceptos Maestro*, CCM) which contains all unit prices quoted by awarded bidders in previous tenders and is constantly updated. As shown in the figure below, this information provides for an exponentially rich database.

Figure 3.8. Number of items included in GACM prices database

Source: Information provided by GACM

The above information is used to complete market investigations required prior to putting works to tender and is one of the most important sources to calculate the costs of works and services. The unit responsible for the market investigations further developed in 2018 a specific manual detailing the various steps to be taken when carrying out this exercise. It specifically notes that, beyond financial elements, market investigations should include an assessment of potential bidders' technical capacities.

By doing so, GACM complements the efforts put on the financial aspects by assessing market capacity to respond to the works put to tender. Considering the sequencing and the scale of the project, it is however necessary to go beyond a general understanding of the market structure. Indeed, one noticeable feature of the tenders relating to the construction of the NAIM is that companies and consortia competing are often the same from one tender to the other.

This mere fact calls for a dynamic assessment of market capacities which would take into account major conclusions drawn from previous tenders, including the assessment of bids received.

Areas for improvement

Sustaining competition in the construction of the NAIM as it progresses over time is fundamental to the effective delivery of the project. Indeed, considering the amount of human and financial resources necessary to carry out the different construction works, available resources tend to decrease over time.

This situation is further exacerbated by the LOPSRM given that some provisions impose in tenders minimum national content that offers need to provide. This reduces, de facto, the pool of suppliers capable of meeting the needs expressed in the tenders. Last, the consequences of the decision to suspend tenders for the construction of the NAIM will

generate additional tensions on the market when the procurement processes resume. Therefore, thorough market analyses will continue to play a decisive role in the timely and effective performance of future procurement processes.

The fact that companies competing in tenders issued by GACM form a relatively stable group due to the size and scale of the project could provide opportunities to generate increased knowledge about market capacities. It could also help to design procurement strategies favouring the participation of new bidders.

To do so, GACM could first further develop the analysis of technical capacities in the market by systematically using technical information retrieved from previous tenders. For example, in market analyses relating to supervision services, GACM could make greater use of past information. It can assess the state of competition in similar previous tenders to identify companies which have responded and those having qualified for both technical and financial assessments. Further, GACM could use past information on those companies not having provided the required administrative and legal documentation or those disqualified because of insufficient financial capacities.

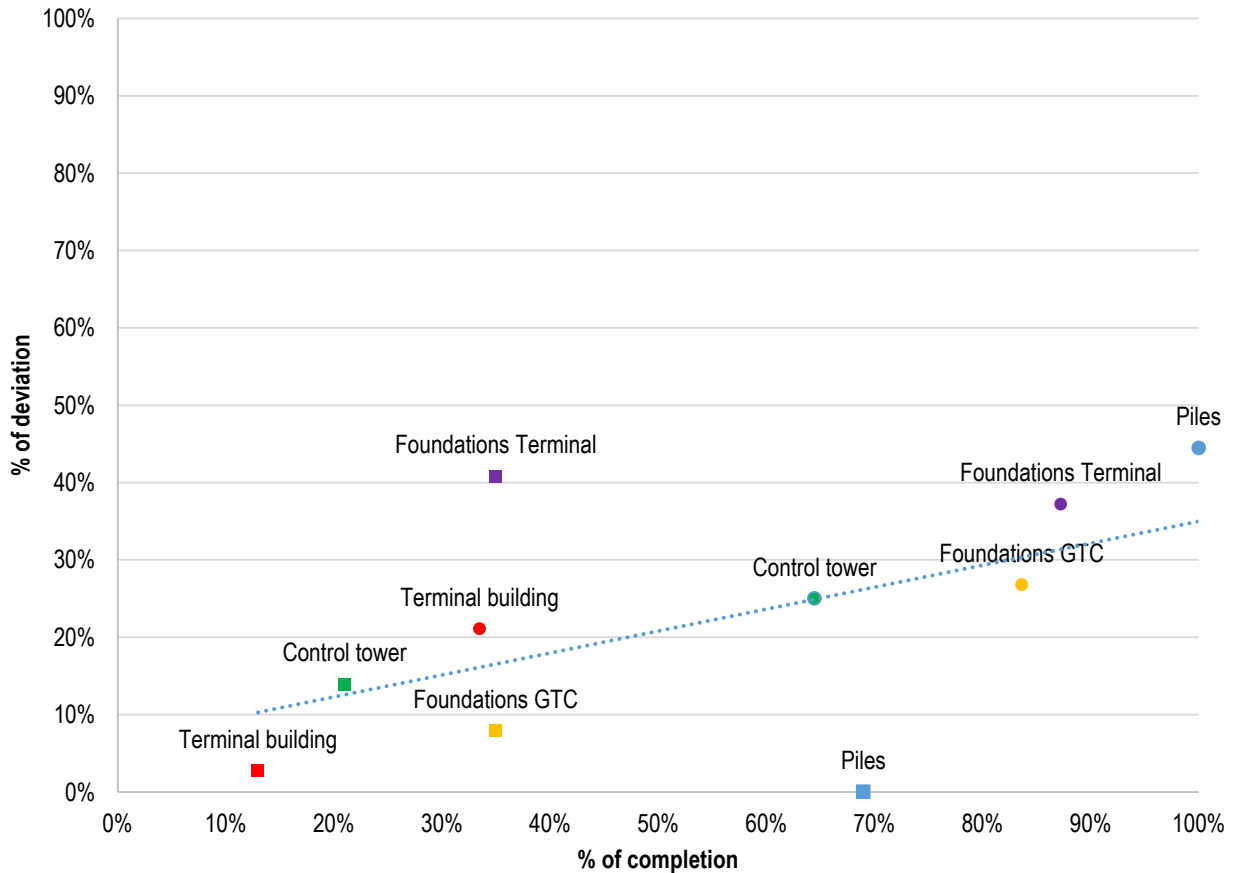
These efforts could help GACM improve the number of companies identified during the market investigation phase which effectively participate to the tender. For example, in the market investigation relating to the supervision of the works for the central utility plant, GACM identified 16 potential bidders while only three were among the 37 companies forming the 12 consortia having responded.

After the tender is awarded, GACM could also contact companies identified during the market analysis which have not responded to the call for tender to better understand whether the needs put to tender were aligned with their capacities. To this end, a questionnaire could be developed and sent to all identified potential bidders. As discussed before, these efforts could prove particularly relevant considering the increased market contraction implied by resources already mobilised in the project.

Priority 4: Re-engineering contract management processes and strategies

GACM realised substantial progress in implementing recommendations supporting this priority area. It developed tools and processes providing greater visibility on contract execution. However, the structure of GACM's supply base, along with increased exposure to risks of delays, call for additional efforts.

Robust contract execution is a key factor for the successful delivery of infrastructure projects. This holds particularly true in the case of NAIM, which is facing increasing delays in some of the most important construction packages (see figure below).

Figure 3.9. Evolution of deviations according to completion stage

Note: The square markers indicate completion stage in August 2017. The round markers indicate completion stage in August 2018

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

One can indeed see that, apart from the foundations of the terminal building, all other works are experiencing an increase in the deviations from the contractually agreed timeframe for completion of the works. As an example, while the construction of the terminal building was in August 2017 estimated to be completed by the end of November 2020, it is now foreseen to be built by mid-August 2021. While some of these deviations are related to the expansion of works, the delays call for a reinvigorated contract management strategy

Progress made

GACM undertook a complete review of its structure and procedures for managing contracts. Now, responsibility for contract management activities within GACM lies with technical units. Three units are concentrating most of the tasks relative to the management of construction works: the Corporate Directorate for Construction Landside (*Dirección Corporativa de Construcción Lado Tierra*), the Corporate Directorate for Construction Airside (*Dirección Corporativa de Construcción Lado Aire*) and the Technical Corporate Directorate (*Dirección Corporativa Técnica*). Those units integrate public officials who are given according to the Mexican legislative framework a prominent role in contract management (*Residente de Obras*).

In addition to institutionalised roles foreseen by the Law on Public Works such as the *Residente de Obras*, GACM receives support from external experts on contract management activities, known as supervisors. They are selected based on their expertise and experience in the subject matter and usually following a competitive process.

The balance between internal and external resources is heavily in favour of outsourced experts considering constraints affecting GACM. More generally, the allocation of resources across the procurement cycle evidences less attention given to the post-award phase as depicted in the table below.

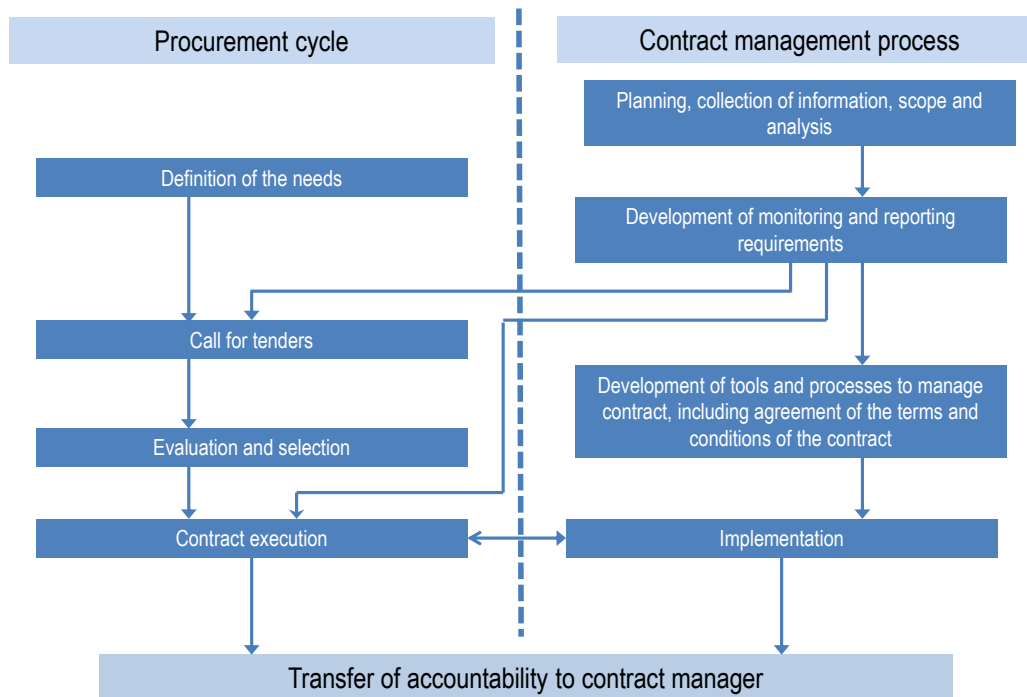
Table 3.6. Participation of stakeholders during a typical procurement cycle

	Pre-award	Award	Post-award
Corporate Directorates for Construction (Airside and Landside)		X	X
Technical Corporate Directorate	X		
Sub-Directorate for Tender Processes	X	X	
Sub-Committee for Tender Review	X		
Parsons*	X	X	X
Legal consultants	X	X	
Works supervisors (<i>Residentes de obra</i>)			X
External supervisors			X

Note: Parsons is the project manager of the airport. Other units or departments are sometimes involved across the cycle of specific procurement processes.

Source: Information based on the workshop held on 3-4 April 2018 in Mexico City.

The table above shows a clear separation of roles between the pre-award and award stages and the contract execution phase. In fact, only Parsons, the project manager, is typically involved in all phases. Yet, reaping the most benefits from contract and supplier relationship management requires to ground strategies in the design of the tender. Indeed, a number of parameters allowing for the implementation of strategic contract management need to be factored in tender design as shown in the figure below.

Figure 3.10. Development of contract management strategies

Source: (OECD, 2018^[5]).

As the figure above shows, strategic contract management requires to define mechanisms and reporting requirements which would be integrated in tender documents and will form the basis on which suppliers will also be assessed based on their capabilities to adhere to reporting requirements. Indeed, one critical element of contract management which is often overlooked is the alignment between client's expectations and suppliers' capabilities.

This holds particularly true in the NAIM project since major information inputs relating to contract execution should be provided by contractors. In fact, information which is integrated into the software allowing for detailed tracking of contract execution and progress using the Building Information Modeling (BIM) methodology is provided by individual suppliers in a compatible format.

This information is critical to assess real-time progress of the construction of the NAIM. It allows the control of works from the early stages of design, to operation and maintenance, emphasising the construction stage where materials and resources used can be quantified and assessed against the estimated construction timeframe. Capabilities of suppliers therefore need to be aligned with those reporting requirements. To do so, GACM, along with the company responsible for the management of the software implementing the BIM methodology in the project, developed a manual for suppliers detailing those reporting requirements and standard operating procedures to provide the required information.

To support the implementation of the BIM methodology, the Centre for Integration, Training and Operation of the BIM (*Centro de Integración, Capacitación y Operación del BIM*, CICOB) was created. It constitutes a collaborative working platform conveying designers, constructors, project managers, *residentes de obra* and all stakeholders involved. The Centre is aiming at creating a unique and centralised platform that facilitates decision

making by contributing to the detection of deviations, design or planning errors and to the mitigation of possible implications in the execution of the project.

To further strengthen contractual compliance GACM deployed in April 2017 another IT system (SEDP) covering the payment cycle of estimates submitted by suppliers during contract execution. This tool helps GACM to ensure that payments are made according to physical progress of the works and that the main stakeholders validate claims submitted by suppliers before payments are made by the Finance Corporate Directorate. It provides GACM with greater visibility and accountability of the payment cycle.

In addition to reinforcing the technological environment supporting contract execution, GACM started to devote efforts to identify the members of its supply chain. Based on previous recommendations from the OECD, GACM looked at its supply base and not only listed first-tier contractors but also identified sub-contractors which provide critical inputs necessary for the effective delivery of the NAIM. This exercise provided GACM with supporting evidence on the interrelated nature of many of its contractual arrangements, as shown in Table 3.7 below.

Table 3.7. Identification of suppliers in NAIM

Number of contracts assessed	29
Number of contractors	90
Number of subcontractors	217
Subcontractors participating in more than one contract	+19
Subcontractors providing critical inputs	+10

Source: Information provided by GACM

The above efforts clearly evidence transformational changes within GACM when developing a contract management framework. However, to cope with existing budget constraints, GACM's portfolio of suppliers and risks of delays, other critical factors remain to be addressed.

Areas for improvement

Major construction works awarded and currently ongoing are carried out by a number of suppliers, mostly national companies, often grouped into consortia. While consortia provide GACM with the opportunity to combine specific expertise required to perform complex operations, they also lead to an increased likelihood of having the same companies allocated to different packages given the size of the project and the local experience required.

When analysing in details the composition of the consortia and suppliers which have been awarded the major construction packages until August 2018, evidence suggests that some companies are involved in more than 20% of the construction works awarded and sometimes in works representing almost 80% of the total budget committed. In addition, as shown in Table 3.7 above, almost 20 subcontractors are contributing to the execution of more than one contract. However, contract management activities now only involve the leading supplier of the consortia and seldomly other first tier contractors. In addition, those activities remain largely focused on contractual compliance.

To move from compliance management to supplier relationship management a holistic view of contract execution is necessary. However, in GACM, three different units have currently similar and central responsibilities relating to contract management, yet they

should co-ordinate better by applying homogeneous procedures. In addition, those units very rarely contribute to the pre-tendering phase where contract management strategies are to be defined. Indeed, international experience shows that articulated contract management activities in all stages of the procurement cycle bring tangible immediate benefits such as reduced change orders or legal disputes (Runar Stalsberg, 2018_[12]).

As discussed previously, a number of suppliers are contributing to multiple streams of construction works; therefore a shift from contractual compliance to supplier performance cannot be achieved if GACM's current organisational structure is not complemented by transversal and co-ordinated strategies.

This could start with the establishment of a working group on contract management comprised of one representative from each of the three units currently responsible for those activities. This collective initiative could inform the definition of structured contract management strategies applied across GACM's supply base. This working group could also be further integrated in pre-tendering activities and notably in the development of requirements put to tender.

However, to allocate available resources efficiently and manage risks effectively, not all suppliers can be subject to the same contract management strategies. Indeed, suppliers' relative importance to GACM in terms of risks and business value warrants for tailored contract management strategies as shown in the below figure.

Figure 3.11. Suppliers' segmentation



Source: adapted from (Runar Stalsberg, 2018_[12]).

This effort could first build on a structured segmentation of the supply base according to criteria based on GACM's values and objectives. This exercise can be supported by longstanding literature on supplier segmentation (Kraljic, 1983_[13]), (Friis Olsen Lisa

Ellram, 1997^[14]) and comparable international experience. Against this backdrop, GACM could then define specific interactions with suppliers depending on their impact on business risks and value.

This exercise could help defining tailored contract management strategies. Besides defining a framework for interactions with suppliers, this effort would help to mitigate the risks posed by insufficient financial and human resources allocated to contract management. Indeed, each segment of the quadrant would lead to different focus and time from top management to operational management. Suppliers categorised as routine suppliers could only be subject to contractual oversight with operational involvement whereas critical or strategic suppliers would be subject to greater involvement of senior management on both ends with the view to improve performance beyond contractual obligations.

Once detailed contract management strategies have been defined, this working group could ensure that roles and responsibilities of the different stakeholders are aligned with those strategies and adapt them if necessary. As an example, given the central role played by the software tracking progress on the execution of the works and which require in-depth knowledge of BIM standards to be efficiently used, the working group could propose mandatory training for those providing critical inputs into the software.

This working group could also take into account the existing limitations relating to the employment framework for the public officials in charge of contract management in GACM (*Residente de Obras*), and review the support provided by external supervisors.

To do so, GACM could first ensure that supervisors are, in all cases, contracted right after the award of the main contract and before the corresponding construction works start so as to allow for uninterrupted supervision of the works. GACM could also review the tender documentation and requirements for selecting supervisors so awarded bidders have a clear understanding of GACM overall contract management strategy and reporting mechanisms. GACM could finally review the alignment between corresponding budget estimates and the expertise and level of support required from supervisors.

All these targeted efforts would contribute to introduce the required holistic dimension in strategic contract and suppliers' management, while keeping under consideration existing constraints.

Summary of proposals for action for the implementation of the recommendations

Mega projects are prone to changes due to evolving conditions because of their time to completion and of their symbolic feature. Delivering resilient projects therefore requires to strategically adapt procurement frameworks and strategies to cope with this increased complexity. GACM could build on previous endeavours and further develop initiatives which would contribute to reinforce the ability of the project to deliver on its initial promises.

Ensure coordinated decision-making in procurement processes so that the NAIM is comprehensively and effectively delivered:

- Leading the development of transport infrastructure in the country, the SCT could develop with all stakeholders involved in the project, including GACM, a clear and binding roadmap towards the development of surface access links.

- Considering the recent decision to halt procurement processes until technical and public consultations and their potential impact on the construction sequencing and timeline, GACM could use these coordination meetings to provide a general update of the timeline and sequencing of remaining works so that other stakeholders have a clear understanding of impacts on procurement processes they are managing or contributing to.

Maximising competition in GACM tenders and streamlining processes:

- Building on its extensive efforts in assessing the level of competition in packages put to tender, GACM could further develop indicators which would provide additional insights to inform future strategies and also help GACM to better analyse its performance in carrying out tenders.
- To take into account the different nature of the works put to tender and the level of competition, GACM could design indicators of competition based on the ratio of bids subject to comprehensive evaluations versus the number of bids. This indicator, rather than absolute number of qualified bids, would take into account the different degree of competition in tenders depending on market structure or complexity while providing comparable results.
- GACM could expand these competition indicators to gain a better understanding of trends and patterns in its procurement processes according to the different stages of the tendering phase. It could also analyse other dimensions of its procurement performance such as comparing the planned timeframe for carrying out the tendering phase until the start of the works and the effective timeframe. This would complement the analysis already undertaken by GACM on the questions asked during clarification meetings by providing insights on their impact on the timeliness of the processes.
- With the support of SFP, GACM could identify strategies to reduce the amount of required clarifications during its tender processes. A comprehensive account of typical questions posed during clarification meetings could be developed and answers would be provided in a synthetic document shared with all interested bidders along with the tender documentation, or during the first clarification meeting.

Strengthening pre-tendering activities to ensure effective competition:

- GACM could further develop the analysis of technical capacities in the market by systematically using technical information retrieved from previous tenders. It can assess the state of competition in similar previous tenders to identify companies which have responded and those having qualified for both technical and financial assessments.
- GACM could also use past information on those companies not having provided the required administrative and legal documentation or those disqualified because of insufficient financial capacities. This additional effort would provide GACM with a clearer understanding of effective market capacities by identifying companies which are unlikely to meet the needs defined in future similar tenders.
- After the tender is awarded, GACM could also contact companies identified during the market analysis which have not responded to the call for tender to better

understand whether the needs put to tender were aligned with their capacities. To this end, a questionnaire could be developed and sent to all identified potential bidders.

