

Industry Agenda

# Partnering Against Corruption Initiative – Infrastructure and Urban Development

## Building Foundations for Trust and Integrity

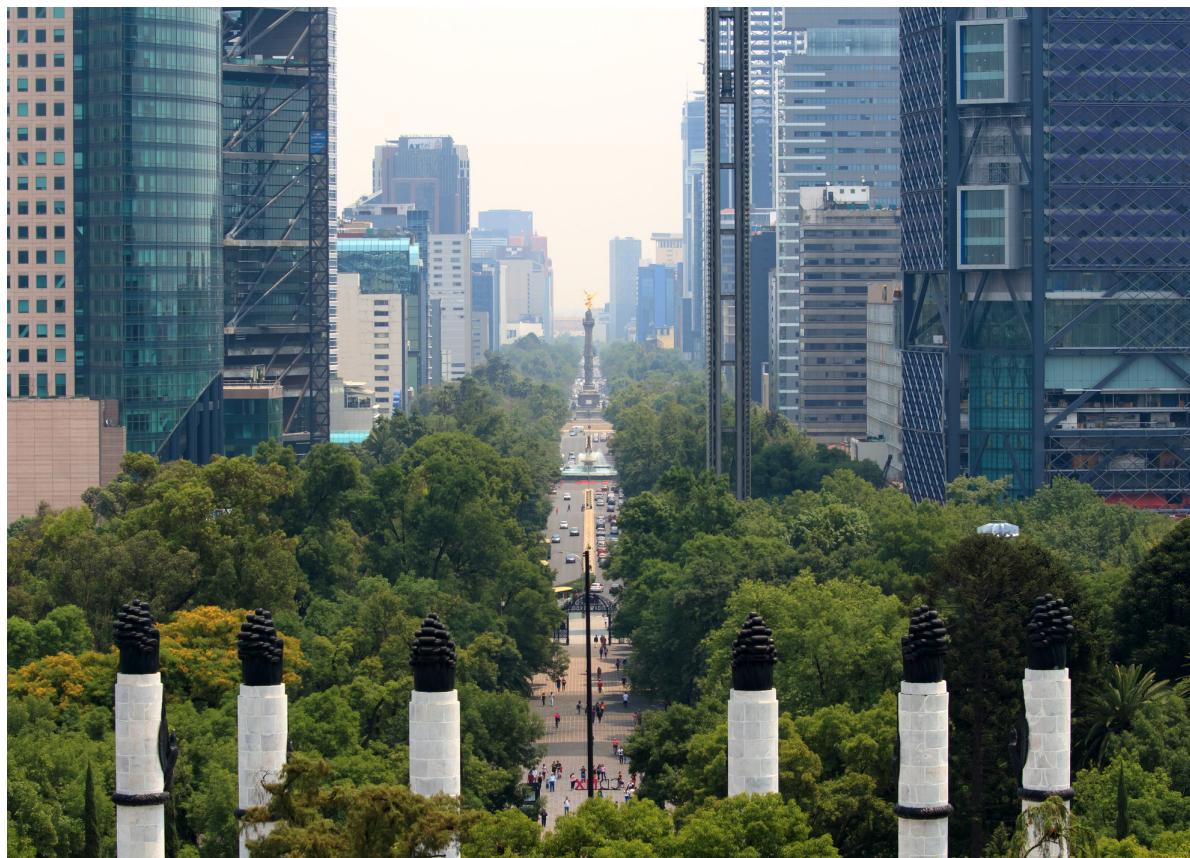
In Collaboration with Deloitte

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# Foreword

Corruption is ubiquitous and constitutes a major threat to the survival of business and institutions. Few global business operations can avoid encountering corruption challenges along value and supply chains. Digital tools expose once opaque practices at unprecedented speed but also conceal corrupt behaviour, causing significant business risk. Yet, there is a strong correlation between a corruption-free environment and enhanced competitiveness, economic growth, trade and social prosperity.

The public attention on corruption is unprecedented. Corruption is ranked as one of the most problematic factors for conducting business in a number of developed and emerging economies. Growing social distrust and demands for greater transparency are reshaping relations between society, government and business. Indeed, awareness of and expectations for sound corporate behaviour and governance have never been stronger.

Taking the lead in fighting corruption is not only a matter of ensuring organizational compliance but is now a strategic imperative for every business leader. The World Economic Forum Partnering Against Corruption Initiative (PACI), is the foremost CEO-led anti-corruption initiative. Working alongside international organizations, academics and government institutions PACI is at the forefront of industry practices to rebuild and foster trust in business and institutions.

“Building Foundations” is a multi-year collaborative project between PACI and the Infrastructure and Urban Development community. Over the years, the project has identified key corruption risks within the engineering, construction and real estate industries and produced recommendations to address these challenges. As the only CEO-led anti-corruption initiative tackling this issue, the project aims to level the playing field that improves the ease of doing business within a country. The project convenes industry and government leaders, civil society and experts to establish a consistent dialogue between business and public officials on the drivers and enablers of trust and integrity.

This report is aimed at all companies active along the engineering, construction and real estate value chain, including suppliers, contractors, project owners and developers. During its third year and last year, the project focused on *Building Foundations for Trust and Integrity*, and aimed at utilizing a digital diagnostic toolkit piloted in India and replicated in Mexico. The project expanded its original mandate to include additional industries with a focus on organizational strategies to foster a culture of trust and integrity. Governments are also part of the target

audience, as they not only have a critical impact on the industry via regulation but often act as the main procurer of most public and public-private infrastructure projects. Finally, this report is also aimed at members of academia and civil society, in view of the socio-economic relevance of the industry sectors surveyed. The industry must rely on efficient and effective cooperation with all stakeholder groups to rebuild trust and integrity with success.

*Building Foundations for Trust and Integrity*, with its focus on Mexico has successfully adopted a solutions based approach to tackle both the demand and supply side of corruption by creating transparency in both transactions and processes at the state level. Mexico’s new National Anti-Corruption System demonstrates the capability of legal reform when civil society, private sector and public sector work collectively. However, Mexico’s government and institutions are at an important cross-road where public scrutiny demands sufficient resources to implement and enforce reforms required to validate stakeholder commitments.