Re-engineering contract management processes and strategies

- With regards to contract management, GACM's current organisational structure could be complemented by transversal and co-ordinated strategies to shift from contractual compliance to supplier performance. This could start with the establishment of a working group on contract management comprised of one representative from each of the three units currently responsible for those activities.
- This collective initiative could inform the definition of structured contract management strategies applied across GACM's supply base. This working group could also be further integrated in pre-tendering activities and notably in the development of requirements put to tender given the impact of contract management strategies in tender design.
- GACM could continue its efforts to review its contract management strategies by building on a structured segmentation of the supply base according to criteria based on its values and objectives. Against this backdrop, GACM could then define specific interactions with suppliers depending on their impact on business risks and value.
- Once detailed contract management strategies have been defined, the working group could ensure that roles and responsibilities of the different stakeholders are aligned with those strategies and adapt them if necessary. Given the central role played by the software tracking progress on the execution of the works, the working group could propose mandatory training for those providing critical inputs into the software.
- Last, GACM could review the engagement process of the outsourced supervisors considering their critical role in efficient contract management and the budget limitations constraining GACM's ability to internalise part of these resources. It could review the requirements for selecting supervisors so awarded bidders have a clear understanding of GACM overall contract management strategy and reporting mechanisms.

3.3. Integrity and transparency

Major infrastructure projects are particularly prone to corruption, conflict of interest and other types of misconduct from both public officials and business partners. This is caused by the highly complex nature of infrastructure projects, the multiple stages of the infrastructure policy cycle, and the large sums of public and private funds at stake. A strategic approach was thus paramount to promote public trust in the project and provide for strong safeguards against the embezzlement, waste and mismanagement of GACM resources.

An additional parameter that can strongly impact public trust is that of transparency and openness over the construction of the airport. Indeed, an infrastructure project will likely get a larger endorsement from the public if they understand the rationale underlying policy or operational decisions, and if they can keep track of the evolution of the project and be aware of how public funds are invested.

With the help of the OECD, GACM has accomplished significant progress in designing and implementing a comprehensive strategy to fight corruption and strengthen integrity in GACM's operations. GACM undertook meaningful actions to establish a culture of integrity, including by implementing tailored protocols for the management of conflicts of interests and disclosures of misconduct, and has delegated related awareness-raising activities about to a newly established ethics unit. GACM also reformed its integrity infrastructure by establishing a risk management committee and appointing a risk management deputy director, widening the role of its OIC and empowering its ethics unit to act as a point of contact on ethical issues. Corruption risk was integrated in GACM's overall risk management strategy, involving both risk management experts and operational staff in the identification of risks and mitigation strategies.

Likewise, GACM has gone a long way in strengthening transparency over GACM's operations and allowing the public to monitor the evolution of the project as well as specific transactions. For instance, GACM has made information about public procurement and the evolution of the project available in a more user-friendly format, hence promoting access to such information for a non-expert audience.

The progress achieved by GACM in relation with integrity and transparency priorities identified by the OECD is divided into three subsections: (1) integrity, (2) risk management and (3) transparency.

Integrity

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

The Second progress report acknowledged the good results in the strengthening of GACM's framework for managing conflict-of-interest following the adoption in June 2017 of an Internal Protocol to prevent, identify and manage conflict-of-interest situations (*Protocolo Interno de GACM para prevenir, identificar y gestionar situaciones de conflictos de intereses*). Building on the protocol, the OECD advised GACM to define an optimal use of the Protocol to enhance the prevention and management of conflicts of interests, along with an implementation strategy. To that end, the OECD provided methodological guidance to improve the content of the internal protocol and develop an action plan with concrete actions to ensure its effective implementation and concrete impact on the behaviour of GACM officials.

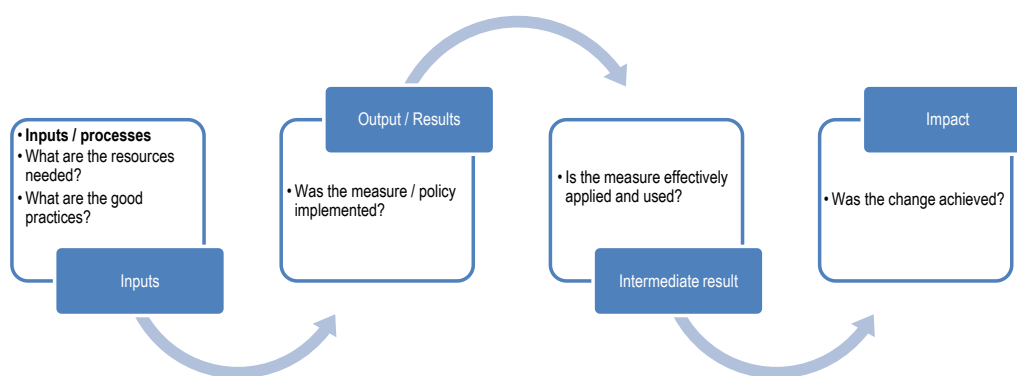
Progress made

Based on OECD recommendations, GACM made several amendments to the Internal Protocol, approved during the first Special Session of the Ethics Committee (*Comité de Ética y Prevención de Conflictos de Interés, CEPCI*) in January 2018. First, the responsibility to monitor the implementation of the Protocol has been delegated to GACM's new Ethics Unit. In addition, a section on administrative misdemeanours and sanctions that may be incurred by public servants of GACM was added in compliance with the new provisions of the new General Law on Administrative Responsibilities (*Ley General de Responsabilidades Administrativas, LGRA*). Finally, a table with four case studies on conflict-of-interest situations that are likely to occur was included in the Protocol. The revised Protocol is available to civil servants through GACM's Intranet page.

Moreover, GACM made significant progress in designing an implementation strategy for the Internal Protocol, with clear objectives and concrete, measurable actions. The OECD

supported GACM in developing an Action Plan through two workshops organised in July 2017 and March 2018. During the first workshop (11-12 July 2017), members from GACM, OECD, SFP and the Specialised Unit in Ethics and Prevention of Conflicts of Interests (*Unidad de Ética, Integridad Pública y Prevención de Conflictos de Interés*) identified four cross-cutting objectives of the Action Plan, which were consolidated during the Second Ordinary session of the CEPCI in 2018. These objectives aim to ensure that (i) GACM public servants (internal and outsourced personnel) are aware of the Internal Protocol; (ii) public servants are able to identify a conflict-of-interest situation; (iii) public servants know the steps to take in case they identify a conflict-of-interest situation and superiors are trained for their management; and (iv) increase confidence and credibility in the institution. The second workshop (14-16 March 2018) served to consolidate these expected impacts and plan, through a change management approach, the intermediate results, resources and specific actions required to achieve the initial objectives.

Figure 3.12. Development of an Action Plan through a change management approach



Source: Cristian Johan Picón Viana, *Support document for the development of an Action Plan for the Internal Protocol of the GACM to prevent, identify and manage conflict-of-interest situations* (2018).

The support document for the Action Plan contains five main components based on the structure of the Protocol and seven strategic goals (Table 3.8). Each of the goals breaks down into a list of objectives with clear outputs and results, actions to implement and a set of indicators for monitoring and evaluation (in total, the plan contains 15 underlying objectives, 46 actions and 74 indicators). In accordance with the federal Ethics Guidelines (*Lineamientos generales para propiciar la integridad y el comportamiento ético en la Administración Pública*), an operational unit was created within the CEPCI (Subcommittee on Conflict of Interest Management Advisory) to implement the actions related to complaints and consultations on alleged cases of conflict of interests.

Table 3.8. Action Plan for the implementation of GACM's Protocol for the Prevention of conflict-of-interest situations

Main themes and strategic goals	
Methods for the identification and management of conflicts of interests	1 Achieve a common understanding as well as clarity of language and concepts on conflict-of-interest situations in the GACM
	2 Generate a climate of trust within the institution to enable the achievement of the objectives of the Protocol
	3 Encourage coherence between the conduct of staff related to GACM and the ethical values and rules of institutional integrity
Risk areas in GACM	4 Develop a risk-mapping system that is consistent with the needs of GACM with regard to targeting efforts on conflict-of-interest matters
Performance of contracts	5 Achieve the timely identification and management of conflict-of-interest situations prior to the award of procurement, construction and employment contracts
Records of interests	6 Ensure that the different formats used for the registration of declarations and records of interests are relevant tools for the implementation of the protocol
Areas responsible for monitoring compliance with the Protocol	7 Ensure that the objectives of the protocol are institutionalised and embraced by the entire organisation, while strengthening the GACM Ethics Unit.

Source: Cristian Johan Picón Viana, *Support document for the development of an Action Plan for the Internal Protocol of the GACM to prevent, identify and manage conflict-of interest situations* (2018).

In order to disseminate the content of the Internal Protocol and meet the objectives of the Action Plan, GACM started to design and implement several communication tools. First, GACM communicated the approval of the Protocol to personnel on its Intranet and through a newsletter sent in July 2017. In April 2018, GACM issued a brochure with core relevant messages (the leaflet defines a conflict-of-interest situation and specifies that it does not necessarily equate to a corrupt practice), as recommended by the OECD. GACM also released, in May 2018, an infographic containing different types of situations and how they can be addressed. Finally, screen savers were launched in July 2018 to remind staff members of resources available and promote a knowledge survey on conflict-of-interest situations. Staff members were invited by email to participate in the survey from 27 July to 6 August 2018, which included a practical case study.

Regarding training activities, 341 personnel members participated in trainings on conflict-of-interest prevention in 2017. As part of its Protocol implementation strategy, GACM aims to develop new innovative trainings and evaluate their impact on the ability to identify and manage conflicts of interests. In April 2018, the OECD and SFP assisted GACM in implementing and testing the effectiveness of a training methodology based on behavioural insights. Conducted by the UEEPCI on 5-16 April 2018, the training focused on the capacity of GACM's employees to identify apparent conflict-of-interest situations. First, the OECD experimental study assessed the impact of integrity trainings on evaluation scores: before and after the training, participants answered a short three-question questionnaire containing practical cases for which they had to decide whether they corresponded to apparent conflict-of-interest situations. Furthermore, the study tested whether a training methodology based on a "values-based" approach led to better results than a "compliance-based" training. Identical in substance, the two trainings differed in the way content was presented to participants in that the rules-based approach focused on applicable standards and compliance mechanisms, whereas a values-based approach seeks to raise awareness on ethics, public sector values and the public interest, with no direct reference to regulations.

The results of the experimental study will allow GACM to further strengthen its training activities on conflict-of-interest situations, in line with the objectives and actions developed

in the draft Action Plan. Indeed, both forms of training were equally effective in improving the ability to identify conflict-of-interest situations, at least in the short term. However, while the study did not demonstrate that either one of the approaches had a more significant impact on the test results, trainers perceived a higher level of participation and a more positive attitude in the treatment groups. These results are consistent with international practices showing that better results were obtained by combining the two approaches in a balanced manner.

Areas for improvement

By strengthening its internal protocol and developing an implementation strategy with concrete objectives and actions, GACM has taken significant steps towards a comprehensive conflict-of-interest management framework. The next steps consist on approving a final Action Plan and strengthening training activities on conflict-of-interest situations to facilitate the understanding of the Protocol, with a view to appropriately managing and mitigating the first potential cases of conflicts of interests.

First, GACM could approve the final version of the Action Plan and establish a timeline for its implementation, with a clear perspective on the roles and responsibilities of the units involved. The Plan should clearly indicate how the 15 objectives and 46 underlying actions will be assigned to responsible actors. In terms of co-ordination, GACM will have to clarify the roles of the new Subcommittee, the Internal Control Body (OIC) and the Ethics Unit. For example, all three entities provide training, awareness raising activities or workshops on conflict-of-interest situations and ethical dilemmas. Thus, avoiding overlaps and ensuring that training methodologies and approaches are aligned will be crucial to maintain the effectiveness of the overall framework. To that end, the objective of the Action Plan to establish appropriate joint strategies for the implementation of the Protocol should remain among priority actions. In the longer term, GACM will need to develop evaluation activities related to the implementation of the Action Plan.

Second, in terms of content, GACM could consider adding more examples to the table of case studies in the Internal Protocol and include these cases to its communication tools such as the brochure. These concrete real-life examples could also be included in a case bank available on GACM's Intranet page, as proposed in the Action Plan, which would allow for regular updates and classification according to different levels, functions and daily tasks of GACM employees.

GACM could also further strengthen its solutions for real conflict-of-interest situations. The previous Progress report noted that these situations can be common in the construction sector (e.g. some employees have worked together previously) and recommended to introduce a requirement for staff members facing these situations to file a declaration to the Ethics committee, coupled with a close supervision of the decisions involved. This option would therefore promote incentives to declare a real conflict-of-interest situation, help avoid impressions of secrecy and reduce the risk of any abuse in favour of particular interests.

Finally, regarding training activities, the proposed Action Plan calls for “*innovative and evaluated trainings*” that include behavioural insights. Based on the results of the OECD pilot study, conflict-of-interest training programmes in GACM could be strengthened along the following:

- First, UEIPPCI and SFP could go beyond sole compliance with applicable standards in its future training activities in GACM, and combine both “*values-*

based” and “*rules-based*” approaches developed with the OECD. Trainings should also incorporate the practical cases developed in the Internal Protocol as a tool to help identify conflicts of interests and act adequately when facing ethical dilemmas, in line with the objectives of the Action Plan. Indeed, experience from UEIPPCI and SFP trainers has shown that despite good intentions, many public servants have difficulties identifying conflict-of-interest situations, although clear regulations are in place. They are often unaware or do not want to see that they are in an apparent conflict-of-interest situation. In the longer term, a next step would be to assess the joint impact of the two approaches; and

- GACM could systematically evaluate participants’ capacity to apply what they have learnt, using questionnaires presenting real-life situations that could or could not be a conflict of interests. The previous progress report noted that the evaluation forms used to evaluate participants did not include these questions, so it remained unclear whether participants were able to correctly identify conflict-of-interest situations.

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

The OECD Second progress report acknowledged GACM’s efforts in making various options available for the reporting of misconduct. The OECD also welcomed the design and implementation of a new protocol and procedure for the disclosure of misconduct, based on a guide drafted by SFP on the protection of whistleblowers. The OECD advised GACM to simplify and harmonise its procedures for the disclosure of misconduct in order to increase certainty about whether an investigation will be launched and protection measures will be granted, with a view to further promoting a culture of openness and trust in GACM.

Progress made

GACM made changes to its code of conduct to better co-ordinate policies for the reporting of misconduct and on integrity more generally, and these will provide greater clarity to those who consider disclosing information in relation with misconduct. The code now expressly provides that GACM employees can report misconduct to either their immediate supervisor, the CEPCI or the OIC. In addition and as recommended by the OECD, the code of conduct has been updated to reference the newly established protection measures for whistleblowers in GACM (further discussed below), as well as the possibility to disclose misconduct externally to the ASF or the anti-corruption platform of the *Sistema Nacional Anticorrupción* (SNA). The glossary of GACM’s code of conduct was strengthened to provide greater precision about which behaviours may be reported through the channels for the reporting of misconduct to the CEPCI. GACM also updated its confidentiality agreements for the protection of the identity of whistleblowers. These agreements, which are signed by CEPCI members, had been repealed when the *Ley General de Responsabilidades Administrativas* (LGRA) came into force.

In addition, GACM achieved meaningful progress to enhance the protection of those who will disclose misconduct, which may have a significant positive impact on trust in the reporting channels. GACM established a protocol for the awarding of protection measures to whistleblowers in ethics and conflict of interest prevention committees (*Protocolo para el otorgamiento de medidas de protección a gestores de integridad a través del comité de ética y de prevención de conflictos de intereses del Grupo Aeroportuario de la Ciudad de*

México). The Protocol has been drawn from a Guide for the protection of whistleblowers developed by SFP.

In line with OECD recommendations, the recently established ethics unit has been made expressly responsible for administering the protocol for awarding whistleblower protection and is designated as an advisory body for GACM staff, contractors or business partners who may consider disclosing misconduct. The Protocol also outlines the importance of a culture of openness and of discussing ethical issues in the workplace, including taking action by engaging with authorities when circumstances warrant. The Protocol encourages whistleblowers to make their disclosure by phone to protect their confidentiality. Moreover, the Protocol provides a list of protection measures that may be available to protect whistleblowers, depending on the circumstances of each case. These measures will stay in force as long as the Chair of CEPCI will deem it appropriate (Table 3.9). This Protocol is a welcomed development going GACM's legal obligations, as the General Law on Administrative Responsibilities (*Ley General de Responsabilidades Administrativas*, LGRA) does not provide concrete measures to avoid reprisals or compensate whistleblowers for potential damages if their identity is eventually disclosed.

Table 3.9. Examples of tailored protection measures that may be granted by GACM

Protective measure	Body that implements the measure	Time of application
The whistleblower cannot be subject to any evaluation for having disclosed misconduct.	President of the CEPCI	
The whistleblower can receive emotional support and advice.	Counsellor assigned to the Harassment Protocol	
The whistleblower receives legal advice on the following topics: - Existing mechanisms to disclose misconduct - Next steps following the disclosure (investigation procedures or administrative liability procedures carried out by the competent authority) - Available support if retaliation is exercised	Representative of the legal unit that provides advice to CEPCI	From the beginning of the receipt of the complaint or request for protection measures, until the situation giving rise to the protection measures is no longer in effect, or until the President of CEPCI determines and ensures that circumstances have changed
The whistleblower may be assigned to another unit within GACM where duties match the professional and academic background	President of CEPCI	

Source: GACM (2018), Protocol for the granting of protection measures to whistleblowers through the Ethics and Conflict of Interest Prevention Committee (CEPCI) of GACM.

The Protocol also provides that GACM will monitor the implementation of the Protocol, and defines a set of indicators that may be used to assess its performance. It also clearly outlines the procedure for disclosing misconduct by phone, and what information may be required from whistleblowers. The confidentiality is guaranteed through the use of database with limited access, regardless of whether the disclosure is eventually substantiated or not.

Areas for improvement

The measures discussed above are a clear indication of GACM's commitment to instil a culture of openness and build trust in its reporting channels. Moving forward, GACM may continue to consider measures recommended by the OECD to build on its recent progress.

For instance, GACM could continue simplifying its protocol for handling disclosures of misconduct, based on recent observations by the OECD and the Government Accountability Project (GAP). The overall purpose of the proposed changes is to decrease the formality of the requirements to qualify as a protected disclosure, which would increase the certainty around whether whistleblowers will be granted protection. Such changes would include that disclosures that have been made to the competent body will be transferred accordingly. The Protocol could also emphasise that all reasonable efforts will be made to verify the information that has been submitted. Amendments to simplify the protocol could also be informed by the technical workshop held in GACM in mid-May 2018 on the management of disclosures of misconduct. Proceeding with these changes would enhance trust and increase consistency with the recently adopted protocol for awarding protection measures to whistleblowers.

In addition, the protocols for handling disclosures of misconduct and for awarding protection measures to whistleblowers only apply to disclosures of misconduct that are done through the ethics unit of the CEPCI. However, according to the LGRA and GACM's code of conduct, misconduct may be disclosed directly to the OIC without going through the ethics unit or the CEPCI. As previously discussed with GACM, equivalent provisions to those included in these protocols should apply to whistleblowers who disclose misconduct directly to GACM's OIC. Consistency of whistleblowing procedures and policies is key to strengthen trust and transparency in the handling of disclosures of misconduct by all competent bodies within GACM.

As mentioned earlier, GACM's protocol for awarding protection measures is a significant step forward in terms of strengthening trust within GACM. To enhance its effectiveness, GACM could consider extending its application to those who report misconduct directly to SFP, to ASF and through the virtual platform of the SNA.

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 last progress report, the OECD commended GACM's efforts in raising awareness about channels for the disclosure of misconduct for GACM staff and external contractors. To strengthen its culture of openness, the OECD advised GACM to further strengthen its tone-at-the-top to highlight the importance of disclosing misconduct in the workplace, and provide specific training to those responsible for handling disclosures of misconduct to ensure their responsiveness.

Progress made

Substantial progress was also accomplished by GACM to strengthen capacities and provide guidance in relation with disclosing misconduct in the workplace. The OECD, in collaboration with the Government Accountability Project (GAP) and GACM, held an expert training intended for GACM staff who are specifically responsible for handling disclosures. This training lasted for a full day and gathered relevant professionals from

GACM's ethics unit, OIC, human resources division as well as senior managers generally responsible for integrity and transparency within GACM.

The various topics addressed during the workshop include interacting with employees under emotional distress; conducting effective preliminary assessments of the merit and validity of disclosures; ensuring consistency in investigations' findings; and preserving the identity of whistleblowers at the time of investigations. The feedback from GACM's staff has been positive and the workshop has strengthened the capacity of the ethics unit and the OIC to effectively deal with disclosures of misconduct. In the future, such training could be replicated by senior staff to new recruits in the OIC or the Ethics Unit.

To strengthen GACM's tone at the top on the importance of disclosing misconduct, a statement from the Director General and corporate directors was published on GACM's website, affirming the organisation's zero tolerance policy on corruption. This statement will also contribute to reinforce employees', contractors' and business partners' trust in GACM's will to take seriously all disclosures of misconduct that are being reported.

Finally, to raise awareness of GACM's staff about its new protocol for the awarding of protection measures to whistleblowers, GACM forwarded a copy of the protocol to each GACM employee.

Areas for improvement

In line with OECD recommendations, GACM has undertaken various activities to raise awareness about the benefits associated with the disclosure of misconduct in the workplace, including through training and advertisement of existing policies. It is important that these activities be conducted on an ongoing basis to ensure GACM's commitment to effectively deal with disclosures of misconduct and to not tolerate reprisals remain alive and present in the mind of GACM's employees and managers.

To further reinforce top management's commitment to a culture of openness on a long-term basis in GACM, the OECD encourages GACM to consider implementing the OECD strategy to strengthen GACM's tone at the top regarding the disclosure of misconduct. This strategy includes a number of specific actions that could be considered by GACM to achieve a number of objectives, including clarifying the leadership's expectations on the disclosure of misconduct, advertising internal capacities to deal effectively with disclosures of misconduct, monitoring and reporting regularly on the implementation of communications channels for reporting misconduct, and strategically addressing resistance to change issues in relation with whistleblowers in the workplace. The implementation of such actions may contribute to encourage GACM employees and contractors to speak out or seek advice on ethical issues. There have not been any disclosures of misconduct in GACM yet.

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

The 2017 Second progress report refers to significant progress by GACM in implementing mandatory training programmes on integrity, public ethics, conflict-of-interest prevention and public procurement. To ensure trainings are effective, the OECD recommended continuing the programmes in various formats (in-person, online) and on a regular basis, while ensuring a robust evaluation system to take stock of the results. The OECD also advised the Ethics Unit to continue raising awareness about integrity values, identify

behaviours to influence and, with OECD support, develop evaluation tools to assess behavioural change.

Progress made

In 2017 and 2018, GACM continued its training programmes on integrity, public ethics, conflict-of-interest prevention and public procurement. In addition to mandatory trainings carried out by the UEIPPCI, online courses on equality, non-discrimination and sexual harassment were offered to GACM employees and outsourced staff by the National Council to Prevent Discrimination (*Consejo Nacional para Prevenir la Discriminación*, CONAPRED) and the National Institute for Women (*Instituto Nacional de las Mujeres*). GACM is also piloting an online ethics training developed by the United Nations Development Programme (UNDP) for the SFP (Table 3.10).

Table 3.10. Training activities provided by GACM in 2017 and 2018

Themes	2017			2018		
	Responsible Unit	Training activities	Total participants	Responsible Unit	Training activities	Total participants
Ethics, Integrity and Conflict-of-Interest prevention	UEIPPCI mandatory trainings	– Ethics and Public Integrity	341*	UNDP	1 online course ("Transparency and Integrity in the Civil Service: Challenges in the fight against corruption")	17
		– Conflict-of-interest prevention	341*		UEIPPCI / OECD	1 workshop on-site ("Importance of the correct identification of apparent conflicts of interests")
		– Protocol of Action in Public Contracting	245* (contracting officers only)			
Equality and non-discrimination	CONAPRED	6 online courses	183	CONAPRED	4 online courses	146
Sexual harassment	X	X	X	Instituto Nacional de las Mujeres	2 online courses	13

Notes: *These numbers include 70 new personnel members trained in October 2017.

Source: Information provided by GACM and available on http://www.aeropuerto.gob.mx/integridad_gacm.php.

The CEPCI continued in 2017 and 2018 the implementation of its Values Campaign through the monthly publication of desktop wallpapers representing a value, constitutional principle or integrity standard established in the GACM Code of Conduct.

In August and September 2017, the public servants and third party employees of GACM elected the new members of the CEPCI (Table 3.11), in compliance with the new organisational structure of GACM and the revised Ethics Guidelines of the Federation (*Lineamientos generales para propiciar la integridad y el comportamiento ético en la Administración Pública*).

Table 3.11. CEPCI composition

Committee Composition	
Chair	Alternate Chair
Executive Secretariat	Alternate Executive Secretariat
Temporary members	
2 Directors (member and alternate member)	2 Deputy Directors (member and alternate member)
2 Managers (member and alternate member)	6 technical analysts (3 members and 3 alternate members)
Advisors	
8 advisors (4 members and 4 alternate members)	3 special advisors (Ethics Guidelines)

Note: Since August 2017, outsourced staff can be elected as advisors.

Source: Information provided by GACM and available at:

http://www.aeropuerto.gob.mx/doc/pdf_programas/Integracion_del_Comite_octubre_2017.pdf

Areas for improvement

GACM should continue its efforts to provide regular training activities for staff and entrust the Ethics Unit with the programme's overall planning and co-ordination. In its Second progress report, the OECD noted that for a training to be effective, it should be sustained in the long-term and cover different aspects of integrity. As of July 2018, only one training on ethics, integrity and conflict-of-interest prevention had been provided by the UEIPPCI for 2018. Some courses could become mandatory for specific categories of public officials (i.e. new comers, directors or high-risk positions) and offered on a yearly basis, in order to evaluate the capacity of staff members to apply what they learn. This is consistent with the objective of the Action Plan on conflict-of-interest situations to carry out periodic assessments on the knowledge level of personnel related to GACM on conflict-of-interest situations, and could therefore be expanded to all areas covered by the training programme.

Furthermore, as recommended for trainings on conflict-of-interest situations, GACM could also strengthen its training methods by combining “*values-based*” and “*rules-based*” approaches. To promote the training programme among internal staff and outsourced personnel, the Ethics Unit could publish a training schedule through GACM's intranet pages and develop internal communication tools encouraging registration. To evaluate the impact of the trainings, the Ethics Unit could set up an online learning environment with questionnaires presenting real-life examples on which personnel would be asked to take position, based on what they have learnt during trainings.

Regarding awareness-raising activities, the Ethics Unit could incorporate its Values Campaign into a comprehensive and sustainable communications strategy. Senior and middle management should be involved in the strategy by using every available opportunity they have to communicate their personal commitment to GACM's ethical standards within their units. This would foster accountability and increase the credibility of the integrity measures. The Ethics Unit could also determine, in accordance with recommendations from the Second progress report, the behaviours it expects to influence (as done for the conflict-of-interest policy) and develop assessment tools to evaluate behavioural change. The OECD recommended, for example, regular staff surveys. To that end, the knowledge survey on conflict-of-interest situations conducted in August 2018 marks a positive contribution. The Ethics Unit could also develop more values-based tools such as climate surveys assessing how employees perceive the ethical climate and the internal integrity culture of GACM.

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

The creation of an Ethics Unit in 2017 marked a significant step forward in clarifying GACM's institutional framework for integrity. Indeed, since the early stages of the NAIM project, the OECD argued in favour of creating a focal point to provide advice and raise awareness on public ethics and integrity. In addition, the improved capacity of the Internal Control Office (*Órgano Interno de Control*, OIC) as an advisory body for GACM management and procurement units further improved the effectiveness and efficiency of the public procurement cycle. Nevertheless, the OECD 2017 Second progress report recommended strengthening the OIC with more personnel and institutionalising the Ethics Unit as an integrity co-ordinator across the different integrity, ethics and anti-corruption functions of GACM.

Progress made

On 27 June 2018, GACM's Board of Directors approved the new functions of the Ethics Unit, which were included in the entity's Organisation Manual. Attached to the Corporate Directorate for Administration, it acts as a focal point for integrity and directs strategies to ensure the implementation of the national anti-corruption policy (*Sistema Nacional Anticorrupción*, SNA) within the GACM. As of August 2018, the Unit is in the process of formalising its functions. Following OECD recommendations, it was given more responsibilities for integrity co-ordination and is taking up the following functions:

- Act as a one-stop shop on integrity, ethics and anti-corruption for all internal and external actors of GACM;
- Promote and implement elements of an integrity, ethics and anti-corruption strategy;
- Act as a point of contact for confidential advice or support within GACM on integrity, ethics and anti-corruption, which would serve as a model at the Federal Public Administration level. As of August 2018, the Ethics Unit has already been approached by GACM employees for advice on these matters;
- Monitor and regularly evaluate the level of implementation of the integrity, ethics and anti-corruption strategy across all areas/personnel;
- Advise the Chief Executive Officer and the Director General of GACM on integrity, ethics and anti-corruption issues.

Regarding the OIC, GACM suggested in its 2018 gap analysis (see section 3.1) to strengthen the audit function of the office with one Deputy Director and 10 additional auditors. This follows the OECD recommendation to reinforce the OIC with new personnel in its investigative and sustentative functions to ensure it can meet demands regarding complaints, reports or requests for reviews of the procurement process and responsibilities. In its Second progress report, the OECD noted that efforts had been taken by SFP to strengthen the operating capacities of the OIC, by separating investigative capacities from administrative responsibilities. This included authorisations for three permanent positions and 17 temporary positions.

Areas for improvement

The approval of the Ethics Unit's terms of reference by the Ministry of Communications and Transport (*Secretaría de Comunicaciones y Transportes, SCT*) and the subsequent integration of the unit in GACM's Organisational Manual further contributed to clarifying its place in GACM's structure and strengthening the coherence of the overall integrity framework. To build on these efforts, future steps include strengthening co-ordination between core integrity actors and designing the integrity, ethics and anti-corruption strategy, supported by an action plan.

First, the Ethics Unit should ensure effective co-ordination with the other components of GACM's integrity framework, for example by establishing an integrity coordination group that would include core integrity and compliance actors (OIC, Ethics Committee, Transparency Unit, Legal Department, Human Resources and risk management areas). The Ethics Unit should also maintain a two-way communication channel with the Director and the Board of directors to ensure it is regularly informed on the management of integrity matters. In addition, GACM will need to determine the specific functions of the Ethics Unit in the implementation of the Internal Protocol on conflict-of-interest management, as specified in Goal 7 of the draft Action Plan for the implementation of the Protocol.

Second, in addition to internal co-ordination, the Ethics Unit should also work in co-operation with the outsourcing and construction companies present in the airport site, when appropriate, to ensure they abide by the same integrity standards that GACM. Some of these companies have their own internal Ethics and/or Compliance Units. The Ethics Unit should therefore identify these units and periodically follow up with them.

Third, to facilitate the implementation of its mandate, the Ethics Unit should design and co-ordinate an anti-corruption and integrity action plan with concrete actions and indicators linked to clear objectives. Roles, responsibilities and timeframes for implementing, co-ordinating and monitoring progress of the different initiatives should also be clearly identified in the action plan. For this purpose, the Ethics Unit could build on what has already been done for its conflict-of-interest framework (Internal Protocol and Action Plan). The identification of behaviours it expects to influence, recommended in Priority #4, will also help to set up strategic goals.

As part of this action plan, the Ethics Unit should invest efforts in implementing value-based initiatives that predisposes GACM's employees to act in ethical ways. Indeed, although regulations and compliance with administrative procedures and rules is essential to build an effective integrity system, they are not sufficient. So far, GACM has over relied on rules-based instruments to the detriment of values-based initiatives.

Finally, the Ethics Unit should ensure that staff members and outsourced personnel are aware that they can seek its advice on ethics and integrity matters. GACM's website could therefore include a dedicated webpage on the Ethics Unit to facilitate understanding of its functions and communicate achievements with both internal and external stakeholders.

For further details on these recommendations, see the OECD's Report on the development of the Ethics Unit of GACM.

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

The Second progress report acknowledged the significant advancements GACM had made on its integrity commitments amongst private sector partners, such as integrating integrity

clauses into all procurement contracts and preparing a draft Integrity Manifesto to ensure coverage of integrity commitments to non-public employees and suppliers. To build on this work, the OECD suggested that following the finalisation of the Integrity Manifesto, GACM consider issuing a flyer with the core messages in a readable and appealing design to facilitate its diffusion across the target populations. Additionally, it called on GACM to consider adding examples of how the various principles, values and rules detailed in the Integrity Manifesto could be applied in practice, as well as clearly identifying who signatories could contact in case of doubts or to seek guidance.

Regarding the MPIE, the Second progress report recognised the efforts of the SFP and GACM to create and implement the Model Business Integrity Programme (*Modelo de Programa de Integridad Empresarial* or MPIE). To advance on implementation, the OECD noted that GACM should continue encouraging companies to apply the MPIE. As well, the report suggested that GACM considers engaging with other industry associations to facilitate implementation of the MPIE within their respective partners. The report also recommended that the SFP determines what the benefits for implementing the MPIE are, including considering GACM's request to award percentage points to suppliers adopting the MPIE when participating in public tenders under the points and percentages assessment method. The SFP was also encouraged to determine whether and how to carry out a certification. The report also noted that SFP could continue encouraging business organisations, such as COPARMEX and CMIC, to promote the adoption of the MPIE amongst its members.

The Second progress report also highlighted GACM's good practice in continuing to include social witnesses in key contracting procedures, and recommended GACM to continue with these efforts.

Progress made

With respect to the Model Business Integrity Programme, GACM has continued to promote it amongst its members. Notably, the CMIC has continued promoting the Model Business Integrity Programme (MPIE) amongst its partners, in particular those members participating in the construction of the airport. CMIC has also called on other core trade union organisations (e.g. the College of Civil Engineers of Mexico; the National Chamber of Consulting Companies; the Academy of Engineering of Mexico; and the College of Architects of Mexico City) to commit to promote the MPIE amongst their members.

The Integrity Manifesto was launched in March 2018 and the most relevant contractors of GACM (e.g. with contracts for a joint value of MXN 115 billion or 87 per cent of the total contracted) signed the Integrity Manifesto of the NAIM.

By signing the Manifesto, these contractors made a commitment to carry out their duties in compliance with the principles, values and rules of integrity, in order to make the NAIM construction site a work centre with zero tolerance to corruption. The signed Integrity Manifestos are available on GACM's website, and information about who to contact in case of doubts or to seek guidance is displayed widely in GACM offices and on the construction site.

Regarding the role of social witnesses, over the course of 2018, GACM has continued to involve them in key procurement procedures, publishing the testimonials on its website.

Areas for improvement

GACM and SFP are encouraged to continue the good practice of engaging with companies and industry associations to facilitate implementation of the MPIE within their respective partners. As noted in the previous progress report, GACM formally consulted the SFP regarding the feasibility of including in the tender evaluations under the heading of “Bidder’s Capacity”, a sub-section that considers whether companies have a MPIE and giving companies specific percentage points in the event a MPIE exists. SFP is in the process of analysing this request and is encouraged to determine what the benefits for the MPIE will be, as well as finalise the decision regarding whether or not certification will take place. GACM’s suggestion regarding the award of percentage points to suppliers with a MPIE in place remains a valid option.

With the launching of the Integrity Manifesto, GACM has remained committed to its efforts to promote a culture of integrity amongst suppliers. GACM could continue advancing in these efforts by encouraging more companies to sign the Manifesto, as well as extend the Manifesto to subcontractors via the main contractors. Moreover, GACM could consider issuing a flyer with the core messages of the Manifesto in a readable and appealing design to facilitate its diffusion and implementation across the target populations. This flyer could be either paper-based or in readable PDF format on the GACM website. GACM may wish to include examples of how the various principles, values and rules could be applied in practice.

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

Risk management*Priority #7: Expand and deepen the procurement risk management strategy*

The OECD’s first review undertaken in 2015 found that GACM’s risk management measures in place were relatively weak: indeed, GACM did not have a risk management strategy, nor did it include corruption as a risk in its mapping exercises. In the years following, GACM has demonstrated a sustained commitment to remedying this, taking a proactive approach to strengthening risk management measures and striving to better mitigate corruption and fraud risks throughout the project. Notably, following the recommendations made by the OECD in the first review and First progress report, GACM has introduced a Comprehensive Risk Management Strategy and improved its risk assessment practices significantly.

In the Second progress report (2018), the OECD recommended that GACM undertake the following:

- Further clarify within policies GACM’s approach and methodologies for managing corruption risks;
- Clarify how GACM defines risk tolerances, in particular those related to corruption risks, and how this concept is incorporated into its risk assessments, and;
- Improve its analysis and application of inherent risks versus residual risks, including clarification in its policies and how this is applied in practice.

Progress made

In response to both previous progress reports, GACM has been proactive in improving its risk assessment practices, including policies and procedures to assess corruption risks. The OECD's First progress report in 2016 recommended that GACM take specific actions to assess the severity, likelihood and consequences of different risks; GACM did indeed introduce measures to enable greater identification of risks, including provisions for these activities in their Comprehensive Risk Management Policy. Following recommendations made in the Second progress report, GACM has made further advances in this regard, in particular by updating the Policy to include an 'Urgency' component. This entails analysing how quickly the risk may materialise, in addition to its severity and likelihood, thus potentially changing the risk score (Figure 3.13). The Policy stipulates that short-term responses (within 10 calendar days) may be developed for critical risks and taken into account within the wider framework and schedule of the project. This modification to the Comprehensive Risk Management Policy provides for more robust risk assessment and mitigation activities.

Figure 3.13. Example of a GACM risk heat map with Severity/Urgency components

	Original Risk Level (Severity)			
	Low	Moderate	High	Critical
Critical	7	4	2	1
High	11	8	5	3
Moderate	14	12	9	6
Low	16	15	13	10

Source: Grupo Aeroportuario de la Ciudad de México (GACM)(2018), Comprehensive Risk Management Policy (*Política de Administración Integral de Riesgos*), version 3.6.

GACM has also taken steps to further define risk tolerances to help in determining risk responses and control activities. According to ISO 31000:2009 on risk management, risk tolerance is defined as an organisation's or stakeholder's readiness to bear a risk after risk treatment, in order to achieve its objectives. This should not be confused with risk appetite, which denotes the desired level of risk that an entity will accept in pursuit of its mission. GACM has updated its Comprehensive Risk Management Policy to define risk tolerance related to various risks, including corruption risks, and provides information on how risk tolerance should be determined. The Policy refers to the use of a risk matrix or heat map to represent risk tolerance levels.

With regards to risk assessments, in response to the OECD's recommendations, GACM has updated how the probability and impact of risks should be evaluated and categorised in the Comprehensive Risk Management Policy. Specifically, the Policy differentiates between operational/contract-level risks, i.e. those that are likely to occur as a result of internal activities or procedures of GACM, and programme-level risks associated with GACM, which may affect the achievement of the project's objectives. This differentiation allows GACM to further prioritise risks, determine appropriate resource allocation and interlinkages between risks.

Since the previous progress report, GACM has taken into consideration another recommendation made by the OECD regarding inherent and residual risk: GACM now includes definitions of both in its Comprehensive Risk Management Policy, which reflect definitions from international standards, as well as step-by-step guidance on what activities should be undertaken to determine inherent and residual risks. By doing so, GACM aims to clarify the difference between both types of risk, thus enabling better risk identification and mitigation. GACM acknowledges that control activities cannot eliminate risks entirely, and that by comparing inherent and residual risks, it can better determine whether the response action was effective, and what further action may need to be taken, if any. In addition, GACM has included provisions relating to secondary risks in the updated Policy, namely a definition and how they should be analysed and managed.

As described in the OECD's previous progress report, GACM's risk assessments primarily rely on internal questionnaires for periodically collecting information and perceptions about corruption and fraud. GACM has taken initial steps to employ alternative methodologies for assessing risks, including data analytics, with the support of the OECD. This included a workshop in June 2018 on risk management and data analytics, as well as technical meetings with the OECD and international experts. Improving the collection, organisation and analysis of GACM's procurement data can complement existing risk assessments, particularly the use of indicators to identify corruption risks across the procurement cycle.

Areas for improvement

GACM could continue to improve its implementation of risk management activities to ensure that risks are effectively managed across the procurement cycle, particularly fraud and corruption risks. GACM's current efforts to assess and manage corruption risks place a heavy emphasis on the contract phase of the procurement cycle. To ensure a holistic approach, GACM could take further steps to systematically assess and control for corruption risks in all phases of the procurement cycle, particularly risks related to contract management phases involving *Residentes*, suppliers and sub-contractors. Better use of existing databases and improved data collection could aid in this effort. GACM has many sources of information on public works and is currently taking steps to systematise information, with a focus on tracking performance data and identifying red flags.