The World Economic Forum facilitated workshops and meetings in Mexico and engaged with local and international business leaders. Key takeaways from our discussions highlighted that industries which are more exposed to the risk of corruption should work with the respective local government to combat corruption at the local level through technologically enhanced transparent processes. There is also a need to implement a clear structure of accountability to ensure responsibility for both public and private sector organizations. Transparency through process improvement is an important way to lower transaction costs and the costs of corruption in Mexico.

This report introduces a conceptual framework, listing a number of key recommendations, grouped in enabling areas that have the potential to create deep behavioural change and successful policy and regulatory reforms. The recommendations have a broad reach and should be adopted by all stakeholder groups; however the results indicate that there are clear reasons why public-private cooperation is the most promising delivery modality to succeed in Mexico.

This year’s project outcomes are the direct result of a collaborative process with leaders from government, civil society and the private sector. In this regard, we would like to thank and acknowledge the fruitful collaboration with the government of Mexico and the Steering and Advisory Committees of this initiative who helped guiding this important work in collaboration with Deloitte.

We would also like to thank and acknowledge the Forum's Partner companies that served on the initiative's Steering Committee: Tony Awad, Laurence Bates, John M. Beck, Pierre Patrick Buffet, Jeanne Cranford, Diane De Saint Victor, Hentie Dirker, Douglas Durst, Ken B. Graversen, Wilfried Grommen, Gregory Hodkinson, Therese Lee, Nicolás Mariscal Torroella, Carlos Moreira, Raja Nahas, Mark Ohringer, Anne Randall, Susan Ringler, Peter Smith, Daniel Trujillo, Lee Charles Tashjian and Sabine Zindera.

Furthermore, we would like to thank the many experts, compliance professionals and academia who contributed to the report through their role on the initiative's Advisory Committee: Gemma Aiolfi, Abdullah Al-Nimri, Norman Anderson, Christine Bain, Jacqueline Beckett, Brian Behlendorf, Eduardo Bohórquez, Ania Calderón, Juan Pablo Castañon Castañon, Gabriel Cecchini, Gerardo Corrochano, Jan V. Dauman, Ricard Dueñas Espriu, Mahmoud El Burai, Blair Glencorse, Joaquín González Casanova, Gavin Hayman, Harald Kjellin, Mathias Kleinhempel, Robert Klitgaard, Vasilis Koulolias, Douglas Krone, Paul F. Lagunes, Alessandro Lanteri, William S. Laufer, Emanuel Macedo de Medeiros, Petter Matthews, Galina Mikhlin Oliver, Andreas Pohlmann, Adriana Sanford, Carlos Santiso, Sushanta Sen, Pranjal Sharma, Jorge Sotto, Neville Tiffen, Luis Urrutia Corral, Enrico Vink and Duncan Wood. The experience, perspective and guidance of all these experts and organisations contributed substantially to the discussions during and following the workshop in Mexico and enabled the creation of the solutions based outcomes produced as a result.

We would like to specially acknowledge Arely Gómez González, Secretary of Public Administration, Secretariat of Public Administration (Mexico), and Alejandra Lagunes, Coordinator, National Digital Strategy, Office of the Presidency (Mexico), for their unwavering interest in and commitment to The Future of Trust and Integrity project.

Finally, we would like to recognize the unique role Chief Executive Officers have in collective action and to this effect we would like to thank Doug Frey, Robert G. Card, Ajit Gulabchand, and Nicolás Mariscal Torroella for their vision and enthusiasm.

The experience, perspectives of all above-mentioned people and organizations have informed and enriched a number of remarkable discussions, notably at the PACI Spring Meeting in Washington DC, 2016; the World Economic Forum Annual Meeting of the New Champions, Tianjin, 2016; the World Economic Forum's "Building Trust and Integrity" PACI project workshop in Mexico, 2016; the PACI Fall Meeting in Geneva, 2016 and finally the World Economic Forum Annual Meeting 2017 in Davos-Klosters.

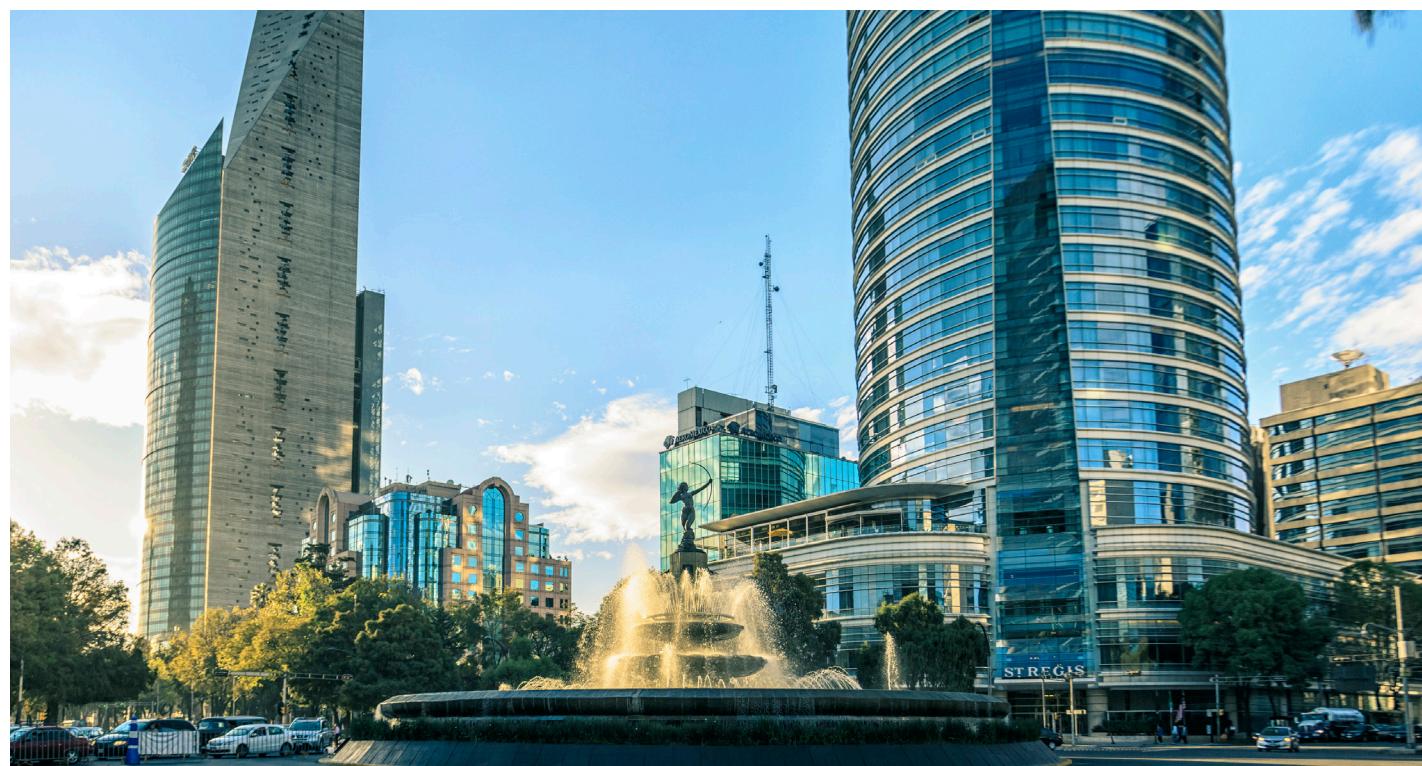
On behalf of the Partnering Against Corruption Initiative (PACI),