Further systematisation of the collection, storing and use of data could help to advance risk assessments, and adopting data analytics could serve as a complement to GACM's current perception-based methodologies. At present, various data systems such as PGPI-RISK, SCOP, SIGA and SEDP have not been fully integrated, and proper implementation of these systems will allow for sharing of information on risks between entities in relation to different processes. In addition, with OECD support and guidance, GACM could work to develop a clear methodology on data management and define its strategic objectives for using data to enhance fraud and corruption risk mitigation. GACM could also envision refining corruption and fraud indicators utilising existing data and risk dashboards.

GACM has made many positive developments to improve its Comprehensive Risk Management Policy, but this is a "living document" in need of periodic updates to reflect standards and evolving good practices. For example, GACM has updated the Comprehensive Risk Management Policy to include provisions regarding risk tolerance, yet the Policy refers to risk tolerance and risk appetite interchangeably. GACM could ensure that the Policy differentiates between risk tolerance and risk appetite, clearly

outlining the differences in definition and in practice. In the future, GACM may also update its policies to reflect data-driven risk assessments as use of such methodologies improve.

Priority #8: Take ownership over key risk management activities

Since 2016, the OECD recommended that GACM takes ownership over key risk management activities to ensure that they are institutionalised, monitored and improved. This involves internalising the corruption risk mapping and mitigation strategies, which were developed previously by private sector consultants, as well as appointing dedicated staff in charge of the risk management function. In the Second progress report (2018), the OECD recommended the following:

- With OECD support, continue improving awareness-raising efforts;
- Improve its risk management strategy by linking corruption risk management to strategic business objectives;
- Provide additional trainings to build capacity for risk identification and recognising red flags, as well as highlighting successful cases of corruption prevention and lessons learned.

Progress made

The OECD's previous observations and recommendations highlighted for GACM to clarify risk management responsibilities. In response, GACM appointed a Deputy Director to lead risk management activities and risk co-ordinators (*enlaces*). Moreover, as noted in the last progress report, GACM unified two committees into a single Risk Committee in December 2017, allowing for greater integration of risk management practices and activities. These concrete structural changes show GACM's responsiveness to this priority area and commitment to risk management.

As part of taking a holistic approach to enhancing risk management practices, GACM has made a continued effort to engage and consult relevant stakeholders to ensure effective assessment and responses to identified risks. For example, if an identified risk affects various actors or departments, GACM has developed policies and procedures to address the risk in a co-ordinated manner. Furthermore, if a risk is deemed critical and requires immediate attention or joint action following an assessment, said risk is put before the Risk Committee where they are evaluated by members and proposals for action are put forward. Furthermore, GACM's Risk Inventory identifies and records the respective risk owners. These activities have evolved over time within GACM, and they demonstrate an evolution in how GACM has strategically developed the infrastructure, with clear roles and responsibilities vertically and horizontally, for managing risks.

Alongside enhancing its Comprehensive Risk Management Policy, GACM has taken steps to raise awareness about corruption and fraud risks, and how they can be mitigated. For example, GACM has developed a training plan for risk co-ordinators and other staff, which aims to enhance understanding of the importance of risk management and build capacity of employees with risk management responsibilities. In addition, GACM made explicit reference in the Comprehensive Risk Management Policy to the negative reputational impact associated with particular risks, as well as how they may affect public perceptions.

Areas for improvement

GACM could take steps to further improve its culture of risk management to ensure that corruption and fraud risk management practices are embedded in processes, and that individuals consider such activities as part of their daily roles. As noted, GACM has successfully established a risk management structure and strategy, as well as introducing effective risk management practices. Yet, key stakeholders throughout the procurement cycle, such as suppliers and works supervisors (*Residentes*), could be engaged more to ensure that the ownership of risks extends to the highest risk areas and contract management phases. This is particularly important when managing corruption risks, as this area poses ongoing risks to GACM after the tendering phase. By continuing to engage and receive feedback from stakeholders, as well as providing guidance on their responsibilities regarding risk management, GACM can ensure that corruption and fraud risks are more easily identified and mitigated in the future.

In addition, GACM could continue to advance a communications strategy to raise the importance of corruption risks, whilst linking risk management to its strategic objectives. By doing so, GACM could better align performance and risk management, and manage expectations of risk governance. For instance, GACM could take steps to integrate risk management lessons learned into communications and refine risk performance metrics to reflect changes in strategic objectives, risk appetite and tolerance. As part of this effort, it is important for GACM's risk management to differentiate between internal and external corruption risks, and to co-ordinate with relevant stakeholders accordingly. GACM's risk management team has already begun to co-ordinate with the Ethics Unit on internal integrity issues, which is an important step. However, internal corruption risks can reflect different schemes than fraud and corruption schemes found across the procurement cycle, which can involve external actors and therefore different activities to prevent and detect risks.

Transparency***Priority 9: Continue strengthening resources, structure and capacities***

The Second progress report acknowledged the substantial efforts GACM had made in regards to increasing transparency, highlighting GACM's status of being the first entity at the federal level to open information on its contracting procedures under the Open Contracting Data Standard (OCDS). The Second progress report also acknowledged ongoing efforts to build the technical and human capacity of the organisation on transparency, but recommended that GACM continue focusing its efforts to strengthen resources, structure and capacity on open contracting and access to information.

Progress made

The submission of access to information requests continued throughout 2018, with 404 requests made as of September 2018. Of the 404 requests submitted, 31 appeals (*recursos de revisión*) were made (see Table 3.12 for a full overview). As demonstrated by the overview of access for information requests since 2014 in section 2, there has been a visible increase in line with the development of the project itself across its different stages: planning, bidding, awarding, contracting and execution of contracts.

Table 3.12. INAI decision on appeal requests (as of September 2018)

Year	Appeal requests	% of appealed requests	Scope of resolutions	Meaning of resolution
2018	31	7.7	5 confirmed	Confirmed: the original answer is correct
			4 modified	Modified: the original answer is partially correct
			17 superseded	Superseded: the supplemented original answer is correct
			2 revoked	The original answer is not correct
			1 discarded/rejected	INAI dismissed the application for review
			2 in process	

Source: Information provided by GACM.

GACM responded to the OECD recommendation to enhance the human resources of the transparency unit, expanding the staff to reach twelve members, specialised on transparency and open data.

Areas for improvement

GACM advances on handling access to information requests are to be commended, and should continue responding to such requests and appeals in an efficient and complete manner. As well, GACM is encouraged to continue building its human resource capacity as required, to support GACM's efforts to remain a leader in open contracting in Mexico. Moreover, GACM is encouraged to continue increasing its use of IT tools to organise information and facilitate its management.

Priority #10: Continue enhancing transparency of procurement activities

During the period under review in the Second progress report, the OECD commended GACM for the extensive progress made on improving the transparency of its procurement activities, both in terms of providing information on GACM and information related to contracts. For example, a significant amount of information, ranging from GACM's structure to testimonies from social witnesses and details on all contracts published to date (321 at the time), was organised in a coherent and easily-accessible way on the website. A number of visual indicators were added, detailing for example the type of tendering procedure used, and the breakdown of contracts by company name and contract duration. Moreover, a new data visual enabled the user to see financial and physical progress of 17 works projects (representing about 90 per cent of the total amount contracted).

However, the Second progress report also identified several recommendations to enhance open contracting efforts. These recommendations included selecting key indicators to feed into an automated procedure that would enable an overall visualisation of the project, with an emphasis on the operational and budget progress of the entire NAIM project.

The Second progress report also suggested that GACM make the annual procurement plans available in a user-friendly format to enable user access, to update the procurement plans throughout the year and to provide information on what is planned to be procured in the future in a user-friendly format.

Progress made

GACM continued to make considerable advances in improving the transparency of the project, making it a pioneer in Mexico in terms of contracting transparency. As noted in section 2, in March 2018 GACM updated its systems from the OCDS version 1 to the new version of OCDS 1.1 (which was introduced by OCP in 2017), and carried out the necessary IT changes to ensure that future publications aligned with the new version. In June 2018, the OCP Helpdesk provided GACM with an evaluation report, recognising GACM's progress in migrating to OCDS 1.1. and identifying minor technical areas where GACM could improve. These areas included identifying description fields that were no longer used as a result of the migration from version 1.0 to 1.1., and using the OCDS prefix assigned to the Federal Public Administration (APF) instead of the GACM specific prefix.

To strengthen open data and enhance clarity over technical procurement definitions in GACM, the *Open Contracting Disclosure Policy* was published on the GACM web page (Focused Transparency and Contracts section, Contracts section) and the Open Data Portal in June 2018. The policy sets out how data and documents from all stages of the NAIM public procurement cycle are made available to the public on the following websites:

- the Government of Mexico Open Data Portal <https://datos.gob.mx/>;
- the GACM Open Contracting Graphic Viewer <https://datos.gob.mx/nuevoaeropuerto/>; and
- the GACM website <http://www.aeropuerto.gob.mx/contratos.php>.

In particular, the policy details how the data and documents are available in accessible online form and in open formats so that they can be used, reused and redistributed by any interested party, following the OCDS 1.1 publication model. The policy is comprehensive and describes the scope of the publications, the cases of use and the scope of the data under OCDS 1.1., the frequency for updating the data and iterations carried out, as well as a glossary of concepts related to contracting procedures and open data formats (JSON, Excel, CSV and PDF formats). The policy also provides details on the publication license under the OCDS and reference information on the standard, as well as the regulatory framework for contracting and open data. Users can find information related to the individuals responsible for publication within GACM.

Furthermore, GACM included a Global Indicator of Physical Progress of the Project, which illustrates the physical progress of the project as a whole (see Figure 3.14). Additionally, GACM publishes the calculation methodology for the indicator, describing which factors are taken into account to determine the overall advance of the project. The webpage also contains an explanation of the typical behaviour of an infrastructure mega project during the various phases, to give users further information on what to expect in terms of progress.

Figure 3.14. Global Indicator of Physical Progress of the Project



Source: GACM website, (Gob.mx, 2018^[15]).

Areas for improvement

The physical advance indicator, along with the calculation methodology and overview of the typical progress of a mega infrastructure project, is a welcome addition. To further clarify the progress of the project, GACM could consider adding an indicator that measures the actual physical and financial progress of the project against the projected timelines and budget.

GACM could also consider making the annual procurement plans available in a user-friendly format, such as an Excel file, to enable user access. Moreover, GACM could update the procurement plans throughout the year, to reflect changes and/or delays.

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

During the reporting period of the Second progress report, the OECD acknowledged the progress of GACM in establishing and publishing guidelines in plain language and moving towards the more proactive publication of data. In particular, it highlighted the advances made on the key websites to provide a one-stop shop for explaining what each website displayed on open contracting. To further enhance user access, the Second progress report recommended that GACM considers including a short definition of each of the procurement processes used, placing these definitions on the government's data portal and on the GACM website. Moreover, the OECD recommended that GACM adds clear explanations about the most common exceptions to public bidding. The OECD also suggested that GACM provides a brief description about each type of format (JSON, PDF, and XLSX) on its website.

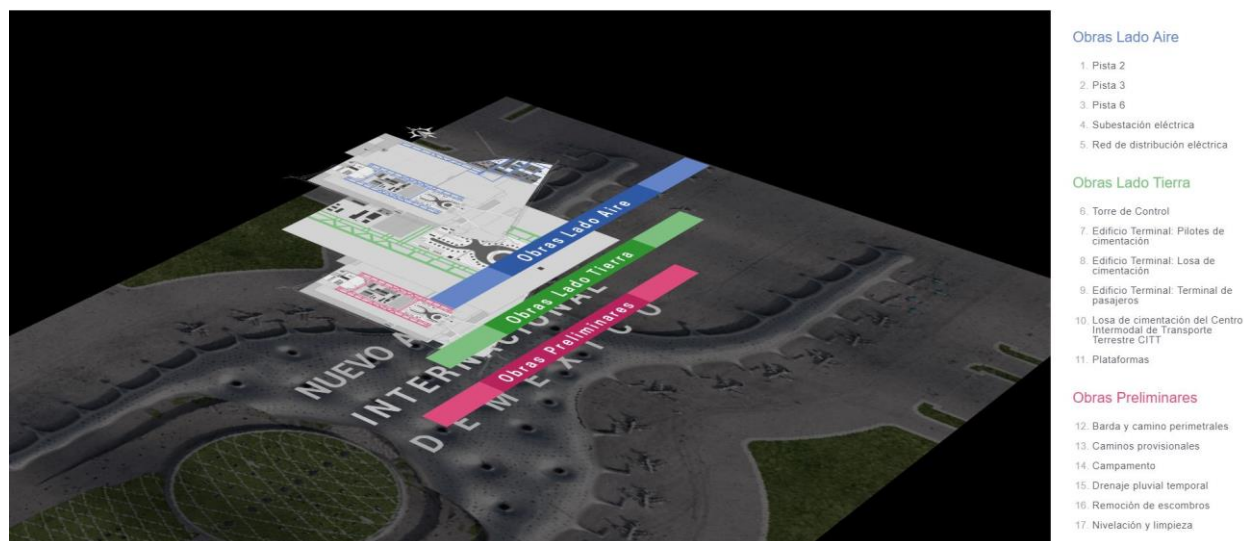
Finally, the Second progress report suggested that GACM takes advantage of technologies and field supervisions to report progress in real-time on the website.

Progress made

In addition to the publication of the *Open Contracting Disclosure Policy*, which now provides information about the type of formats used, GACM developed a user-friendly and informative interactive map of the NAIM (see Figure 3.15). The map identifies the 17 main works with a total value of MXN 132 263 million. The aim of this interactive map is to

provide the public with interesting information on the progress and status of the project through a friendly and easy-to-navigate tool. The interactive map contains information on the progress and status of NAIM works, technical data related to contracts, PDF documents derived from the contracting cycle, Building Information Modelling (BIM) visualisations, videos and photographs, and specialised information in open and reusable formats (JSON).

Figure 3.15. Interactive map interface of the new international airport of Mexico



Source: GACM website, (GACM, 2018^[16]).

Furthermore, GACM has implemented measures to ensure that its transparency actions respond to the requests and needs of citizens. From 26 June to 27 September 2018, GACM carried out a survey on the digital participation portal of the Government of Mexico. The aim of the survey is to gain feedback from citizens to enhance access to information measures and ensure that the navigation and visualisation of the website is as user-friendly and intuitive as possible. As noted in section 3.1, GACM established a multi-stakeholder group, the Dialogue for Open Information on the New Airport (*Diálogo por la Información Abierta del Nuevo Aeropuerto*, DIANA) that serves as a space to evaluate, improve and strengthen the transparency in contracting for the NAIM.

Areas for improvement

The interactive map is a welcome and innovative tool. It is easy to use, engaging and helps users to deepen their understanding of the airport project. To ensure that it responds to users' needs for timely and up-to-date information, GACM is encouraged to continue making regular updates when new information becomes available. GACM could continue exploring avenues to enable real-time updates on the financial and physical progress of the airport.

GACM's efforts to engage the public opinion on the contents of the open data is welcome. GACM should continue this good practice and incorporate the findings of the survey and the results of the DIANA discussions into future updates and tools.

Summary of recommendations

Conflict of interest

- GACM could build on its recent progress towards an effective implementation of its conflict of interest protocol by providing increased guidance to GACM staff on the practical implications arising from the protocol and refining conflict of interest mitigation measures. To do so, GACM may consider the following:
 - GACM could approve the final version of the Action Plan and establish a timeline for its implementation, with a clear perspective on the roles and responsibilities of the entities involved.
 - To facilitate understanding of conflict of interest issues, GACM could consider adding more examples to the table of case studies in the Internal Protocol and include these cases to its communication materials.
 - GACM could broaden its available options to mitigate real or perceived conflict-of-interest situations, including by strengthening oversight over relevant decisions and individuals.
 - GACM could strengthen its conflict-of-interest (and other integrity-related) training programmes by systematically evaluating participants' capacity to apply what they have learnt, using questionnaires presenting real-life situations that could or could not be a conflict of interests.
- UEIPPCI and SFP could go beyond sole compliance with applicable standards in its future training activities in GACM, and combine both “*values-based*” and “*rules-based*” approaches developed with the OECD.

Whistleblower protection

- GACM could continue simplifying its protocols for the disclosure of misconduct and the protection of whistleblowers, ensure ongoing awareness-raising and training activities and promote a consistent application of relevant standards to all internal and external disclosures of misconduct. To do so, GACM could consider:
 - Simplifying its protocol for handling disclosures of misconduct, based on recent observations by the OECD and the Government Accountability Project (GAP).
 - Ensure that equivalent provisions to those included in the protocols for handling disclosures of misconduct and for awarding protection measures to whistleblowers should apply to whistleblowers who disclose misconduct directly to GACM's OIC.
 - Consider extending the application of the protocol for the awarding of protection measures to whistleblowers to individuals who report misconduct directly to SFP, to ASF and through the virtual platform of the SNA.
 - Conducting training activities on an ongoing basis to ensure GACM's commitment to effectively deal with disclosures of misconduct and to not tolerate reprisals remains alive and present in the mind of GACM's employees and managers.

- Consider implementing the strategy provided by the OECD to strengthen GACM's tone at the top regarding the disclosure of misconduct.

Internal control body and ethics unit

- GACM could continue strengthening the co-ordination between core integrity actors and with a view to designing a comprehensive strategy supported by an effective action plan. To do so, GACM could consider the following:
 - Establishing an integrity co-ordination group that would include core integrity and compliance actors (OIC, Ethics Committee, Transparency Unit, Legal Department, Human Resources and Risk Management areas).
 - Maintaining a two-way communication channel with the General Director and the Board of directors to ensure it is regularly informed about the management of integrity matters.
 - Determine the specific functions of the Ethics Unit in the implementation of the Internal Protocol on conflict-of-interest management, as specified in goal 7 of the draft Action Plan for the implementation of the Protocol.
 - Design and co-ordinate an anti-corruption and integrity action plan with concrete actions and indicators linked to clear objectives.
 - Increase awareness of staff members and outsourced personnel of the possibility to seek ethical advice from the Ethics Unit, including by posting on GACM's website a dedicated webpage on the Ethics Unit to facilitate understanding of its role and functions.
- GACM could entrust the Ethics Unit with the responsibility to provide regular training activities for staff and, under the supervision of the Corporate Directorate for Administration and the Board of Directors, with the programme's overall planning and co-ordination. To begin with, the Ethics Unit could undertake the following:
 - For planning purposes, determine the behaviours it expects to influence (as done for the conflict-of-interest policy) and develop assessment tools to evaluate behavioural change.
 - Publish a training schedule through GACM's intranet pages and develop internal communication tools encouraging registration.
 - Incorporate its Values Campaign into a comprehensive and sustainable communications strategy.

Private sector and civil society

- GACM could continue its efforts to engage with businesses and civil society to enhance the achievement of its overall integrity and transparency objectives, including by considering undertaking the following:
 - Enhance the implementation of MPIE by business partners, including by taking into account the implementation of an MPIE in bid evaluations and promoting the certification of MPIEs.
 - Encourage more companies to sign the Manifesto, as well as extend the Manifesto to subcontractors via the main contractors.

- Issuing a flyer with the core messages of the Manifesto in a readable and appealing design to facilitate its diffusion and implementation across the target populations, including practical examples of how rules and standards are applied.
- Continue the good practice of involving social witnesses in key procurement procedures.

Risk management

- GACM could further promote an optimal use of the data generated by the risk management and internal control systems, as well as further raise awareness about the importance of effective risk management to achieve common goals and objectives, including by undertaking the following:
 - develop a clear methodology on data management and define strategic objectives for using data to enhance fraud and corruption risk mitigation.
 - refining corruption and fraud indicators utilising existing data and risk dashboards.
 - ensure that the risk management policy differentiates between risk tolerance and risk appetite, clearly outlining the differences in definition and in practice.
 - take further steps to improve its culture of risk management to ensure that corruption and fraud risk management practices are embedded in processes, and that individuals consider such activities as part of their daily roles.
 - continue to advance a communications strategy to raise the importance of corruption risks, whilst linking risk management to its strategic objectives.

Transparency

- Building on its significant progress to enhance transparency over the progress and operations associated with the construction of the NAIM, GACM could continue working on simplifying access to and understanding of NAIM contracting and progress data. To do so, GACM could consider undertaking the following:
 - Ensuring adapted human resources capacity in GACM's transparency unit to effectively process access to information requests
 - Consider adding an indicator that measures the actual physical and financial progress of the project against the projected timelines and budget to further clarify progress.
 - Consider making the annual procurement plans available in a user-friendly format, such as an Excel file, to enable user access; and update these plans throughout the year.
 - Continue making regular updates to its interactive map when new information becomes available.
 - Continue exploring avenues to enable real-time updates on the financial and physical progress of the airport.

- Continue public consultations on its open data tools and incorporate related findings, including those arising from surveys and results of the DIANA discussions, into future open data updates and tools.