**Pedro Rodrigues de Almeida**

Member of the Executive Committee  
Head of Partnering Against Corruption Initiative (PACI)  
World Economic Forum

**Isabel Cane**

Project Lead  
Partnering Against Corruption Initiative (PACI)  
World Economic Forum



# Foreword

For the past four years, Mexico has been in a process of social, cultural and economic transformation introduced by 11 structural reforms that are redefining the relationship of citizens to their government, aiming to find new ways of addressing old problems to promote growth, development and well-being for Mexicans.

Paramount to this process has been the creation of the National Anti-Corruption System (NAS), which has initiated a new legal framework to prevent, detect and prosecute corruption. One of its key pillars is a five-member Committee for Citizen Participation, which will serve as the link between civil society organizations and the seven institutions that oversee the NAS. Also, as an essential element of its governance structure, NAS is considering the creation of an autonomous Anti-Corruption Prosecutor's Office that will be mandated to investigate and sanction corruption at the federal and local levels. Furthermore, the Mexican Ministry of Public Administration will play a central role by ensuring NAS compliance within the government structure, overseeing public spending. The NAS represents an unprecedented effort of coordination between government and civil society, and is expected to have long-term, irreversible impact on building trust and integrity.

We must, however, take other concrete actions to deliver on the promises of the NAS, to shed light on opacity and favouritism. This report emphasizes the importance of technology as a cross-cutting enabler to improve citizen engagement and social auditing through the use of e-governance structures and data. The Government of Mexico has made a commitment to use technology to prevent and reduce corruption.

For this reason, the Ministry of Public Administration is working in coordination with the National Digital Strategy to promote the use of Open Data and innovative technologies as enablers of the anti-corruption agenda. Recognizing that no single entity can fight corruption alone, the government aims to extend data use throughout the entire value chain to empower citizens, the private sector and government services to prevent and prosecute acts of corruption.

Consequently, as a crucial element of Mexico's anti-corruption agenda, we are promoting the implementation of the Open Contracting Data Standard (OCDS) in the largest public infrastructure project of this administration and the fifth-largest in the world – the new Mexico City Airport. The OCDS increases transparency and guarantees the effective allocation of public spending by opening the data of the entire contracting process (planning, tendering, allocation and execution). And to take this effort further, we have amended the norms that regulate public procurement by making implementation of the OCDS a norm for all

contracts in COMPRANET, the electronic contracting system of the federal government.

At the international level, Mexico has launched the Contracting 5 (C5) initiative, together with the Governments of Colombia, France, the United Kingdom and Ukraine, to promote the exchange of best practices in the implementation of the OCDS. Mexico will chair this initiative during its first year. Along with the C5, we are working with the International Open Data Charter to develop an Anti-Corruption Open Data Package; a guide to the systematic release of information at all stages of the fight against corruption, from prevention, to detection, to investigation and prosecution. In addition, Mexico has worked through the G20 Anti-Corruption Working Group (ACWG) to leverage open data as a crucial tool to enable transparency and prevent corruption, through the G20 Anti-Corruption Open Data Principles.

Mexico has made a bold commitment to fight corruption at every level in collaboration with civil society. We are, however, aware that there are still great challenges to come, but with every step closer to our goal, we make irreversible changes. This report provides valuable input and recommendations that will complement our national anti-corruption agenda. We would like to recognize here the great effort of all the contributors and advisers who were part of this process. We look forward to continuing working together in the future.

## **Arely Gómez González**

Minister of Public Administration Government of Mexico

## **Alejandra Lagunes**

National Digital Strategy Coordinator Office of the President of Mexico

# Executive Summary

The Infrastructure & Urban Development (IU) industries are an essential provider of goods and services to society. They are the foundation of economic development, economic diversification and inclusive economies. However, corruption severely impacts the industry through heightened risks to investment, cost overrun and reputational damage. These risks are often compounded in emerging market economies and through intermediaries and third parties. Public works contracts have been identified as the most vulnerable sector to bribery and corruption with half of foreign bribery cases (57%) related to public procurement, causing inefficiencies in the provision of social services and heightened risks associated to a country's stability.<sup>1</sup> Likewise, construction is one of the four sectors that represent 66% of all foreign bribery cases (alongside extractives, transport & storage and information & communication). The financial cost of corruption on publicly funded construction projects is an extra 10-30%, demonstrating a significant loss of revenue that could be funnelled to other social needs like health and education.<sup>2</sup>

Corruption is at the centre of many of the world's economic and business challenges, and evidence shows that it impedes economic growth, contributes to social instability and obstructs innovation. On average, bribes equal 10.9% of the value of the transaction and 34.5% of profits.<sup>3</sup>

In 2014, business leaders of the World Economic Forum's Partnering Against Corruption Initiative (PACI) focused on the IU industries, with the aim of identifying challenges and opportunities to collectively level the playing field. Working with international organizations and governments, PACI members explored innovative solutions to promote a culture of integrity within IU.

PACI, in collaboration with the IU industry, explored various dimensions of anti-corruption across different regions.

The three-year project (described in Figure 1) explored a number of angles and areas of anti-corruption in the industry and concluded three primary findings;

1. Corruption varies across the life cycle of a project;<sup>4</sup>
2. Risks are experienced adversely by different stakeholders and are compounded by cultural contexts.<sup>5</sup>
3. An increase in transparency through technological and digital tools will play a key role in future efforts to combat corruption, empower citizens, improve social auditing and reduce human interaction in transactions.<sup>7</sup>

The central finding and recommendation for the IU industries is to fast-track its engagement with the underlying issues of corruption. This will require understanding and reshaping behavioural norms to act as an industry with the highest standard of integrity, and rebuilding trust across a diversity of stakeholders.

A lack of trust between the public and private sectors has become a significant barrier to addressing corruption globally. Corruption risks in IU are intimately linked to structural relationships with governments that have weak institutional capacity, outdated policies, and dysfunctional legal and regulatory systems. Therefore, the industries are encouraged to prioritize public-private cooperation to actively build trust and integrity back into business and institutions. The key findings of the project are summarized below.

**Figure 1: Three Phases of the PACI-IU Project**

## Phase 1: Building Foundations Against Corruption

During the first phase of the project, corruption risks and weak points along the value chain were identified across the project lifecycle. The recommendations outlined the need for collective action on permits and licences and increased interaction between the industry and government.



## Phase 2: Building Foundations for Transparency

A country-level pilot was launched in India to establish a dialogue between business and public officials to identify transparency-enhancing solutions. The project developed a diagnostic tool to increase transparency and provide relevant data to different stakeholders across the value chain.



## Phase 3: Building Foundations for Trust and Integrity

Transparency is one of the key factors in establishing systemic conditions conducive to economic growth, yet building integrity and trust requires a high level of cooperation, effective incentives, harnessing effective technological tools, and a concerted commitment to implementation and enforcement. Phase three explores these dimensions in the context of Mexico and brings together key players to develop and implement practical solutions.

# Corruption as a Global to Local Issue: The Mexican Case

Corruption is ranked as a significant impediment to invest and conduct business in many regions of the world. Corruption is no longer considered a 'developing world' problem but a global issue facilitated, prosecuted and regulated trans nationally. Research suggests eradicating corruption and building transparent economic systems, public-private cooperation through strong political will, information sharing alongside free and accountable civic participation need to be in place.<sup>7</sup>

Latin America has had long-term challenges with systemic corruption, yet recently Mexico has experienced multistakeholder momentum to curb corruption and has the potential to become a regional example for effectively reducing corruption. Mexico is still ranked as one of the lowest performing countries on the Transparency International Corruption Perception Index with a score of 123 out of 176 countries.<sup>8</sup> In Mexico, the expansion of economic activity has declined and relies on private consumption as weak investment and export demands are contributing less to growth.<sup>9</sup>

Foreign direct investment across sectors is significantly reduced when the risk of corruption and subsequent weak institutional governances increases business risks

and exposure. The World Economic Forum's *Global Competitiveness Report 2016-2017*, ranks Mexico as 116th out of 138 countries for weak institutions and the most problematic factor for doing business is corruption.<sup>10</sup>

Corruption and impunity are strongly eroding trust in business and institutions contributing to economic and social instability in the region.

The OECD ranks Mexico as the top reformer between 2013 and 2014 providing strong evidence of reform.<sup>11</sup> Widespread civic mobilisation and civil society campaigning to tackle corrupt behaviour was witnessed in Mexico throughout 2015-2016. The new national anti-corruption system and national data policy demonstrate ongoing political will which has been combined with private sector demand to tackle unethical behaviour. In 2016, the *Building Foundations of Trust and Integrity* project steering and advisory committee observed an opportunity to conduct a deep-dive into Mexico with the intent of capturing, highlighting, assisting and contributing to the ongoing developments.



# Methodology

The *Building Foundations of Trust and Integrity* project is supported by a global community consisting of business, and government leaders advised by an expert network from academia and civil society. The Steering and Advisory committee developed knowledge, directed the project strategy and contributed to creating recommendations.

As a starting point, the project team conducted interviews with key stakeholders in Mexico to capture the political and socio-economic situation. The scoping mission framed the dimensions of the expert opinion survey that explored the main challenges and opportunities for rebuilding integrity and trust in business and institutions. The survey analysed, the perception of corruption, trust and integrity to understand the most pressing concerns, potential challenges and innovative solutions for stakeholders.

The survey captured a cross-section on Mexican stakeholders, including government, civil society and the private sector. The primary respondents were from the private sector (71%) followed by the public sector (21%) and finally civil society consisting of (8%). From government the dominant respondents were from the Federal level (80%), with others from the central bank, public research centres, chamber of commerce (13%) and the State level (5%). Despite having an asymmetry in the number of answers, results have been disaggregated by stakeholder in the report to avoid bias as much as possible.<sup>12</sup>

Respondents from the private sector consisted of a cross sector of industries, including but not limited to, infrastructure and urban development (11%), consumer goods and lifestyle (15%), construction (9%), Banking and insurance (8%) and real estate (8%). 32% of the respondents were categorized as “other” including transport, telecommunication, consulting and law industries. It is important to note that of the private sector respondents, consists of 80% privately owned businesses. The survey responders consisted of people across all levels of the organizations, including business owners, board members, senior advisors, practitioners and ministers.

In parallel to the survey, a workshop, co-hosted with the Consejo Coordinador Empresarial of Mexico, with business leaders, government ministers, academic experts and leading NGOs. The workshop was held to test the findings from the survey, design solutions that serve to develop more specific actions and commitments for reform throughout Mexico. Prior to the working group session, the preliminary results of the survey and several success stories were presented to the participants to provide them context to develop concrete and sustainable solutions.