3.4. Robust communications to strengthen social support for NAIM

NAIM became one of the main issues for discussion during the recent period of the presidential campaign (April-June 2018). This fact implied advantages and disadvantages for the project. On the one side, its supporters advanced arguments based on the benefits the infrastructure will deliver, such as competitiveness, jobs, tourism, and development opportunities for the surrounding communities. On the other hand, those opposed to the project articulated arguments related to issues such as environmental impact, the cost of the project, and the integrity risks.

In the aftermath of the election, it seems as if this heightened discussion motivated the mobilisation of interest groups, particularly those on the opposition side.

As it has been the case from the beginning, the main challenge for the communication strategy of NAIM is to build support around the project and reassure those sceptical groups that NAIM will deliver more benefits than the costs it implies. This challenge remains as some opposition groups believe to have found a window of opportunity to reverse the project.

During 2018, the communication strategy aimed to communicate the benefits of the project and position NAIM as an opportunity for the whole country. For 2019 the strategy still needs to reiterate this message, but in an environment in which a mix of positives and negatives had an important diffusion. Furthermore, the arguments were not always supported on objective evidence, but rather on political and emotional positions.

In this context, the fact that GACM has now a well-established communications unit and a strategy becomes critical to be able to respond to criticism and misleading information. As some of the main opposition groups come from the surrounding communities to the construction site, the communication efforts should devote special attention to this audience, so that the communities can understand how the project will improve their quality of life and the measures taken to mitigate the negative impacts and risks.

Priority #1: Leverage on communications to foster the project's continuity, inform about good practices adopted by GACM, and build social trust

In the Second progress report, OECD pointed out to the challenge for the communications strategy to build social trust in the project. OECD suggested the challenge could be addressed by communicating the benefits of NAIM beyond the direct advantages for travellers. Indeed, there are still groups who question the impact of NAIM on, for example, the environment and the neighbouring communities. In this sense, the challenge is not going away, which calls for sustained communication efforts.

Progress made

The communications strategy and annual programme for 2018 includes two campaigns: Benefits and main achievements. The design of the second one is currently in process, while the first was unfolded during the period 12 February-29 March. The "Benefits" campaign

had three versions: business, sustainability, and exports.¹³ It was displayed in 48 national and state media outlets, including digital, press, radio, TV, and community stations. Likewise, it was displayed through the following media:

- 68 insertions in 15 Mexico City newspapers (those with the widest coverage).
- 53 insertions in 15 newspapers in different states.
- Eight insertions in six magazines with national coverage: *Entrepreneur*, *Expansión*, *Mundo Ejecutivo*, *Relatos e Historias en México*, *TV Notas*, and *TV y Novelas*.
- 76 614 spots in buses.
- 544 TVs in the circuit installed in the facilities of the Mexico City metro, as well as ads in the wagons.
- Ads in the main routes of public transport in Mexico City (50 buses during 28 days).
- Ads in digital media, such as Google and social networks, with 129 310 visits.
- Banners in four Internet news portals (OscarMarioBeteta.com, LaSaga.com, LopezDoriga.com, and DiariodeConfianza.mx).
- 14 spaces in A times and seven in AA in the national channel *CanalOnce*.

In addition to the campaigns, during the period January-June 2018, 16 press statements were issued, out of which 11 dealt with the progress of tender procedures. Likewise, 25 interviews of GACM officials were broadcasted in national TV and radio stations and 53 news reports were posted in TV, radio, press, and digital channels.

Furthermore, on 26 March 2018, a press conference was organised to communicate the progress of the project, the importance of investing in infrastructure, the benefits in terms of jobs, the costs relative to a potential cancellation of the project, and the financing scheme, among other topics. The GACM General Director and the spokesman of the Office of the President participated in this conference.¹⁴

Even though the period of “election silence” obliged GACM to suspend its communication campaigns, NAIM kept its presence in the national discussion as it was a recurring topic for the presidential candidates.¹⁵ Despite this restriction, during the period January-June 2018, GACM accumulated 17 808 impacts in national and regional press, radio, TV, and Internet portals.

Regarding social media, the number of followers of GACM accounts kept growing.

¹³ Campaign materials are available at www.aeropuerto.gob.mx/campana_difusion.php (consulted on 10 August 2018).

¹⁴ The video of the press conference is available here: <https://aristeguinoicias.com/2603/mexico/conferencia-nuevo-aeropuerto-internacional-de-la-cdmx-en-vivo/> and in written format here: <https://www.gob.mx/presidencia/prensa/mensajes-que-ofrecieron-el-licenciado-federico-patino-marquez-director-general-grupo-aeropuerto-de-la-ciudad-de-mexico-y-licenciado?idiom=es> (consulted on 10 August 2018).

¹⁵ The “election silence” is a three-month period previous to elections, in which public institutions are restricted in communicating achievements, works, and programmes, with a notable exception for messages of public interest (i.e., health, civil protection, security, etc.).

Table 3.13. Followers in Facebook, Youtube, Twitter, and Instagram

	October 2017	June 2018	% growth
Facebook	34 760	55 722	60.3
Youtube	2 843	6 790	138.8
Twitter	8 893	16 502	85.6
Instagram	1 079	2 690	149.3

Source: Information provided by GACM.

The GACM webpage (www.aeropuerto.gob.mx) was updated 182 times during the period January-June 2018. During the same period, 206 visits were organised to the construction site with 7 076 participants, mainly from schools, diplomatic missions, government, financial institutions, business chambers, and media.

Areas for improvement

The systematic approach to communications with a formal strategy and professionally designed campaigns is without a doubt an important achievement for GACM. Future campaigns should help to diversify the contents and messages. For example, press statements could be further leveraged to communicate other aspects of NAIM, not only the highlights in the tender procedures (11 of 16 press statements had to do with tenders).

Likewise, the diversity of benefits and achievements of NAIM provide lots of material with topics of interest for the public. For example, transparency has always been a concern of different stakeholders, so GACM could communicate the implementation of the Open Contracting Data Standards to build trust.

GACM could also ask citizens about the main topics of interest to steer its campaigns. For example, GACM could organise focus groups or leverage on the information collected in the survey applied through the website to understand how the concerns and expectations about the project have evolved. In this effort, the perceptions of the communities surrounding the construction site should receive special attention to avoid underestimating the groups opposed to the project.

During the presidential campaign, NAIM was a recurrent topic of discussion but the messages communicated were not always accurate and informed. So, now it is time to measure the effect of these discussions and, if necessary, reverse misperceptions that may have been created. At the end, GACM needs to advance the pride of the Mexican people on this infrastructure that could become a landmark of the country.

Summary of recommendations

- Future communication campaigns should provide a diversity of contents and messages based on the main topics of interest and concerns of the public.
 - a. Press statements could be leveraged to communicate achievements beyond progress in tender procedures. For example, civil society groups have asked GACM to use them to periodically communicate the overall progress of the project.
 - b. GACM could also ask citizens about the main topics of interest and concerns to steer its campaigns, or rely on previous surveys and dialogues with stakeholders.
 - c. Future communication campaigns should also be useful to clarify misunderstandings or plainly false information.

Annex A. Roadmap for the reform of GACM corporate governance

This annex provides an assessment and recommendations on the ownership and governance of the Airport Group of Mexico City (*Grupo Aeroportuario de la Ciudad de México S.A. de C.V.* - GACM), the state-owned company in charge of the development, construction, administration and operation of Mexico's New International Airport (*Nuevo Aeropuerto Internacional de México* - NAIM). With the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (the "SOE Guidelines") as its reference, this annex finds several areas which need to be addressed in priority – many of which stem from the rigidity and complexity of GACM's current legal status as a corporatised parastatal entity:

Key issues

1. **State ownership:** the general lack of ownership policy and co-ordinating body for exercising ownership rights in Mexican SOEs lead to unclear lines of responsibility, which may ultimately result in political interference and excessive interventions by state control bodies. This applies generally to the Mexican state-owned sectors, and particularly to SOEs that are strategically or fiscally important such as GACM.
2. **The board of directors:** GACM's board of directors lacks full operational autonomy to achieve its defined objectives, which in turn can hamper its ability to effectively and efficiently exercise its responsibilities. The legal and regulatory framework applicable to GACM (as a parastatal entity) includes several requirements in terms of board composition and nomination process – which are not conducive to a professional and merit-based board of directors and could potentially lead to conflicts of interest and politisation of the board.
3. **Audit and controls:** while general state audit and other controls are in place, it is important for a company such as GACM to establish an independent internal audit function, reporting directly to the board and management in order to provide independent and objective evaluations of the company. The presence of state auditors and comptrollers cannot substitute for proper control and reporting mechanisms internal to the company, and care should be taken to ensure that the role of external bodies does not become so intrusive that they effectively detract from the corporate autonomy of GACM.
4. **The transition of GACM's role:** GACM is currently in the "building" phase of the new airport but there is no clear long-term perspective on how the company will transition from building the airport to operating it, and in particular how the transition of operations will be carried out between the current airport and the new one. This is a fundamental aspect which, if not dealt with sufficiently in advance, can lead to inefficiencies and losses.

Key recommendations

1. A comprehensive strategy for enhancing GACM's agility and flexibility and generally improving its corporate governance framework should consider both short- and long-term solutions.
2. In the short-term:
 - a. GACM could implement several corporate governance dispositions in its bylaws as it has already done in the past, such as: (i) a more transparent and merit-based nomination process, even for public officials; (ii) apply a broad definition of art.11 of the LFEP which grants management autonomy to parastatal entities; (iii) include more independent directors; (iv) include diversity measures; (v) develop training and evaluation mechanisms for the board, and (vi) set up audit committees. This would require, in addition to regulatory reforms and public policy definitions, an actual willingness by the Ministry of Communication and Transport (Secretaría de Comunicaciones y Transportes, SCT) and other government authorities involved in GACM's ownership to delegate some of the powers they currently hold to GACM's board and management, while also empowering them to effectively handle these delegated powers.
 - b. There is an urgent need to consider what will be the role of GACM as the NAIM project proceeds from the construction phase to the operational phase. The optimal structure and the resourcing of the company depend on this decision.
3. In the long-term:
 - a. A wide-ranging reform of the governance and ownership arrangements of SOEs in Mexico, including amongst other aspects a clear and explicit ownership policy for SOEs, as well as the centralisation of ownership functions and rights within one single entity to ensure a more consistent and professional implementation of the ownership policy. In the meantime, the Mexican government could also simplify and standardise the legal forms under which SOEs operate – especially those which principally pursue commercial objectives.
 - b. In the absence of such a central ownership unit and a formal ownership policy, GACM could be given another legal form more adapted to commonly accepted good practices for a commercial airport operator. This would need to be done through a legislative, and possibly constitutional, reform which could involve (i) giving GACM legal and operational conditions identical to those of a privately owned company in like circumstances; (ii) exceptionally granting GACM a special legal status similar to that of the two State Productive Enterprises, PEMEX and CFE and/or (iii) turning the NAIM project into a Public-Private Partnership and ceding a significant part of its operations to private partners.

Introduction

In 2015, the Mexican Federal Government through the Ministry of Communication and Transport (*Secretaría de Comunicaciones y Transportes* – SCT) granted a 50-year concession to the state-owned GACM to build, develop, operate and manage Mexico's New International Airport – one of the largest public infrastructure projects in Latin America. Since the beginning of the project, GACM has been engaged with the OECD to identify and implement routes for change and improvement, and eventually create the conditions for successful delivery of the NAIM project.

Corporate governance is a key factor for ensuring sustainability and success of such large infrastructure projects, as it helps to keep the project on time and on budget, while also avoiding corruption and mismanagement. In accordance with a 2016 analysis by Deloitte, the 2017/18 OECD Progress Reports on the development of the NAIM found that despite significant improvements in GACM's corporate governance, more needed to be done in order to improve the credibility and effectiveness of the project (OECD, 2018_[17]). Particular areas to be addressed are (i) state ownership; (ii) corporate autonomy; (iii) Board composition and nomination process; (iv) audit and control; (v) transparency and communication, and (vi) the transition of GACM's role and activities throughout the project. All these aspects will be covered in this document and assessed taking as a reference the *OECD Guidelines on Corporate Governance of State-Owned Enterprises* to which all governments of OECD member countries have adhered to. It is however important to mention that the resulting assessment and recommendations made by the OECD Secretariat have not been discussed by member countries of the Working Party on State Ownership and Privatisation Practices.

This document was prepared by the OECD Secretariat based on a variety of primary and secondary sources including the responses by GACM and Mexican authorities to a questionnaire on GACM's ownership and corporate governance arrangements; as well as information gathered during a fact-finding visit to Mexico City on 28-30 May 2018, to consult with key stakeholders from GACM's management and board, relevant ministries in charge of GACM's ownership and control, and members of civil society.

The document is structured as follows: (1) background and context; (2) evaluation of GACM's corporate governance framework based on four priority areas for reform (legal and regulatory framework; ownership framework; functioning of GACM's board of directors, and disclosure and control); and (3) assessment recommendations on GACM's corporate governance framework.

Background and context

Mexico's New International Airport

The project of building a new international airport was announced in 2014, as a response to sustained high passenger growth and increasing saturation of the existing airport, which acts as a strategic point connecting the country internally and with the rest of the world. NAIM is expected to have a passenger capacity of up to 70 million passengers in its initial phase, to be increased to 125 million annually by 2062 (four times the capacity of the current airport). The development of NAIM is planned in two stages; the first phase being the building and opening of the NAIM by October 2020. NAIM's opening will result in the complete closing of the current Benito Juárez International Airport and the immediate transfer of operation to the new airport (Bloomberg, 2017_[18]). In its final phase, the airport will consist of six runways, two main terminals and two satellite terminals.

NAIM has been conceived as one of the world's most sustainable airports – making use of clean and renewable sources of energy and operating with green technologies to promote efficient use of water, ventilation systems and air-conditioning (OECD, 2015_[11]). The project also considers a set of measures dealing with environment, water management and urban development, amongst other aspects. Despite this, the location of the new airport has raised concerns, as it is being constructed on federal lands near former lake Texcoco, which is considered “a stressed ecosystem” (OECD, 2015_[11]). From the government's perspective, however, this was the best alternative – mainly because of its proximity to the city centre.

Grupo Aeroportuario de la Ciudad de México

GACM was established in 1998, following the government's decision to restructure the national airports network, which until then had been largely managed by the state-owned concessionaire *Aeropuertos y Servicios Auxiliares* (ASA). GACM was initially established as a joint-stock company with variable capital (*Sociedad Anónima de Capital Variable - S.A. de C.V*) with the objective to acquire shares, financial interests and stakes in already established companies dedicated to administrating, operating and constructing civilian airports and/or providing auxiliary services (Lamberti and Rothstein, 2017_[19]) – but until 2015, it had not completed any operation and did not have an organisational structure (OECD, 2015_[11]).

The Federal Government is the main shareholder of GACM (holding 99.999% of its shares) with ASA holding 0.001% (OECD, 2015_[11]).¹⁶ ASA currently manages 18 airports and is a primary supplier of jet fuel. GACM itself is the main shareholder (99.9%) of two subsidiary companies:

- International Airport of Mexico City (*Aeropuerto Internacional de la Ciudad de México*, AICM) – in charge of administering the current airport of Mexico City
- Airport Services of Mexico City (*Servicios Aeroportuarios de la Ciudad de México*, SACM) that provides administrative services to related entities.

Both subsidiaries are majority-held SOEs with their own legal personality and resources. They are therefore subject to the same laws and regulations as GACM and publish their information separately.

GACM's organizational structure was designed with the knowledge that as many functions as possible would be outsourced. Since 2015, the building process for the works of NAIM is being carried out through public tenders for works including loading, carriage and construction of temporary access roads to NAIM amongst others. As of April 2018, approximately 85% of the construction cost of the new Airport had been tendered and awarded (GACM, 2018_[20]).

Finance and funding of the NAIM project

The investment required for the construction of the NAIM is estimated at USD 13.3 billion. GACM and the Ministry of Finance have designed a comprehensive financial strategy to guarantee the long-term sustainability of the project. Funding for the project comes from public funds (estimated at 30%) and a combination of bank loans and offering of debt securities (approx. 70%). The company has established a special purpose trust fund, the

¹⁶ In Mexico, the General Law of Mercantile Corporations requires the existence of at least two shareholders to establish a corporation.

Mexico City Airport Trust (acting through the development banking institution *Nacional Financiera* – NAFIN) to execute this financing structure. Part of the private contributions managed by NAFIN also include airport fees (*Tarifa del Uso Aeroportuario* – TUA) generated by the existing airport and future TUA from the NAIM. In September 2016, this trust issued a first series of “green” bonds for a total of 2 billion USD, followed by 4 billion USD in private debt securities in 2017. In fact, bonds which funded the construction are collateralised by the TUA – ensuring that if the project were to be cancelled, bonds would still be honoured.

The Mexico City Airport Trust has also recently used an energy and infrastructure special purpose investment vehicle, the Fibra E, holding an equity interest in GACM in the form of special shares with preferred economic rights, linked to the results of operations of the existing Benito Juárez International Airport and, upon commencement of its operations, the NAIM. Shareholders will have corporate rights in GACM, including the right to appoint two directors in the board, veto rights in important actions of the group and would have preferential access to potential share offerings of the group (El Economista, 2018^[21]). The Mexican government designed the financial plan so that the project is self-sustainable thanks to the airport fees paid by travellers.

Evaluation of GACM corporate governance framework

Legal and regulatory framework of GACM

As an incorporated commercial company, GACM is subject to the General Law of Mercantile Corporations (*Ley General de Sociedades Mercantiles* – LGSM). However, despite its corporate form, GACM governance model is closer to that of a public institution. Indeed, as established by the Mexican Constitution, GACM as a majority state-owned company is considered part of the quasi-state (or parastatal) Federal Public Administration of Mexico.

Quasi-state entities (called *parastatales* in Mexico) are majority or fully owned by the state or other quasi-state entities and operate as private companies, with their own legal personality and assets. They are subject to the general framework applicable to public entities which includes the Federal Law on Parastatal Entities (*Ley Federal de las Entidades Paraestatales* – LFEP) and its Regulation (*Reglamento*), the Organic Law of the Federal Public Administration (*Ley Orgánica de la Administración Pública Federal* – LOAPF), and the Federal Law on Budget and Treasury Responsibility (*Ley Federal de Presupuesto y Responsabilidad Hacendaria* – LFPRH), amongst others.

The LFEP and LFPRH are of particular relevance as the first one regulates the organisation and functioning of quasi-state entities (including requirements on board composition and appointment process) while the LFPRH establishes the authority of sectorial ministries to orient and co-ordinate the planning and budgeting of their respective SOEs. This set of regulations does not, however, differentiate between entities pursuing commercial purposes and more institutional ones (Global Knowledge Sharing Network, 2016^[22]), which in turn results in inefficiencies and rigidities for some commercial SOEs such as GACM.

Despite this, Art. 11 of the LFEP grants GACM and other parastatal entities management autonomy necessary to achieve their purpose and objectives provided they act in accordance with the applicable legislation. Hence, at all times, GACM must comply with the following dispositions:

- The Chair of the board of directors must be the Minister of Communication and Transport, as established by art. 18 of the LFEP.
- More than half of the board of directors must be public officials from the Federal Public Administration or people of acknowledged prestige or high moral standing with experience in the relevant areas of activity of the company, as established by art. 34 of the LFEP.
- GACM must incorporate an Internal Control Body and a Public Commissioner (*Comisario Público*) designated by the Ministry of Public Function (*Secretaría de la Función Pública – SFP*) as established by art. 63 of the LFEP.
- The board of directors must have the following non-delegable attributes: (i) approve programmes and budget of GACM, and amendments (ii) approve the basic structure of GACM and amendments, (iii) authorise the creation of support committees, and (iv) appoint and remove, on proposal of the CEO, corporate directors and assistant-directors.

GACM's bylaws are the main constitutive document of the company (Public Deed no.44, 337, Book 621 of May 1998). They were recently amended by means of the Extraordinary General Assembly's Resolution of March 2018, to implement several changes related to the issuance of the Fibra E investment vehicle. In addition, GACM has also issued several internal rules and guidelines governing its organisation and structure such as a manual for planning, contracting and executing public works or policies on budgeting administrative procedures, amongst others.

This legal complexity and rigidity is not generally consistent with the OECD SOE Guidelines which state that “governments should simplify and standardise the legal forms under which SOEs operate. Their operational practices should follow commonly accepted corporate norms” (Guideline II.A). This is not the case in Mexico, given that SOEs operate under different legal forms and, in many ways, are different from private limited liability companies (i.e. composition and structure of their boards, employment, etc.) - even when corporatised. The SOE Guidelines recommend ensuring that legal limits do not hamper the necessary autonomy of the board in carrying out its duties. However, this situation may improve with government's recent decision to issue criteria for the classification of parastatal entities in accordance to their objectives and activities – between those who serve an institutional role and those who carry out commercial activities, with the objective of establishing distinct mechanisms for their organisation, functioning, control and evaluation.