# Trust as an Engine for Growth

There is a direct relationship between higher levels of trust, low levels of corruption and higher levels of economic growth. Trust has often been cited as the engine that drives the wheels of economic transactions; it reduces transaction costs (spending fewer resources on formal contracts), releases capital for further investment, promotes cooperation and facilitates the provision of public goods which in turn promotes growth. Higher levels of trust also impacts relationships, improving productivity, minimizing risks and motivating collaboration.<sup>13</sup>

Low trust is closely correlated with social and economic inequality. When corruption takes resources from the public purse, basic services are not provided for the general population but are used by corrupt officials and businesses. An example, provided by the OECD highlighted that most of the bribes go to the upper class of society about 80% to officials and 11% to heads and ministers.<sup>14</sup> A system is created that then begins to serve the rich and further perpetuates inequality. As demonstrated in Figure 2 once the system is corrupted it perpetuates inequality, which leads to lower trust and more corruption in a vicious cycle.<sup>15</sup>

**Figure 2: Relationship between inequality, trust and corruption**

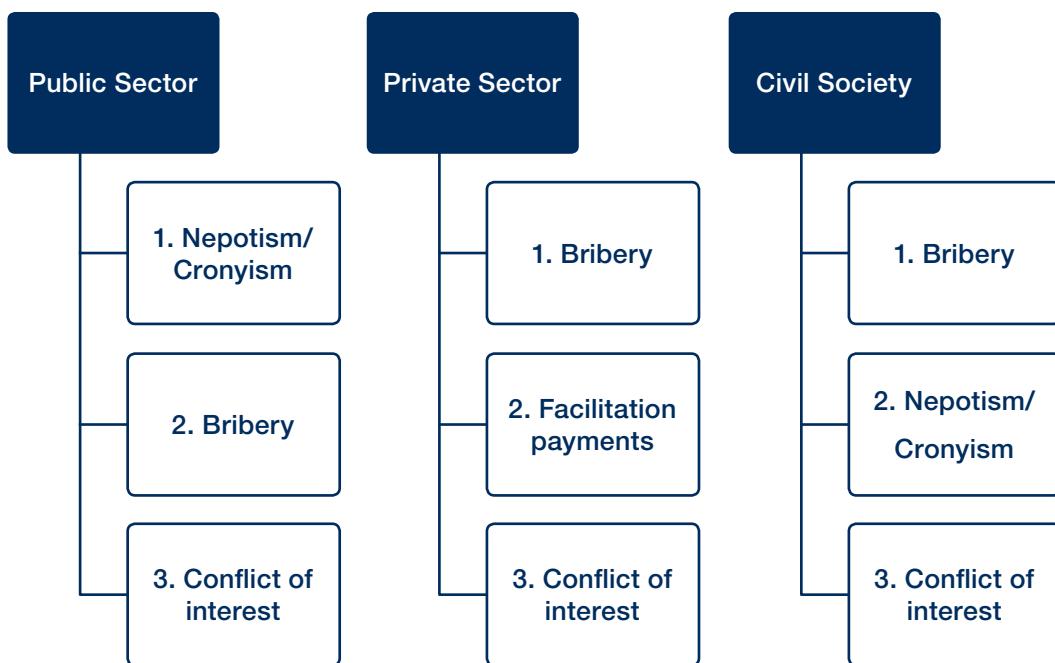


When an individual or organization perceives others as trustworthy and honest, corrupt behaviour is correspondingly lower. In Mexico it is noted that ‘trust influences institutional performance, just as institutional performance shapes the public’s trust in their institutions and in one another.’ In this sense, trust influences institutional practice and individual behaviour. For the **individual**, interpersonal trust and civic involvement impact on economic development, political participation and effective democracy.<sup>16</sup> For the **organization**, the reliability of delivering results and the effectiveness of internal processes and tools project the trustworthiness of an organisation. Therefore, it is important to understand the individual and organisational variables that enable corruption and more importantly the rebuilding of trust and integrity in business and institutions. The current and past levels of trust are a factor in determining the probability to effectively implement sound anti-corruption solutions.

## *Corruption across stakeholders*

To understand the corruption concerns of the different stakeholders, the government, private sector and civil society were asked to rate the top three forms of corruption experienced by the business or institute. The survey found that stakeholders experience similar forms of corruption. Bribery is the most commonly cited form of corruption alongside “conflict of interest” and “nepotism/cronyism”. “Facilitation payments” are cited as the second highest form of corruption for the private sector and are considered a form of bribery to expedite processes criminalized in Mexico. Civil society and the public sector cite nepotism/cronyism as a common form of corruption, which appears to be of a lesser concern for the private sector. However, it is important to note that the majority of private sector companies surveyed are privately owned companies and therefore the sample could be biased.

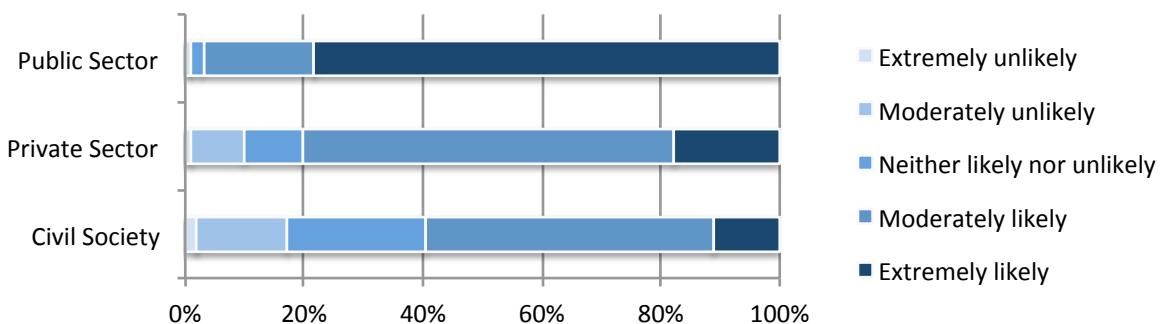
Figure 3: Ranking forms of corruption experienced by each stakeholder



#### *Levels of corruption*

Figure 4 shows how likely different stakeholders are to engage in corrupt practice in Mexico. 84% of the private sector and 80% of civil society see the public sector as “extremely likely” to engage in corrupt practices. Indeed the 59% of public sector respondents rates the public sector as extremely likely to act corruptly and 35% to be moderately corrupt (total 94%). Likewise, none of the stakeholders perceived the public sector as unlikely to act corruptly and only 2% are unsure.

Figure 4: Likelihood to be engaged in corrupt practice in Mexico



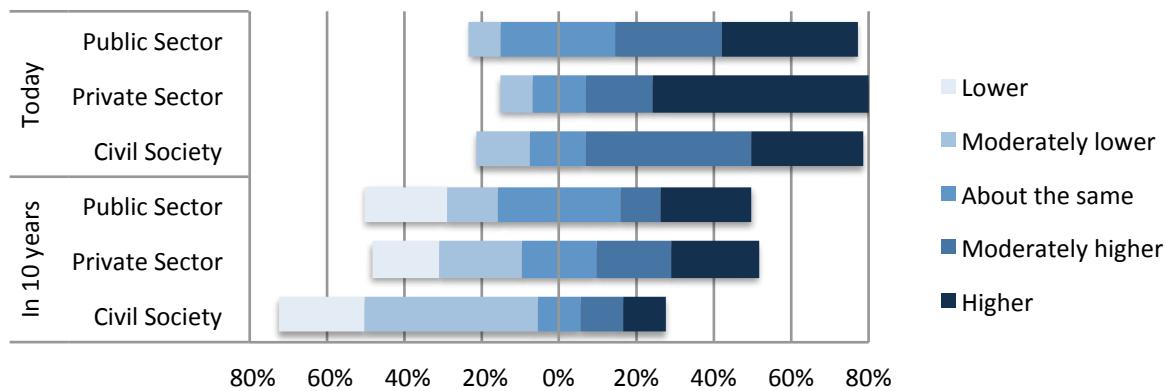
In regards to the private sector a majority of the stakeholders thought that the private sector was moderately to extremely likely to engage in corrupt practices. Approximately 40% were rated as extremely likely and 60% as moderately likely to act corruptly. Once more there is almost no perception from external stakeholders that the private sector isn't engaging in corruption but the degree of severity is lessened. The private sector also perceive themselves as acting moderately corruptly (65%)

Of interest civil society which is traditionally considered as acting with integrity, is also perceived as acting corruptly. Half of the respondents perceive civil society as moderately corrupt and an average of 11% of the public and 'private' sector perceive them as extremely corrupt.<sup>17</sup>

In summary the perceptions of corrupt behaviour today in Mexico portray a high level of systemic corruption in engagements between stakeholders. Given the

current legislation, government and collective actions, all stakeholders were asked to rate the prevalence of corruption today compared to 5-10 years ago and in 10 years. The survey demonstrates that the stakeholders primarily perceive the prevalence of corruption as being higher today compared to 5-10 years ago (see Figure 5). Civil society are the most optimistic with nearly two-thirds of the respondents predicting that the prevalence of corruption will be lower in 10 years compared to today. However, only one third of the public and the private sector believe corruption will be lower in 5-10 years. The fact that approximately one third of the respondents from the public and private sector, respectively 34.2% and 41.9%, has a pessimistic view of the potential reduction of corruption, emphasizes the need for all stakeholders to continue to design and implement solutions to rebuild trust and integrity in business and institutions.

Figure 5: Perception of corruption prevalence today and in 5-10 years



### Trust across stakeholders

As aforementioned, research demonstrates correlations between low levels of trust and high levels of corruption.<sup>18</sup> The Figure 6-8 illustrates the average level of trust when professionally interacting across sectors. The survey also measured changes of trust over a 5-10 year period.

The public sector is by far the least trusted sector by all stakeholders including the public sector itself. The level of trust in the public sector is noticeably low, especially from private sector. Today 71% of the private sector has a low to moderately low level of trust in the public sector, which shows a loss of trust compared to 5-10 years ago which was at 58%. This can be attributed also to its role of state that needs to verify, scrutinize and enforce administrative measures.

Today the private sector is less trusted by the public sector, rising from just 7% moderate low trust to 24% low-moderate trust. This demonstrates both a significant loss of trust and an increase in severity over a 5-10 year period. In contrast civil society trusts the private sector more than it did 5-10 years ago raising 12% points in low-moderate trust. This suggests that civil society and the private sector have improved their relationship over a 5-10 year period.

Trust and low trust in civil society is the most variable across all of the stakeholders. Interestingly, the private sector trusts civil society the most followed by the public sector who are more wary. Both the public and private sector trust civil society less than 5-10 years ago, while at the same time civil society trusts the public and private sector more. A loss of trust in the civil society could be attributed to the recent reforms where civil society led strategic campaigns to promote transparency and accountability.