GACM's ownership framework

Current ownership framework

Mexico has a decentralised ownership model, which means that there is no central ownership agency, as well as limited coordination across government institutions. Instead, a large number of government ministries or other high-level public institutions exercise ownership rights over SOEs. With regards to GACM, the institutions responsible for the ownership function are:

- The Ministry of Communication and Transport (*Secretaría de Comunicaciones y Transportes – SCT*) which, as the head Ministry of the sector is the shareholder representing the Federal Government's share in GACM (99.999%). It is legally in

charge of coordinating budgets and programmes, evaluating results and participating in governing bodies of the entities it administers.

- The Ministry of Finance (*Secretaría de Hacienda y Crédito Público – SHCP*) is focused on maintaining coherence within the Federal Public Administration by issuing general provisions for ministries and public sector entities in relation to budgeting, monitoring and control. As a general rule, all Mexican SOEs must have the presence of the Ministry of Finance on their board (min. one seat).
- The President’s Office (*Presidencia de la República*) is the institution that provides direct support to the President for the performance of his tasks and for the permanent monitoring of public policies and their periodic evaluation, in order to provide elements for decision-making without prejudice to the powers of ministries and entities. Pursuant to the foregoing, any priority decision related to SOEs must be analysed and agreed by the Office of the President with the President and relevant ministries. Its attributions include the definition and evaluation of the Federal Government policy, the appointment of board members or CEOs of SOEs, and the determination of public officials who must exercise the corporate rights of the Federal Government.
- The Ministry of Public Function (*Secretaría de la Función Pública – SFP*) and the Chief Audit Office of Mexico (*Auditoría Superior de la Federación – ASF*) supervise all SOEs regarding audit and control functions. The SFP represents the Presidency, while the ASF is situated within the legislative branch. The SFP exercises control through the presence of an internal control body (*Órgano Interno de Control – OIC*) and a public commissioner (*Comisario Público*) who is appointed and reports to the SFP.
- Other shareholders include ASA (owning 0.001% of GACM) as well as private investors through special redeemable shares which were subscribed by the Mexico City Airport Trust.

The state as an owner: set objectives and communicate expectations

The SOE Guidelines recommend that the state, as an active owner, define and communicate broad mandates and objectives for fully state-owned enterprises, including financial targets, capital structure objectives and risk tolerance levels – and regularly monitor their implementation. In Mexico, broad SOE mandates derive from a National Development Plan (NDP) which states the priorities of the administration for its six-year term, and indirectly defines the role and objectives of SOEs as executors of public policy. There is no ownership policy as such because in Mexico SOEs were historically not perceived as entities designed to develop commercial activities. Rather, their role was to perform strategic activities and provide public and social services aligning them more closely with the direct exercise of ministerial powers.

Notwithstanding the lack of explicit ownership policy, SOEs must comply with the NDP, sectorial policies and authorised spending and financing allocation (generally set by the SCT, SFP and SHCP). Based on this, GACM formulates a short, medium and long-term Institutional Programme. As per Art. 48 of the LFEP, these institutional programmes constitute the assumption of commitments in terms of goals and results to be attained by SOEs. They (i) establish goals and objectives, the expected economic and financial results, as well as the basis for evaluating actions that SOEs carry out; (ii) define strategies and priorities; (iii) forecast and organise resources to achieve them; and (iv) define programmes for the co-ordination of their work, as well as expectations regarding possible modification

to their structures. Both the NDP and the Institutional Programme are published in the Official Journal of the Federation and webpages of relevant sector ministries.

While the state – acting through the SCT – does set financial, operational and non-financial objectives to SOEs, communication could be improved. The SCT has indicated that objectives and expectations are formally communicated in the boardroom (through the Minister of Communication and Transport who chairs the board), however most controversies are resolved through informal and regular meetings with GACM’s CEO and are therefore not immune to political pressure, even when the regulatory framework establishes sector co-ordination attributions for SCT. In fact, most strategic and operational decisions are not taken within GACM’s board as best practice would require, but rather by the SCT and SHCP. This is generally not in line with the SOE Guidelines recommendation for the state to “allow SOEs full operational autonomy to achieve their defined objectives and refrain from intervening in SOE management” (Guidelines II.B). Good practice would require the ownership entity to limit itself to setting objectives and monitoring their implementation, while leaving day-to-day operations to GACM.

Box A A.1. Role of the board at daa plc

Daa plc is a state-owned commercial company owning and operating, two of Ireland’s largest airports in Dublin and Cork. It is 100% owned and administered by the Minister for Public Expenditure and Reform. The Group’s core activity comprises airport management and operation. Daa’s Board is composed of 10 directors appointed by the Minister for Transport, Tourism and Sport with the consent of the Minister for Public Expenditure and Reform. Four of them are, while formally appointed by the shareholder, elected as staff representatives.

According to daa’s bylaws, the Board is provided with regular information, which includes key performance indicators for all aspects of the business. Regular reports and papers are circulated to the directors in preparation for Board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time. Regular management financial reports and information are provided to all directors which enable them to scrutinise the Group’s and management’s performance against agreed objectives.

In turn, the Board is responsible for the proper management and for the long-term success of the Group. It takes all significant strategic decisions and retains full and effective control while allowing management sufficient flexibility to run the business efficiently and effectively within appropriate delegated authority. The Board has reserved a formal schedule of matters for its decision. These matters include the adoption of strategic and business plans, the approval of the annual financial statements and annual operating and capital budget, acquisitions, disposals, and investments in joint ventures, major capital expenditure, property transactions, treasury policy and material contracts.

Other issues reserved for the Board include the oversight of the system of risk management and internal control and the appointment of the CEO. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives and is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution of directors, manages effective communication with the Shareholder and ensures that directors receive accurate, timely and clear information.

Source: (daa plc, 2017_[23]).

The state as an owner: appoint the board

Under the SOE Guidelines, the state’s prime responsibilities include “establishing well-structured, merit-based and transparent board nomination processes in fully or majority-owned SOEs, actively participating in the nomination of all SOEs’ boards and contributing to board diversity” (Guideline II.F). While the Guidelines recognise that when the state is a controlling owner, it is in a unique position - and should indeed exercise its powers - to nominate and elect the board without the consent of other shareholders, it also calls for the nomination of SOE board members to be transparent, clearly structured and based on appraisal of a variety of skills, competencies and experiences required.

In Mexico, the LFEP establishes that board members representing the Federal Public Administration will be designated by the President of the Republic, through the Ministry, head of the sector (SCT in this case). Hence, according to the law, SCT has the power to determine which public bodies should integrate GACM’s board of directors and the profiles of public officials and independent directors integrating the board.¹⁷ The only mandatory requirements are for the board to be constituted, at all times, by more than 50% of public officials, and for the SCT (as the head of the sector) to chair the board. Public officials are directly appointed by the executive power (some of them on an *ex-officio* basis) while independent directors (although selected by the state) are generally elected through the General Shareholders’ Assembly. Although stemming from a legal requirement, the presence of what could be considered “an excessive number of board members from the state administration” could enhance possible conflicts of interest. This is particularly relevant for SOEs engaged in economic activities such as GACM, where limiting board membership by public officials could increase professionalism and help prevent excessive government intervention in SOE management.

Furthermore, as mentioned, the SOE Guidelines recommend nominating all board members through a transparent process to preserve the independence of the board and avoid political interference. There are currently no specific criteria or qualification requirements for selecting GACM’s board members (and their alternate) other than being “a public official or an individual with acknowledged prestige or high moral standing with experience in the relevant areas of activity of the company” as established by art. 34 of the LFEP. This demonstrates that, contrary to what good practice would suggest, the selection process is not transparent nor based on competitive and merit-based procedures. Given the legal rigidities facing GACM, a possibility would be for example to establish a specialised commission or “public board” to oversee nominations in SOE boards, as suggested by the SOE Guidelines. Even though such commissions or public boards might have only recommendation powers, they could have a strong influence in practice on increasing the independence and professionalism of SOE boards.

With regards to boards’ tenure – it is usual practice to have board terms running from two to three years, often renewable at least once, because of the heavy process of recruiting new members, as well as for ensuring that board members develop a certain know-how and expertise during their tenure. A single-year term as it is currently the case at GACM for independent members seems too short for any significant service, and it requires the board to hold elections on an annual basis. In addition to increasing the terms for independent members, GACM’s board would also benefit from implementing staggered elections (i.e.

¹⁷ With the exception of SHCP and SFP whose participation is mandatory in every SOE board.

electing one-third of the independent members each year, for example) to allow for board continuity and avoid politisation (OECD, 2013_[24]).

Box A A.2. Nomination committee at Aéroports de Paris

Aéroports de Paris (Groupe ADP) manages all the civil airports in the Paris area. The company also develops and operates light aircraft aerodromes. The French state owns a 50.6% stake in the company. The Board of Directors currently consists of 17 directors, one of which represents the French state, and six represent employees. The rest is appointed by the Annual General Meeting of Shareholders.

The committee in charge of appointments or nominations

The appointments or nominations committee plays an essential role in shaping the future of the company, as it is in charge of preparing the future membership of leadership bodies. Accordingly, each Board should appoint, from its members, a committee for the appointment or nomination of directors and executive directors, which may or may not be separate from the compensation committee.

This committee is in charge of submitting proposals to the Board after reviewing in detail all of the factors that it is to take into account in its proceedings: desirable balance in the membership of the Board with regard to the make-up of and changes in ownership of the corporation's stock, balance between men and women on the Board, identification and evaluation of potential candidates, desirability of extensions of terms. In particular, it should organise a procedure for the nomination of future independent directors and perform its own review of potential candidates before the latter are approached in any way.

The appointments or nominations committee should design a plan for replacement of executive directors in order to be able to submit to the Board solutions for replacement, in particular in the event of an unforeseeable vacancy. This is one of the committee's main tasks, even though such a task may, if necessary, be entrusted by the Board to an ad-hoc committee. It is usual for the Chairman to be a member of the committee for carrying out this task, but while his or her views should be considered, it is not desirable that he or she should chair this committee, since he or she is not independent.

Source: (Aéroports de Paris, 2014_[25]).

The state as an owner: establish performance evaluations (follow-up)

Another responsibility of the state should be to “set up reporting systems that allow the ownership entity to regularly monitor, audit and assess SOE performance [...]” (Guidelines, II.4). The reporting systems should give the ownership entity a true picture of the SOE’s performance or financial situation which, in turn, should help it make informed decisions on key corporate matters. In Mexico, effective monitoring of SOE performance is exercised through several mechanisms:

- *Through the presence of state representatives within SOE boards:* In the case of GACM, the SCT monitors compliance with the objectives established in the NDP and sectorial and institutional programs, through its participation to the company’s board of directors. On the other hand, the SHCP performs quarterly economic evaluations of income and expenditures according to budget calendars authorised for GACM (art. 110 of the LFPRH) and evaluates the degree of compliance with

objectives and goals based on strategic indicators to verify the application of federal resources.

- *Through the state audit and control system:* The SFP, through the Public Commissioner and its alternate, evaluates the general performance and functioning of GACM, by monitoring the enforcement of legal, regulatory and administrative provisions, as well as by promoting and supervising the establishment of basic management indicators (operational, productive, financial and social impact). The Public Commissioner also issues an opinion on the company's general performance, based on a self-evaluation report made by GACM's management each semester and year.¹⁸ In addition, the Internal Control Body of GACM and the ASF examine and evaluate control systems, mechanisms and procedures in place, carry out reviews and audits, and monitor the management and application of public resources.

There is however, no independent internal audit function as reported by previous OECD progress reports, which could hamper the board's ability to evaluate the company's operations and performance. Furthermore, it might also be appropriate for the SCT to monitor GACM's performance by developing systematic benchmarking with other similar public or private sector entities - both domestically and abroad - as the company does not technically face competition from other airports.

The functioning of GACM's board of directors

Board composition

GACM's board is composed of 12 directors and supplemented by five alternate directors. It is chaired by the Minister of Communication and Transport, who will have a casting vote in the event of a tie. Most members of the board represent the Federal Government and are therefore public officials of the Federal Public Administration. They are mostly representatives of specific units of the SCT (legal affairs, etc.) and other ministries (Ministry of the Interior, Ministry of Tourism, Ministry of the Economy, etc.). The board also integrates four independent directors and will soon include two directors representing investors holding shares with special rights. According to the SHCP, the fact that there are three types of directors helps safeguard the autonomy of the board.

According to art. 11 of GACM's bylaws, the board of directors shall be comprised of a minimum of seven and maximum 17 members – including 25% of independent board members. There is no established definition of 'independence' but GACM's bylaws indicate several situations in which an individual cannot be designated or exercise as independent director, including:

- Relevant directors or employees of the company, or natural persons who have held the positions of external auditor of the company, or moral persons that integrate the corporate group, as well as their respective commissioners. These limitations shall

¹⁸ The opinion will have to be issued in written to the board of directors and contain the following aspects: (i) integration and functioning of the boards of directors; (ii) operational and financial situation of the entity; (iii) Integration of programs and budgets, (iv) compliance with regulation, sectoral and institutional policies, (v) compliance with performance agreements, (vi) content of adequacy of the report, indicating when applicable, potential omissions, and (vii) formulation of appropriate recommendations.

be applicable only to those natural persons that would have served in these positions for the immediate past 12 months prior to the date of designation.

- Natural persons with significant influence on the company or any of the moral persons that integrate the corporate group or consortium to which the company belongs.
- Public servants of the federal, state and/or municipal public administration, deputies and senators of Congress, and shareholders that are part of the controlling group of the company.
- Clients, service providers, suppliers, debtors, creditors, associates, councillors or employees of a company that is a client, service provider, supplier, creditors/debtor of the company.
- Those that have a blood, affinity or civil relationship up to the fourth degree, as well as spouse of any natural persons mentioned in the bullets above.

Following OECD recommendations, three independent directors were integrated in GACM's board on December 2016, and a fourth one joined in December 2017.¹⁹ All of them have relevant professional backgrounds from the private sector, with expertise on project management, public finance, infrastructure, transport, and public administration. GACM's management has expressed positive feedback with regards to the role of these independent directors for enriching the discussions in board meetings and providing more balanced perspectives on key issues. Previous to their incorporation, all members of GACM's Board were public officials; therefore board meetings were more informative in nature.

According to the SOE Guidelines "SOE board composition should allow the exercise of objective and independent judgment. All board members, including any public official, should be nominated based on qualifications and have equivalent legal responsibilities" (Guidelines VII.C). As mentioned before, the appointment process and nomination criteria are not conducive to an entirely specialised and professional board; appointments of board members should be merit-based and further attention should be given to board diversity (i.e. age, gender, professional and educational background, etc.) to allow for the exercise of an objective and independent judgement from the board. This does not imply that public officials should not serve on boards, but their nomination should be based on qualifications and professional experience.

Public officials can receive instructions from their superiors on all matters regarding their competence. However, board members are bound to safeguard the interest of the company and are required by law to excuse themselves from a board meeting when a conflict of interest may occur. Other obligations may derive from the Internal Protocol of GACM which was established recently for managing conflicts of interest. Finally, and in accordance with the OECD Guidelines, the CEO is separate from the Chair. Both are, however, directly accountable to the SCT/State.

¹⁹ Independent board members also participate in GACM's Internal Control and Institutional Development Committee and head the newly formed Ethics and Social Practice Committee.

Box A A.3. Board composition and independence at Avinor AS

Avinor AS is a Norwegian state-owned limited company in charge of operating most of the civil airports in Norway. It is 100% owned by the Norwegian Ministry of Transport and Communications.

The Board is composed of six shareholder-elected members and four representatives elected by and among the employees. The proportion of women among members of the Board is 50 per cent.

The Board Chairman is elected by the General Meeting. All Board members are elected for a term of two years.

The Ministry of Transport and Communications does not have its own Board members, but in accordance with the Norwegian state's principles of good corporate governance all Board members are expected to seek to safeguard the common interests of the company and shareholders. Executive employees are not members of the Group's Board of Directors, and they do not own shares in the company.

Source: (The Avinor Group, n.d.^[26]).

Role of the board

The SOE Guidelines recommend SOE boards to be assigned “a clear mandate and ultimate responsibility for the enterprise’s performance. The role of SOE boards should be clearly defined in legislation, preferably according to company law. The board should be fully accountable to the owners and act in the best interest of the enterprise and treat all shareholders equitably” (Guideline VII.A)

Following art. 58 of the LFEP, GACM’s board of directors has the following non-delegable duties: (i) establish – in line with sectorial policies - general policies and strategic priorities regarding production, productivity, marketing, finance, research, technological development and general management; (ii) approve institutional programmes and budgets of the company as well as its modifications in terms of applicable law [...]; (iii) set and adjust prices of goods and services produced or provided by the company with the exception of those determined through agreement with the Federal Executive; (iv) approve loans for the financing of the company with internal and external credits; (v) approve and authorise the publication of annual financial statements audited by external auditors, following opinion from the Public Commissioner; (vi) approve the organic structure and internal regulation of the entity; (vii) authorise the creation of supporting committees, and (viii) appoint and remove, on the proposal of the CEO, employees of senior management, amongst other aspects.

Furthermore, according to the company bylaws, GACM’s board has the following powers: (i) monitor the management and conduct of the company and related entities, as well as the performance of their directors; (ii) review the operations to be implemented, (iii) follow the company’s main risks; (iv) approve information and communication policies with shareholders as well as with relevant directors; (v) assess new projects, and (vi) vest committees and sub-committees with the powers necessary to the accomplishment of their duties.

In fine, SOE boards should be able to effectively carry out their functions of setting strategy and supervising management, based on broad mandates and objectives set by the

government (Guideline VII.B). Empowering SOE boards figures prominently in the OECD Guidelines – as it allows the board to effectively exercise objective and independent judgement when taking strategic decisions. In that sense, the guidelines posit that, in order to carry out their role, SOE boards should actively formulate or approve, monitor and review corporate strategy. However, as mentioned above, most strategic and operational decisions are not taken within GACM’s board but rather by the SCT and SHCP. In fact, despite positive advancements in the board, board members – including independent directors – still perceive that they do not play a key role in determining core issues of the company. The lack of management autonomy has also been highlighted by board members and management, who have identified some type of resistance from the state in granting more autonomy to the company.

This aspect, coupled with the fact that in practice GACM’s CEO reports to the SCT and not to the board, illustrates a lack of clear separation between the attributions of the SCT and GACM, and eventually weakens the corporate nature of GACM. The need to “increase the degree of vertical separation of powers in GACM’s relationship with the SCT” has been highlighted in several OECD Progress Reports but this remains an issue as, according to legal experts, a higher degree of vertical separation would require legislative reforms to, among others, the LOAPF, the LFEP and its Bylaws, and the Federal Law on Budget and Financial Responsibility and its Bylaws. Under some scenarios (i.e. turning GACM into a State Productive Enterprise, similar to PEMEX or CFE) even a constitutional reform might be necessary” (OECD, 2018^[17]).

This lack of clear separation of attributions can be attributed to the absence of policy ownership by the state. As mentioned by the SOE Guidelines, a clear and consistent ownership policy is a fundamental tool for an active and informed ownership by the state, along with the development of broad mandates and objectives for SOEs. This does not imply that the government should not act as an active owner, but rather that ownership entity’s authority to give direction to the SOE or its board should be limited to strategic issues and public policy objectives. As such, the state should not be involved in operational decision-making and should publicly disclose and specify in which areas and types of decisions the ownership entity is competent to give instructions. Hence, in the absence of legal and constitutional reforms, GACM could benefit from clearly separating the attributions of the SCT and GACM, by attributing all the operational decision-making to the company, while leaving sectorial policies to other government entities.

Another key function of the board is the appointment and dismissal of the CEO. Good practice would at least require consultations with the board, and for CEO appointments to follow transparent professional criteria. In Mexico, most SOE boards do not have the power to appoint or remove CEOs. Instead, they are usually appointed and dismissed by the Executive Power, except in the case of PEMEX and CFE where the CEO can be removed either by the board or the President of the country. In the case of GACM, appointments are made by the Executive, but submitted to the board for its approval.

While responsibilities of the board are well articulated, there are no general rules for fiduciary duties of SOE individual board members. Public officials serving in the board are subject to administrative duties attributed by the General Law on Administrative Responsibilities (*Ley General de Responsabilidades Administrativas* – LGRA) and are therefore not directly subject to civil liability. Since 2017, the LGRA sets forth administrative responsibilities for public officials when committing serious administrative offences, and includes the obligation for public officials to publish three declarations: conflict of interest, taxes and assets.

Independent directors on the other hand are subject to general provisions applicable to the private sector (duty of diligence and of loyalty). According to the OECD Guidelines, there should be no difference between the liabilities of different board members. Hence, the fact that board members are not subject to a harmonised regime of legal responsibility points to potential issues with assigning liability for corporate misconduct.