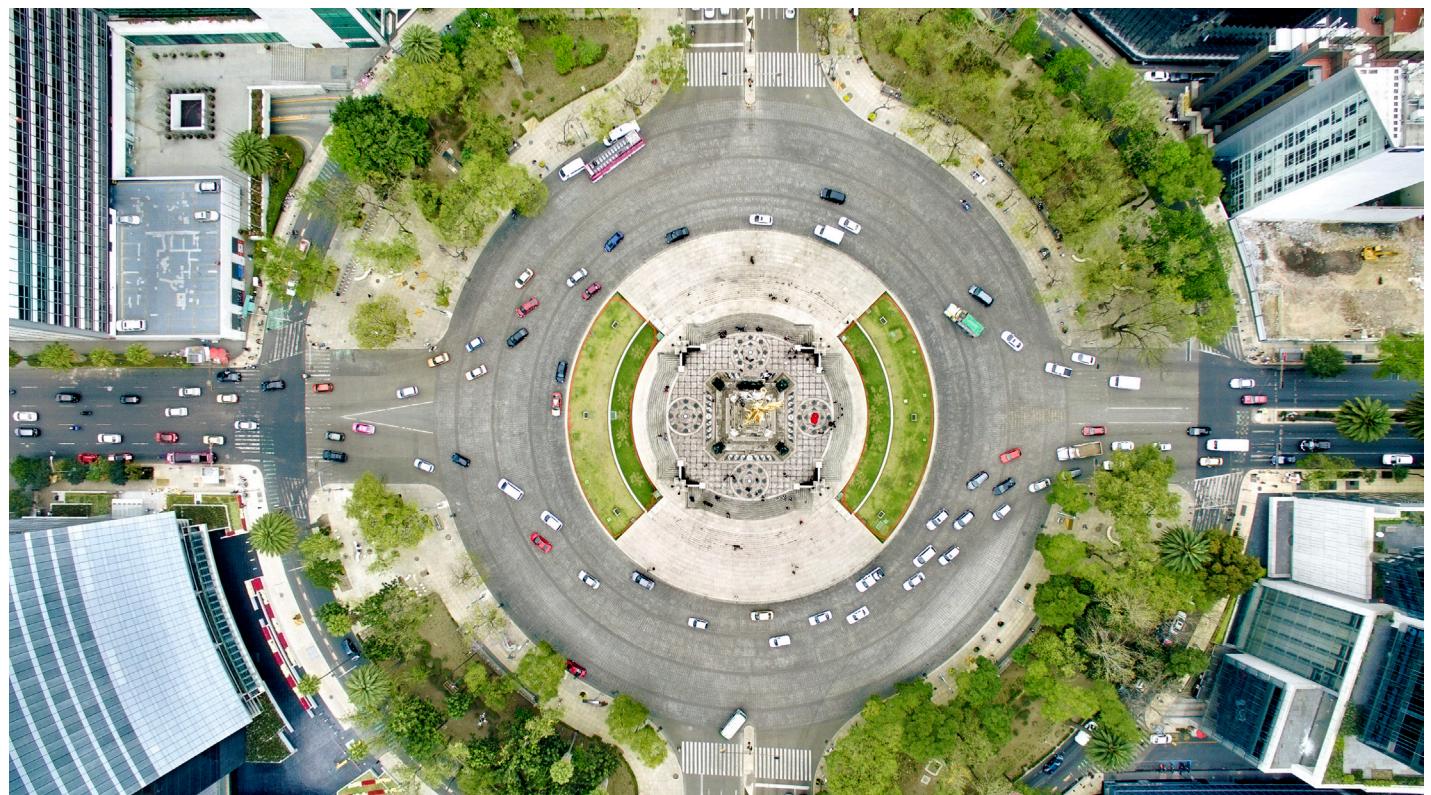


Figure 6: Level of trust when professionally interacting with the public sector

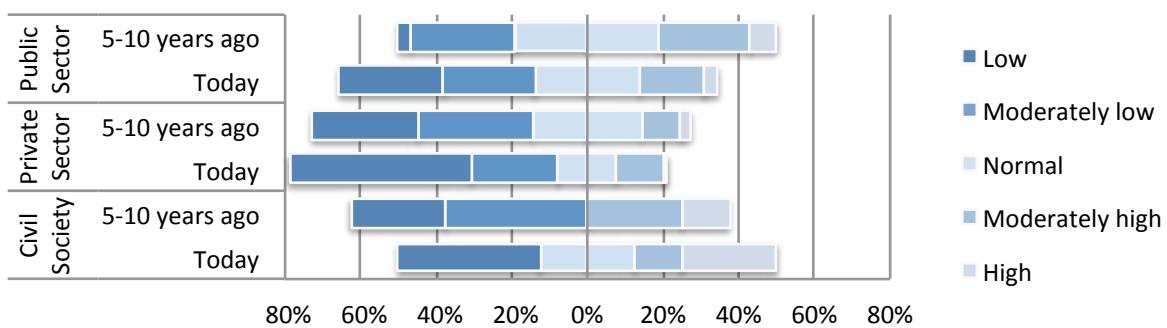


Figure 7: Level of trust when professionally interacting with the private sector

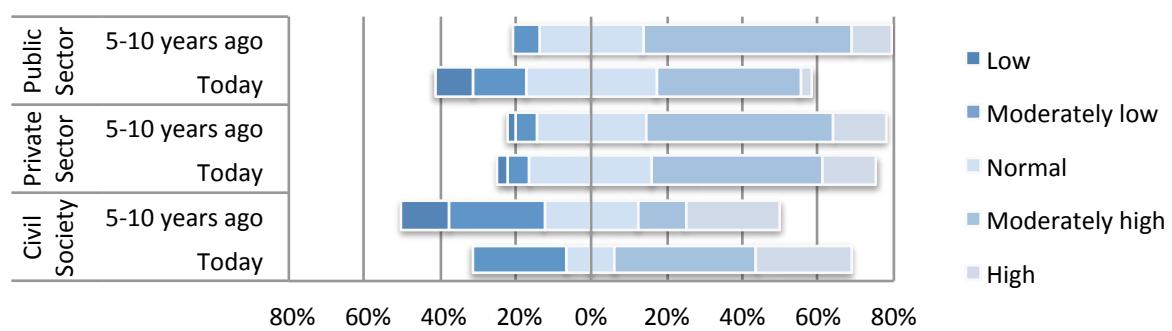
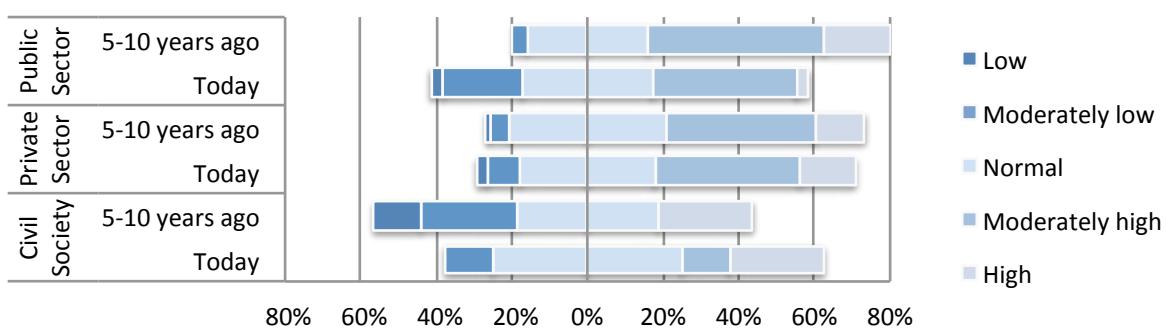


Figure 8: Level of trust when professionally interacting with civil society



Figures 6 to 8: Respondents were asked to rate the level of trust from 1 to 5 (1 being a low level of trust and 5 a high level of trust). The mid-point is an average “normal” level of trust with the right side of the graph showing higher levels of trust. The left side depicts low levels of trust when interacting with stakeholders.