Furthermore, the Guidelines recommend providing induction and training to SOE boards in order to inform them of their responsibilities and liabilities. Currently, no compulsory or voluntary board training programmes are in place in GACM. The corporate governance reform plan established by Deloitte suggested providing induction support for board members to inform them about their roles and responsibilities; however this proposition has not been implemented.

Box A A.4. Norway's ownership policy

The Norwegian government has published a document expressing its ownership policy in order to communicate overriding expectations to the companies at a strategic level, and provide updated information about the scope, objectives and framework for state ownership. More concretely, it provides information about (i) the government's objectives for state ownership; (ii) requirements of the companies regarding rate of return, dividend, reporting, etc.; (iii) the state's expectations of the companies; (iv) the government's policy on the remuneration of leading personnel; (v) the division of roles in the state administration; (vi) the framework for the state's administration of its ownership; and (vii) the relationship between the board of directors, the management and the shareholders.

The document also classifies SOEs into four groups with different objectives for state ownership: (i) companies with commercial objectives; (ii) companies with commercial objectives and national anchoring of their head office functions; (iii) companies with commercial and other specifically defined objectives; and (iv) companies with sectorial policy objectives.

Under the objectives for the ownership of individual companies figures Avinor AS, the state-owned limited company in charge of operating most of the civil airports in Norway – whose rationale for state ownership is the following:

“The objective of the state's ownership of Avinor AS is to ensure that the public can enjoy safe, environmentally-friendly travel services in all parts of the country. This should be achieved through the further development of existing services and the development of new services which underpin the operation of airports and air navigation services. The company shall fulfil its statutory obligations in a good and cost-efficient manner. The company shall also generate good value creation for the state over time. The government wishes to continue state ownership of Avinor AS, amongst other things, in order to maintain control of strategically important infrastructure and to ensure that resources are shared between airports with disparate earning potentials in an efficient and robust manner”.

Source: (Norwegian Ministry of Trade and Industry, 2008^[27]).

Board committee(s) and other support

It is also considered good practice for SOE boards to set up specialised committees, composed of independent and qualified members to support the full board in performing its functions, particularly in respect to audit, risk management and remunerations. In fact,

the OECD Guidelines posit that establishing board committees can be instrumental in enhancing the efficiency of SOE boards and may also be “effective in changing the board culture and reinforcing its independence and legitimacy in areas where there is a potential conflict of interest, such as with regards to procurement, related-party transactions and remuneration issues” (Guidelines VII.H).

There are a few technical and specialised committees at GACM, but they are not board committees as they do not report to the board and are mostly staffed by corporate management. They have been mainly established pursuant certain laws applicable to all SOEs in Mexico. As a result, GACM has set up several committees, including the following ones:

Table A A.1. GACM's Committees

Committee:	Activities:	Created pursuant to:	Integrated by
Procurement and Related Services Committee (<i>Comité de Adquisiciones, Arrendamientos y Servicios</i>)	Decides on the procedure to follow for public procurement (and grants derogations to open public procurement processes, in accordance with the exceptions provided by art. 41 of the LAASSP) This committee is supported by subcommittees to review tender offers	Law of Acquisitions, Leases and Services of the Public Sector (<i>Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público</i> - LAASSP)	GACM's corporate directorates and legal directorate, and the OIC
Risk Committee (<i>Comité de Riesgo</i>)	Provides recommendations on risk management measures, including on corruption and monitors compliance with risk management policies	GACM's rules of operation	Members from GACM management (representing different directorates) and one representative of Parsons, the Project Manager
Public Works Committee (<i>Comité de Obras Públicas</i>)	Reviews construction programmes and budgets	Law on Public Works and Related Services (<i>Ley de Obras Públicas y Servicios Relacionados con las Mismas</i> – LOPSRM)	GACM's management and legal directorate, and the OIC
Transparency Committee (<i>Comité de Transparencia</i>)	Oversees and coordinates actions and procedures for an efficient management of information requests; instruct competent areas to generate information or to provide explanations when failing to do so	Federal Law on Transparency and Access to Public Information (<i>Ley Federal de Transparencia y Acceso a la Información Pública</i> – LFTAIP)	GACM's transparency Unit, the OIC, a representative of the department of archive and permanent invitees (those that the Committee considers relevant)
Steering Committee (<i>Comité Directivo</i>)	Meets every week to review the financial and physical progress of the project, as well as the status of the procurement processes	GACM's internal rules	GACM management and staff and the Project Manager (Parsons)
Ethics and Conflict of Interest Committee (<i>Comité de Ética y de Prevención de Conflictos de Interés</i> – CEPCI)	Promotes integrity, ethics and prevention of conflicts of interest in the company; creates and disseminates support material such as protocols, questionnaires etc.	General Guidelines for the establishment of permanent actions that ensure the integrity and ethical behaviour of public officials in the performance of their jobs positions or commissions	- 6 temporary members representing each hierarchical level at GACM - 4 advisors representing outsourced employees - 3 advisors representing the legal and Human Resources Departments of GACM, and the OIC
Internal Control and Institutional Development Committee (<i>Comité de Control y Desempeño Institucional</i> – COCODI)	Contributes to the accomplishment of institutional goals and objectives, as well as to the analysis and monitoring of risk administration. It also promotes the establishment of the internal control system	The SFP	The CEO of GACM; representative of the OIC at GACM, and 8 other members including the 4 independent members of the Board of Directors

Source: Questionnaire responses by SHCP

The existence of such committees is valuable as a management tool – and supposedly to provide the state owners with assurance that certain essential tasks are given sufficient attention – but this should not detract from the importance of specialised board committees. These should report directly to the board, contributing to boardroom efficiency by ensuring

that issues of a more “technical” nature are first dealt with by board members with the required expertise and, as the case may be, independence.

Board evaluation

The OECD Guidelines recommend SOE boards to carry out an annual, well-structured evaluation to appraise their performance and efficiency, while also enhancing SOE board professionalism. Board evaluations are instrumental in identifying necessary competencies and board member profiles, while also highlighting the responsibilities of the board and the duties of its members.

There is currently no legal or political mechanism for the evaluation of GACM’s board of directors. In general, there are no top-down evaluations of board efficiency in Mexican SOEs as there are no ownership entities to perform such evaluations. Only PEMEX and CFE conduct annual board evaluations. They are performed by the Commissioner appointed by the Chamber of Deputies from a list of three candidates presented by the Mexican Institute of Financial Executives. The evaluation consists of an assessment of both the company and board’s performance (OECD, 2015^[28]).

The reform plan proposed by Deloitte for GACM suggested setting up evaluation questionnaires for each governing body and its members to assess individual and collective performance. However, this questionnaire has not been implemented so far.

Box A A.5. Evaluation of the board of directors at Aéroports de Paris

ADP's bylaws establish the following:

The Board of Directors should evaluate its ability to meet the expectations of the shareholders that have entrusted authority to it to direct the corporation, by reviewing from time to time its membership, organisation and operation (and a review of the Board's committees).

Accordingly, each Board should think about the desirable balance in its membership and that of the committees created from its members and consider from time to time the adequacy of its organisation and operation for the performance of its tasks.

The evaluation should have three objectives:

- assess the way in which the Board operates;
- check that the important issues are suitably prepared and discussed;
- measure the actual contribution through each director's competence and involvement in discussions.

The evaluation should be performed in the following manner:

- Once a year, the Board should dedicate one of the points on its agenda to a debate concerning its operation;
- There should be a formal evaluation at least once every three years [...].
- The shareholders should be informed each year in the annual report of the evaluations carried out and, if applicable, of any steps taken as a result.

It is recommended that the non-executive directors meet periodically without the executive or "in-house" directors. The internal rules of operation of the Board of Directors must provide for such a meeting once a year, at which time the evaluation of the Chairman's, Chief Executive Officer's and Deputy Chief Executive's respective performance shall be carried out, and the participants shall reflect on the future of the company's executive management.

Source: (Aéroports de Paris, 2014^[25]).

Table A A.2. Board arrangements in selected airport companies

Country	Company name	Corporate form and ownership ²⁰	Main shareholder	Number of board members	Independent board members	Independent audit committee	Nomination/ appointment committees	Board evaluation	Separation CEO/Chair
Mexico	GACM	Fully state-owned – Corporatised	99.999% Mexican state (Ministry of Transport and Communication)	12	4	No	No	No	Yes
France	Aéroports de Paris	Majority state-owned – Corporatised	50.63% State of France	17	21	Audit and Risk Committee	Remuneration, Appointments and Governance Committee	Yes, once a year and every 3 year by a third-party	No
Netherlands	Schiphol Group	Majority state-owned - Corporatised	70% Government of The Netherlands (via Ministry of Finance)	8*	7	Yes	Selection and Appointment Committee	Yes, annually	Yes
Malaysia	Malaysia Airports Holdings Berhad	Partly state-owned – Corporatised	33.2% Malaysian Sovereign Wealth fund	13	5	Yes	Nomination and Remuneration Committee	Yes, once every three years	Yes
Spain	AENA	Majority Public state-owned – Corporatised	51% ENAIRE (state-owned air navigation manager)	15	6	Yes	Appointments and Remuneration Committee	Yes, on an annual basis	No
Ireland	Daa plc	Fully state-owned – Corporatised	100% Government of Ireland	10	5	Audit and Risk Committee	Nomination and Remuneration Committee	Yes	Yes
Iceland	Isavia Ltd.	Fully state-owned – Corporatised	100% State of Iceland	5	5	No	No	Yes	Yes
Norway	Avinor	Fully state-owned – Corporatised	100% Department of Transport of Norway	8	n.d	Yes	No	n.d	Yes
Thailand	Airports of Thailand PCL	Majority state-owned – Corporatised	70% Thai Ministry of Finance	15	11	Yes	Yes	Yes, at least once a year	Yes
Hong Kong	Airport Authority Hong Kong	Statutory corporation	100% Government of Hong Kong	17	12	Yes	Human Resources and Remuneration Committee	n.d	Yes

Note: *The Schiphol Group has a two-tier board (i) a management board, and (ii) a supervisory board. This table provides information for the supervisory board only.
n.d: no data

Source: (Aéroports de Paris, 2014^[25]); (Malaysia Airports Holdings Berhad, 2017^[29]) (4-traders.com, n.d.^[30]); (daa plc, 2017^[23]); (Isavia, n.d.^[31]); (The Avinor Group, n.d.^[26]); (Airports of Thailand Public Company Limited, n.d.^[32]); (Airport Authority Hong Kong, n.d.^[33])

Disclosure and control

Disclosure requirements

According to the SOE Guidelines “SOEs should observe high standards of transparency and be subject to the same high quality accounting, disclosure, compliance and auditing standards as listed companies” (Guideline VI). Transparency regarding financial and non-financial performance is critical for strengthening the accountability of SOE boards and management and for enabling the state to act as an informed owner. Large commercial enterprises such as GACM should, in particular, implement high standards of transparency, as well as audit and disclosure.

In Mexico, there are several provisions requiring entities of the Federal Public Administration to report quarterly on the progress of compliance with performance commitments and indicators, as well as the exercise of their budget and financial behaviour. In addition to these reports, Mexican SOEs must submit information to be included in three national reports:

- Activity Report (*Informe de Labores*) directed to the SHCP for its consolidation in the Annual Report of the Government that the President of the Republic will present to Congress.
- Financial Management Report (*Informe de Gestión Financiera*) in which ministries report to SHCP the use of fiscal resources for their subsequent revision by the ASF and sanction by Congress.
- Report on Results (*Informe de Resultados*) in which ministries and entities report on their progress to the Presidency, relating them to the provisions of the NDP.

This system of reporting is executed under the auspices of each entity’s CEO and with the approval of their board of directors, prior opinion or participation of their internal audit bodies. Additionally, government information is regulated by the rules on public information and transparency and published on the relevant Internet portals. This is done in accordance with the Federal Law on Transparency and Access to Public Information (*Ley Federal de Transparencia y Acceso a la Información Pública – LFTAIP*). The LFTAIP also requires all public entities, including SOEs, to publish specific information about their operations on their websites such as salaries, signed contracts, officials’ directory, programmes and audits. In addition to this, GACM signed a general co-operation agreement with the National Institute of 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 to establish collaborative actions in the area of transparency, access to public information and information privacy (Nuevo Aeropuerto Internacional de México, n.d.^[34]).

GACM publishes information on its website including the company’s concession title, bylaws and Constitutive Act which all provide information on the company’s objectives. The company also publishes financial information (consolidated and unconsolidated financial statements 2016/2017) as well as the Commissioner’s opinion on them. It provides full disclosure of all construction and service contracts that have been signed and the legal documentation involved in the financing (World Economic Forum, 2017^[35]). The ownership and voting structure of the company are also transparent – although the recent introduction of private shareholders (owning special shares) is still in the implementation process.

In addition, GACM publishes the information of its procurement operations following the Open Contracting Data Standard (OCDS) in the open data website of Mexico's government (datos.gob.mx). As of October 2018, GACM had published 461 contracts for an amount of MXN 153 769 million. Indeed, GACM is the leading institution in the Mexican public administration as to the implementation of the OCDS in its procurement activities.

The company does not however report on the selection process of board members, material foreseeable risk factors, and material transactions with the state and other related entities, with the exception of contracts awarded to other public institutions. In Mexico, SOEs are not required to report on transactions with related parties, however, both the LFTAIP and the regulations on inspections and internal control require entities to make contracts with suppliers public, whether with related parties or not. Furthermore, good practice would require GACM to disclose information about its subsidiaries. However, in Mexico there is no special status for subsidiaries (except in the case of State Productive Enterprises) – hence, having different legal personalities, they have to submit their own reports, separately.

Financial reporting standards

All SOEs, and especially large ones such as GACM, should disclose material financial and non-financial information on the enterprise in line with high quality internationally recognised standards of corporate disclosure (Guideline VI.A). In Mexico, there is no obligation to adhere to any international accounting standards for SOEs, except for PEMEX and CFE – as well as no obligation for SOEs to be subject to independent external audits (OECD, 2014_[36]). This does not seem to be the case at GACM however, as the company has indicated that its financial statements are externally audited by approved CPA's firms and presented annually to the board for approval. Art. 59, Section VI of the LFEP establishes that Board of Directors must approve the financial statements audited by the external auditors designated by the SFP.

According to the Guidelines for the designation, control and evaluation of the performance of external auditors (*Lineamientos para la designación, control y evaluación del desempeño de las firmas de auditores externos*), external audits must be carried out in accordance with the Auditing Standards and Procedures (*Normas y Procedimientos de Auditoría*) and Standards to Testify (*Normas para Atestiguar*) issued by the Commission of Audit Standards and Procedures (*Comisión de Normas y Procedimientos de Auditoría*) of the Mexican Institute of Public Accountants, A.C. as well as the technical regulations issued by the SFP's General Directorate of External Auditing, which all seek to apply international standards.

Internal controls

Currently, there are two main entities involved in the auditing and oversight of GACM:

- *The SFP, through the Internal Control Body (OIC) and Public Commissioner:* the OIC is responsible for the monitoring of authorised programs and budgets, as well as for reviewing the internal control system and financial information management. It can (i) receive complains for acts constituting administrative offences of public officials, investigate them and apply sanctions, (ii) verify and investigate on public officials' affidavits and tax declarations, and (iii) carry out revisions and audits, amongst other aspects. The Public Commissioner, on the other hand, is a public official designated by the SFP to monitor, control and assess GACM. It can (i) monitor the enforcement of legal, regulatory and administrative provisions, (ii) participate in GACM's governing body, as a representative of the SFP, (iii) inform

assessments of corruption risks and transparency levels, and (iv) issue an opinion on GACM's general performance, based on self-evaluations.

- *The ASF:* the ASF is Mexico's supreme audit institution. It is in charge of monitoring resources used by all federal public entities and auditing their performance. It has technical and management autonomy and can (i) carry out audits and investigations and (ii) verify works, goods and services procured by audited entities, amongst other aspects. In addition, the ASF has recently signed an agreement with GACM in order to provide preventive recommendations and support to the company on an ongoing basis. This agreement is currently being revised and while the results and implications for ASF are still unclear, it does not prevent ASF from carrying out its legal duties.

Neither the SFP nor ASF report to GACM's board. ASF reports to Congress, while the OICs and the Public Commissioner report to the SFP and the owners of the company. There are currently no board audit committees or their equivalent in place in GACM. There is however, a Risk Committee as well as an Institutional Control and Performance Committee (*Comité de Control y Desempeño Institucional* - COCODI). The Risk Committee (*Comité de Riesgos*) is in charge of (i) taking note and recommend measures in relation with critical, urgent and/or corruption risks; (ii) monitor compliance of risk management policies, as well as of corresponding mitigation measures, and ensure appropriate communication between the various responsible areas of GACM, amongst other aspects.

The COCODI, on the other hand, was established as a requirement from the SFP for all public entities. It is chaired by the CEO of GACM and is composed of independent directors, incumbents of the corporate departments of GACM, and public officials involved in internal control matters. This committee has four main objectives to (i) contribute to the achievement of institutional goals and objectives with a focus on results and improvement of budgetary programmes.; (ii) contribute to the administration of institutional risks; (iii) analyse variations (especially negative ones) in operational, financial, budgetary and administrative results and where applicable, propose agreements with corrective measures to remedy them; (iv) identify and analyse risks and preventive actions in the execution of programmes, budgets and institutional processes.

None of these committees, or even the SFP and ASF's control account for an appropriate substitute to the presence of an independent internal audit mechanism reporting directly to GACM's board, as already highlighted by previous OECD Reviews of the NAIM. In Mexico, only PEMEX, CFE and state-owned development banks have internal audit functions that report to their respective boards of directors. (OECD, 2016_[37]). In the case of GACM, the idea of implementing a separate internal audit mechanism reporting directly to the Board has been discussed but discarded by the state under the argument that it would imply duplication of functions. However, as recommended by the OECD Guidelines, it is necessary for large SOEs to complement other internal audit mechanisms such as those exercised by the SFP and ASF, by putting in place an efficient internal audit system providing independent and objective evaluations to help SOEs improve risk management, control and governance, as well as to ensure an appropriate oversight by senior management. In its absence, the Board will not be able to fully exert the oversight function allocated to it. An independent internal audit is crucial in fostering a climate of trust between the board and executive management, as it allows the board to be assured that any information of irregular practices will be reported to it directly and confidentially (as opposed to the SFP).

On the other hand, and in line with OECD recommendations, GACM has implemented a series of mechanisms to prevent fraud and corruption among which, a System of Institutional Internal Control (*Sistema de Control Interno Institucional – SCII*) – required by the SFP - as a tool to minimise risks, reduce the probability of occurrence of corruption acts and frauds, and integrate information technology to the processes of GACM. The SFP’s SCII integrates several components including the establishment of the COCODI (OECD, 2017^[38]). The SCII is assessed annually by GACM’s public officials, based on the Working Programme for Internal Control (*Programa de Control Interno – PTCI*). Compliance with PTCI’s actions is monitored periodically, through the Quarterly Progress Report, to inform the SCT, OIC and the COCODI.

The Ethics and Conflict of Interest Committee (*Comité de Ética y de Prevención de Conflictos de Intereses - CEPCI*) was established in July 2015 to provide guidance and advice on ethical issues and dilemmas on an ongoing basis. Its most relevant actions have been to (i) amend the Code of Conduct of GACM (as per OECD recommendations) including, amongst others, protective measures for victims and identifying sanctions applicable to non-severe administrative offences (ii) modify the Internal Protocol of GACM to prevent, identify and manage situations of conflicts of interest - specifying potential administrative offences and sanctions applicable to public officials of GACM²² and (iii) introduce the Declaration on Zero Tolerance to Corrupt behaviours – a document which has for objective to raise awareness on corrupt behaviours.

Furthermore, GACM has also established an Ethics Unit, which is responsible for developing policies on conflict of interest and whistleblower protection, as well as for providing hands-on training on ethical dilemmas (OECD, 2018^[17]). As highlighted in the NAIM second progress report: “the Ethics unit is ideally placed to act as an integrity co-ordinator across the different integrity, ethics and anti-corruption functions of GACM”. The Unit counts now with formal terms of reference and has been recently institutionalised within GACM Corporate Directorate for Administration and incorporated in the company’s Organisation Manual. Importantly, the Unit provides training on integrity, public ethics and prevention of conflicts of interest to GACM employees, as well as training on the Protocol to regulate the behaviour of procurement officials. It has also implemented a pilot on online ethics training developed by the United Nations Development Programme (UNDP) for the SFP. The general objective of this training is to promote integrity, transparency and participation as principles of the Mexican public administration to combat corruption.

Furthermore, with the objective of raising awareness in terms of anticorruption, a Manual on the National Anticorruption System for public officials (elaborated by SFP) was published in the intranet of GACM. Other specific measures to prevent corruption in GACM include the presence of warning signs displayed within GACM’s facilities recalling not to engage in corruption activities and providing telephone numbers for reporting. Complaints can be presented directly to the CEPCI and Ethics Unit, the OIC or SIDECA (an electronic platform of SFP to submit complaints via Internet). A policy has been adopted by SFP and piloted in GACM to protect whistleblowers from potential reprisals. Other initiatives include the possibility for citizens to file anonymous complaints by phone or via internet (*denuncia ciudadana*); a campaign to prohibit public officials from receiving gifts or emoluments for the exercise of their functions (*Gracias es suficiente*) and the possibility

²² The Internal Protocol also establishes a Declaration of conflict of interest to be applied to officials, consultants and bidders participating in tender procedures.

for citizens and CSOs to witness procurement procedures and contracting (*testigos sociales*).

All these initiatives are welcomed and in the long-term interest of a company such as GACM as it is particularly subject to political and public pressures. It is thus important for the company to maintain high ethical standards.

Assessments and recommendations

The evaluation of GACM's ownership and corporate governance framework against the OECD Guidelines highlighted several important aspects which, if unchecked, can result in suboptimal outcomes of the NAIM project. These include the following:

- **State ownership:** The general lack of ownership policy and co-ordinating body for exercising ownership rights in the Mexican public sector leads to unclear lines of responsibility and accountability, which may ultimately result in political interference and state excessive intervention in matters or decisions that should be left to the enterprise and its governance bodies. As developed by the SOE Guidelines, corporate governance difficulties arise when the accountability for performance of SOEs involves a complex chain of agents (management, board, ministries etc.) without separating and clearly defining the competencies. An ownership policy should define, amongst other aspects, the overall rationales for state ownership, the state's role in the governance of SOEs and the respective roles and responsibilities of all government entities exercising state ownership. This should, in turn, help build more autonomous supervisory boards. To further clarify the exercise of ownership rights within the state administration, the SOE Guidelines also recommend centralising the exercise of ownership rights in a single ownership entity, or if this is not possible, carried out by a co-ordinating body operating on a whole-of-government basis.
- **Corporate autonomy:** As established in the regulatory framework, the SCT – as the ownership entity – sets implementable objectives for GACM, albeit in a manner that is not free of political motivations. GACM's board of directors has reported two main problems: (i) important and strategic decisions regarding the company are taken by government officials without necessarily sharing them in Board meetings, (ii) SCT does not grant GACM full operational autonomy to achieve its defined objectives, and intervenes in its management. This situation could be explained by the “hybrid” nature of GACM as a corporatised and commercial entity, subject to the limitations generally imposed on institutional bodies. As such, a bad practice in Mexican SOEs calls for the government to take decisions and for the board to act as an “informative body” (which in turn creates frustration among board members, especially independent ones). Granting an adequate autonomy to SOE boards is often perceived as a “loss of influence” by government authorities and will therefore require a change in mentality.
- **Board composition, nomination and role:** the legal and regulatory framework applicable to GACM (as a parastatal entity) includes four major requirements, which could potentially lead to conflicts of interest and result in the politisation of the board: (i) the appointment of board members is executed by the Executive Power – through the SCT without specific criteria with regards to skills or professional background (ii) the board must be composed, at all times, by at least 50% of public officials; (iii) the SCT – as the sector co-ordinator - chairs the board,

and (iv) the chair and CEO are accountable to the SCT and not to the board. Good practice would require for the Chair to be independent, or at least not affiliated to the government. These requirements are not conducive to a professional and merit-based board. The inclusion of four independent board members is a first good step towards the professionalisation of the board, but their nomination should be transparent as well. Another important aspect is that public officials and independent members integrating the board of directors do not have the same liabilities – as public officials are subject to administrative duties set by the LGRA. This could create potential issues with assigning liability for corporate misconduct. There is also no training on board responsibilities.

- **Audit and control:** while general state audit and other controls are in place, it is important for a company such as GACM to establish an independent internal audit function, reporting directly to the board and management. State audit controls such as those provided by SFP and ASF are generally designed to monitor the use of public funds and budget resources, rather than the operations of the SOE as a whole; they should therefore be complemented by an internal audit function to strengthen their own oversight role. Furthermore, external audits should be carried out by private independent auditors, in accordance with internationally recognised standards, and in addition to ASF control. Currently, there is no such obligation for SOEs in Mexico.
- **Transparency and communication:** while GACM has made efforts to implement high standards of transparency and disclosure (especially regarding the contracting process) more needs to be done in terms of communication. In particular, there is still a perception among several stakeholders that GACM does not actively communicate on the physical and financial advancement of the NAIM, which, in turn, generates scepticism and misinformation from citizens, who are often unaware of the availability of certain documents and information. GACM is aware of this concern, however, as it has implemented a working group with key stakeholders to provide feedback on transparency practices, and recently published a Global Progress Indicator and an interactive map on its website to inform on the overall progress of the infrastructure project.
- **Transition:** GACM was given a 50-year concession to build, develop, operate and manage the NAIM. It is currently in the “building” phase of the new airport but its resources are scarce – especially in terms of trained and competent staff. While the project was previously discussed for over 20 years, its implementation started very rapidly and without much clarity or vision on the long-term. In particular, it is unclear how the company will transition from building the airport to operating it. This will necessarily result in a major restructuring of the company’s personnel. For the time being, it is already having an impact on GACM’s organisational structure – as the company has limited ability to hire new staff and relies mostly on outsourcing and the resources of existing airport operation companies. This lack of long-term vision and co-ordination could potentially result in delays, which would be costly in terms of money and public perception. On the other hand, trying to meet the deadline at all costs could also harm the quality of the project.

Many of these issues are related to the fact that GACM’s current legal status is not adapted to a company carrying a project of such importance and magnitude. Although corporatised, GACM is subject to the entire legal framework applicable to parastatal entities – which is rigid in nature and not adapted to commercially-driven companies. More flexibility and

agility is needed, especially in terms of budgeting, human resources management, and corporate governance, for the company to be able to adjust to the necessities of this type of project. More flexibility and agility could be acquired through improved corporate governance standards which could be implemented through (i) short-term solutions, and/or (ii) long-term solutions.

RECOMMENDATIONS

Near term priorities

While changing GACM's legal form might take some time (which is not an option given the necessity for the company to handle the transition effectively) several aspects could be implemented in the short-run for improving GACM's corporate governance. In particular, GACM could implement several dispositions – in consistency with current applicable legal and regulatory framework – in its bylaws, as it has already done for the inclusion of independent board members, for example. This solution is limited in so far it does not allow to fundamentally change the current composition of the board. It could, nonetheless, help (i) implement more transparent and merit-based nomination processes, even for public officials²³ (ii) apply a broad definition of art. 11 of the LFEP granting management autonomy to quasi-state entities for the fulfilment of their objectives (iii) include more independent directors, (iv) include diversity measures to improve gender balance, amongst other aspects, (v) develop training and evaluation mechanisms for the board, and (vi) set up board committees, including an audit one.

In the absence of changes of laws and bylaws the authorities could nevertheless act by developing and communicating a heightened support for an improved corporate autonomy of GACM. This would need to be backed by actual willingness by the SCT and other government authorities involved in GACM's ownership to delegate some of the powers they currently hold, as well as assurances that the required capabilities to handle these delegated powers are present in GACM's board and management.

Finally, as an additional step GACM could also improve its communication with citizens. The benefits of the new airport, it appears, are not commonly shared by the Mexican population and there seems to be a need to reach out proactively to inform on potential areas of public interest. Such a strategy should include developing and communicating on tangible benefits for affected communities and other neighbours to the airport.

Longer term and more structural considerations

Wide-ranging reform of the governance and ownership arrangements affecting most or all SOEs seems necessary in Mexico. GACM is probably only one of many SOEs in the country to face difficulties due to its “hybrid” nature and specific necessities. In terms of legal reform, the government should aim to simplify and standardise the legal forms under which SOEs operate – particularly SOEs engaged in economic activities which should follow commonly accepted corporate norms.

The government should also consider revising overall state ownership practices in line with commonly accepted good practices. There is an apparent need to centralise the state's ownership functions and rights within one single entity (independent or within a specific ministry). This, as well, should help ensure a more consistent and professional implementation of the ownership policy by reinforcing and bringing together relevant

²³ The President could be presented with a list of potential candidates, approved by the board.

competencies, while also providing for a clearer separation between the state's ownership function and other state functions (i.e. market regulator) which can create conflicts of interest. If not possible, the SOE Guidelines generally recommend establishing a strong co-ordinating entity among the different administrative departments involved; which would harmonise and co-ordinate the actions and policies taken on a whole-of-government basis.

The government should jointly approve a clear and explicit ownership policy providing for clearer lines of responsibility and accountability. The ownership should ideally take the form of a "concise, high level policy document that outlines the overall rationales for state enterprise ownership" as recommended by the SOE Guidelines. Such a document could include ownership policy objectives such as the creation of value, the provision of public services or strategic goals, as well as other more detailed information such as the main functions and responsibilities of all government entities that exercise state ownership. In any case, rationales for state ownership should be clearly communicated to the public.

Regardless of the future of the ownership policy and central ownership agency, GACM could assume another legal form more suitable for a commercial airport operator. There would seem to be three main options, all of which would require legislative/constitutional changes:

- As a first step, the government could consider adopting the proposed modification of the LOAPF to classify SOEs into separate categories (commercial vs institutional ones) and define their rationales and corporate objectives accordingly. This would include different corporate governance requirements for commercial parastatal entities amongst other aspects. Criteria for such differentiation are currently being developed by SHCP and SFP, but their actual implementation could take a long time.
- Another solution could be to exceptionally grant GACM a special legal status similar to that of a State Productive Enterprise (applied to PEMEX and CFE). Companies under this status have technical and budgetary autonomy; have the ability to withstand national competition and have mechanisms to ensure productivity, transparency and accountability based on principles of corporate governance. In this new regime civil and commercial law are the generally applicable law and, by exception, figures of public law as the liability regime and public procurement competitions may apply. This would however, potentially require a very complex and lengthy process of withdrawal of GACM's concession to grant it over again to GACM under its new legal form. Along the same lines, it could be argued that – instead of creating a special legal status for GACM, and with the same results - a legal reform could as well rescind or reduce the scope of many of the legal provisions currently applied to fully corporatised SOEs. State-owned joint stock companies should ideally operate under a legal framework allowing them to operate as any ordinary commercial company in like circumstances.
- Finally, while it is already being assessed by GACM to carry out some of the infrastructure works via a public-private partnership (PPP), another solution could be to turn the overall NAIM project into a PPP or a concession, even though privatisation *per se* is controversial due to the NAIM's likely future revenue streams (mainly stemming from the TUA) and current financial structure. In this sense, it would be advisable to consider what will be the role of GACM as an operator and the resourcing the company might need in the future to consider the best applicable scenario.

When reforming SOEs and their ownership as a central issue is the government's political priorities and its readiness to change. The incoming Mexican administration is reportedly considering different alternative options, including dropping the NAIM project and keeping the current airport; and granting a concession to a private company for the construction and management of NAIM. Against this, it has been argued that these may not be feasible solutions given the advanced state of the project and its current financial configuration.

In the experience of other OECD countries, SOEs can actually operate almost as efficiently as private firms in like circumstances – the main difference deriving from their obligation to pursue certain public policy objectives. The implementation of requisite reforms, including establishing an ownership entity, developing an ownership policy and undertaking necessary legal and constitutional reforms will certainly require a long time and political will. However, through recent reforms such as the overhaul of the energy sector in 2013, Mexico has already recognised the need to improve governance in the SOE sector and to establish different legal mechanisms to enhance their operation. It would be well advised to continue in this direction.

References

- 4-traders.com (n.d.), *Aena : 16-07-2018 Change in the Composition of the Board of Directors, the Audit Committee and the Executive Committee of Aena SME, S.A. (pdf, 90.11 kB) / 4-Traders*, <http://www.4-traders.com/AENA-20798509/news/Aena-16-07-2018-Change-in-the-Composition-of-the-Board-of-Directors-the-Audit-Committee-and-the-E-26936742/> (accessed on 20 July 2018). [30]
- Aéroports de Paris (2014), *Bylaws of the Board of Directors of Aeroports de Paris*, https://www.parisaeroport.fr/docs/default-source/groupe-fichiers/groupe-et-strategie/15-09-2015-bylaws-of-the-board-of-directors-of-adp.pdf?sfvrsn=1ccc09bd_2 (accessed on 12 July 2018). [25]
- Airport Authority Hong Kong (n.d.), “Corporate Governance”, http://www.hongkongairport.com/eng/pdf/media/publication/report/12_13/E_11_Corporate_Governance.pdf (accessed on 20 July 2018). [33]
- Airport Operators Association (2016), *How better access to airports can boost growth*, https://www.caa.co.uk/uploadedFiles/CAA/Content/Standard_Content/Data_and_analysis/Data_sets/Airport_stats/Airport_data_2015/Table_01 (accessed on 16 August 2018). [8]
- Airports of Thailand Public Company Limited (n.d.), *Corporate Information*, <http://aot.listedcompany.com/directors.html> (accessed on 20 July 2018). [32]
- Bloomberg (2017), *In Mexico City Mud, Pena Nieto’s \$13 Billion Airport Project Bogs Down - Bloomberg*, <https://www.bloomberg.com/news/articles/2017-09-13/in-mexico-city-mud-pena-nieto-s-13-billion-project-bogs-down> (accessed on 02 July 2018). [18]
- daa plc (2017), *daa Annual Report 2017*, http://issuu.com/daapublishing/docs/daa_annual_report_2017?e=5056106/60531841 (accessed on 12 July 2018). [23]
- El Economista (2018), *Fibra E no privatiza al nuevo aeropuerto, asegura el GACM / El Economista*, <https://www.economista.com.mx/empresas/Fibra-E-no-privatiza-al-nuevo-aeropuerto-asegura-el-GACM-20180321-0012.html> (accessed on 02 July 2018). [21]
- Estache, A. and A. Iimi (2008), “Procurement Efficiency for Infrastructure Development and Financial Needs Reassessed”, World Bank, <http://econ.worldbank.org>. (accessed on 22 August 2018). [3]

- Friis Olsen Lisa Ellram, R. (1997), *A Portfolio Approach to Supplier Relationships*, https://ac.els-cdn.com/S0019850196000892/1-s2.0-S0019850196000892-main.pdf?_tid=d538cc6c-48f3-4a44-8cbb-60c892bdaad8&acdnat=1534256723_2e523f82ef4bc942b960707666d582af [14]
(accessed on 14 August 2018).
- GACM (2018), *Mexcat Investor Conference Call*. [20]
- GACM (2018), *Plano Interactivo de NAIM*, <http://www.aeropuerto.gob.mx/mapa/mapa.php> [16]
(accessed on 22 August 2018).
- Global Knowledge Sharing Network (2016), *Corporate Governance of State-Owned Enterprises*, [22]
<http://www.oecd.org/daf/ca/Global-Knowledge-Sharing-Network-on-SOEs-Proceedings-June-2016.pdf>.
- Gob.mx (2018), *Avance Global - Nuevo Aeropuerto Internacional de México*, [15]
http://www.aeropuerto.gob.mx/avance_global.php (accessed on 14 August 2018).
- Grupo Aeroportuario de la Ciudad de México (GACM) (2018), *Comprehensive Risk Management Policy (Política de Administración Integral de Riesgos)*, version 3.6.. [39]
- Grupo Aeroportuario de la Ciudad de México (GACM) (n.d.), *website*, [40]
<http://www.aeropuerto.gob.mx/quienes-somos.php>.
- Isavia (n.d.), *Corporate Governance*, <https://www.isavia.is/en/corporate/about-isavia/community-and-environment/governance> [31]
(accessed on 12 July 2018).
- Kraljic, P. (1983), “Purchasing Must Become Supply Management”, *Harvard Business Review* [13]
September, <https://hbr.org/1983/09/purchasing-must-become-supply-management> (accessed on 14 August 2018).
- Lamberti, J. and T. Rothstein (2017), “Empresas Participantes en el Proyecto del Nuevo Aeropuerto de la Ciudad de México”, <https://www.colaboratorio.org/wp-content/uploads/2017/07/Empresas-NAICM.pdf> [19]
(accessed on 02 July 2018).
- Malaysia Airports Holdings Berhad (2017), *Annual Report 2017*, [29]
http://annualreport2017.malaysiaairports.com.my/pdf/MAHB_AR17-chapter-4.pdf (accessed on 20 July 2018).
- Norwegian Ministry of Trade and Industry (2008), “The Government's Ownership Policy”, [27]
<http://www.regjeringen.no/nhd> (accessed on 13 July 2018).
- Nuevo Aeropuerto Internacional de México (n.d.), *Acciones de Integridad en GACM*, [34]
http://www.aeropuerto.gob.mx/integridad_gacm.php (accessed on 25 July 2018).
- OECD (2018), *Mexico's e-Procurement System: Redesigning CompraNet through Stakeholder Engagement*, OECD Public Governance Reviews, OECD Publishing, Paris, [6]
<http://dx.doi.org/10.1787/9789264287426-en>.

- OECD (2018), *Second Progress Report on the Development of the New International Airport of Mexico City: Adapting practices to address emerging challenges*, <https://www.oecd.org/gov/public-procurement/publications/second-progress-report-development-new-airport-mexico.pdf>. [17]
- OECD (2018), *Second Public Procurement Review of the Mexican Institute of Social Security (IMSS): Reshaping Strategies for Better Healthcare*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264190191-en>. [5]
- 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>. [38]
- OECD (2017), *Public Procurement Review of Mexico's PEMEX: Adapting to Change in the Oil Industry*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264268555-en>. [4]
- OECD (2017), “The state of play in infrastructure governance”, in *Getting Infrastructure Right: A framework for better governance*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264272453-5-en>. [7]
- OECD (2016), *Combatting corruption and promoting business integrity in state-owned enterprises: Issues and trends in national practices*, <https://www.oecd.org/daf/ca/2016-SOEs-issues-paper-anti%20corruption-and-business-integrity.pdf>. [37]
- OECD (2016), *First Progress Report on the development of the New International Airport of Mexico City: Towards effective implementation*, <http://www.oecd.org/gov/ethics/progress-report-new-airport-mexico-city.pdf>. [41]
- OECD (2015), “Board Practices and Financing for Latin American State-Owned Enterprises”, <http://www.oecd.org/daf/ca/Board-Practices-Financing-Latin-American-SOEs.pdf> (accessed on 05 July 2018). [28]
- OECD (2015), *Effective Delivery of Large Infrastructure Projects: The Case of the New International Airport of Mexico City*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264248335-en>. [1]
- OECD (2014), *Transparency and Accountability Frameworks for Latin American State-Owned Enterprises*, <https://www.oecd.org/daf/ca/TransparencyandAccountabilityFrameworksforLASOEs.pdf> (accessed on 27 July 2017). [36]
- OECD (2013), “Board Member Nomination and Election”, <http://www.oecd.org/daf/ca/BoardMemberNominationElection2012.pdf> (accessed on 23 July 2018). [24]
- Runar Stalsberg (2018), *Contract Management in Avinor*. [12]

- Saussier, S. and J. Tirole (2015), “Strengthening the efficiency of public procurement”, *Les notes du conseil d'analyse économique* 22, <http://www.economie.gouv.fr/mediation-des-marches-publics/guide-osez-commande-publique> (accessed on 16 August 2018). [10]
- Schiele, H. (2007), “Supply-management maturity, cost savings and purchasing absorptive capacity: Testing the procurement-performance link”, *Journal of Purchasing & Supply Management*, Vol. 13, pp. 274-293, <http://dx.doi.org/10.1016/j.pursup.2007.10.002>. [11]
- Secretaría de la Función Pública (n.d.), *Public contracts signed in 2016*, <https://sites.google.com/site/cnetuc/contrataciones> (accessed on 22 August 2018). [2]
- The Avinor Group (n.d.), *Corporate governance*, <https://avinor.no/en/corporate/about-us/the-avinor-group/corporate-governance> (accessed on 13 July 2018). [26]
- The Chartered Institute of Logistics and Transport (2015), *Written evidence from the Chartered Institute of Logistics and Transport*, <http://data.parliament.uk/WrittenEvidence/CommitteeEvidence.svc/EvidenceDocument/Transport/Surface%20transport%20to%20airports/written/22681.html> (accessed on 16 August 2018). [9]
- World Economic Forum (2017), “Partnering Against Corruption Initiative-Infrastructure and Urban Development: Building Foundations for Trust and Integrity”, http://www3.weforum.org/docs/WEF_PACI_IU_Report_2017.pdf (accessed on 05 July 2018). [35]