# Enablers for Rebuilding Trust and Integrity

Rebuilding trust and integrity is a complex process. Such processes depend on mutual perceptions across different stakeholders and includes a memory effect (availability bias).<sup>19</sup> In spite of such complexity the survey that can assist in rebuilding trust and integrity. Through the expert survey and the multistakeholder workshop, the project elicited a number of enablers where Mexico and the IU industries can effect change with high levels of impact over the short term and provides strategies for institutional change over the long term. Figure 9 illustrates the most effective behavioural, regulatory and social factors to enable trust and integrity. In the long term, “training and education” and “values and culture” are perceived as the most effective focus areas to build systemic trust and integrity. “Leading by example” has both short- and long-term effectiveness, which suggests further focus on building individual and institutional integrity. Both the public sector and private sector regard “Enforcement of rule of law” as a top priority. Technology is considered a cross-cutting enabler that can expedite change, particularly in the IU sector.

Individuals and organisation are motivated to rebuild a culture of integrity for a variety of reasons. The private and public sectors are mostly motivated by “moral and ethical reasons” followed by “strong leadership” alongside “brand protection” whereas the public sector recognizes first the importance of “regulatory and legislation” drivers followed by “more productive work environment”. It appears that both stakeholder groups have relatively distinct beliefs in which are the most important drivers to create a culture of integrity. This indicates that the degree of common understanding of these drivers is different and begs for public-private cooperation to better align their relative importance.

## Box 1: The Business case for trust and integrity

The surveyed people confirmed that public procurement and public works are one of the most predominant challenges in Mexico. Indeed, 79% of the respondents perceive a lack of clarity and openness in the public procurement processes, with 79% of the private sector not understanding or perceiving the process as transparent. 84% of respondents believe that contracts are not awarded to the most qualified company or, through objective criteria. Indeed, 72% of the surveyed people are specifically aware of case(s) where the contract has not been awarded to the most qualified company, which suggests that bribery, collusion or nepotism have been a part of the negotiation.

### *The Challenge*

A procurement system with an opaque image has difficulty attracting foreign investment, or competition. Without competition there is limited space for new players, which de-incentives innovation. Unethical practice also increases risks by bringing into question the quality of the product, services, and value for money.

### *The Solution*

The need for finding further solutions to ensure integrity in procurement is highlighted by only 39% of the people perceiving government mechanisms as being able to ensure legality and objectivity. Public procurement can become a fundamental instrument for development in Mexico if confidence is restored between the private and the public sectors. Confidence can be gained by actively implementing organisational change and acting with individual integrity, resulting in higher economic returns for stakeholders.



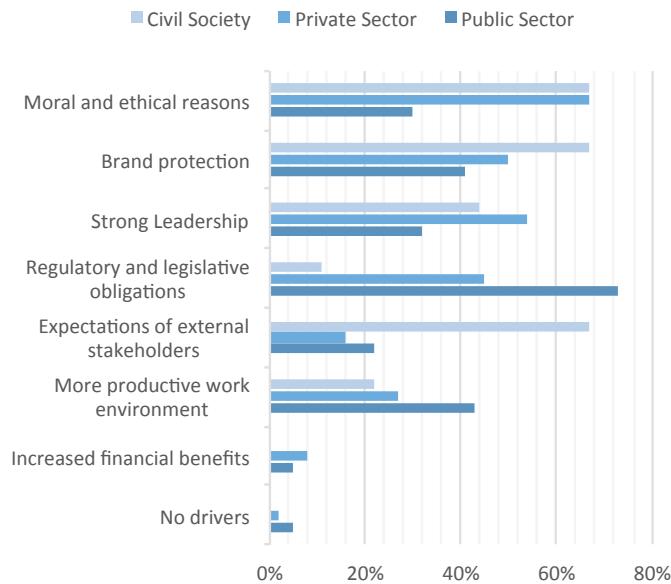
Nicolás Mariscal, Chairman of Grupo Marhnos, Juan Pablo Castañón Castañón, Chairman of Business Coordinating Council (CCE), Arely Gómez González, Secretary of Public Administration of Mexico and Javier Treviño Cantú, Undersecretary of Public Education of Mexico

The most striking result is the lack of understanding of the importance of creating a culture of integrity to increase financial benefits – which was not even considered by civil society – and only to an insignificant extent by the private and public sectors. Whereas this result is remarkable it is symptomatic of what appears to be an anomalous situation where few of the stakeholder groups understand the business case for creating a culture of integrity and hence the social, economic and financial benefits that can be realized from acting ethically. Furthermore, this results is in stark contrast to the importance civil society

attaches to “moral and ethical reasons” and hence might be understood as if a culture of integrity could become a barrier to increased financial benefits, which is a paradox given the clear business case for creating a culture of integrity (as outlined in Box 1).

It is noteworthy that only civil society believes that “expectations of external stakeholders” are of the utmost criticality in creating a culture of integrity, and this may well translate as mutual accountability. It is surprising how little importance the private and public sectors associate with this driver, particularly the public sector.

**Figure 9: What are the drivers for your organization to create a culture of integrity?**



Through the expert opinion survey and the multistakeholder workshop, the project specifically outlines areas where Mexico and the IU industries can effect change with expected high levels of impact over the short term and provides strategies for institutional change over the long term. Figure 10 illustrates the most effective behavioural, regulatory and social factors to enable trust and integrity in aggregated form. In the long term, “training and education”, “values and culture” and “leading by example” are perceived as the most effective focus areas to build systemic trust and integrity. “Leading by example” has both short- and long-term effectiveness, which suggests further focus on building individual and institutional integrity. Both the public sector and private sector regard “Enforcement of rule of law” as a top priority.<sup>20</sup> Technology is considered a cross-cutting enabler that can expedite change, particularly in the IU sector. A disaggregated analysis of the results shows however a potential anomaly that is not visible in aggregated form, namely, the perception by civil society that “adequate financial resources” will plateau as an enabler. In addition, there is a mild effect on the importance perceived by civil society of two other enablers in the long-term which are “robust compliance system” and “economic incentives”.



Figure 10: Social and regulatory factors enabling trust and integrity

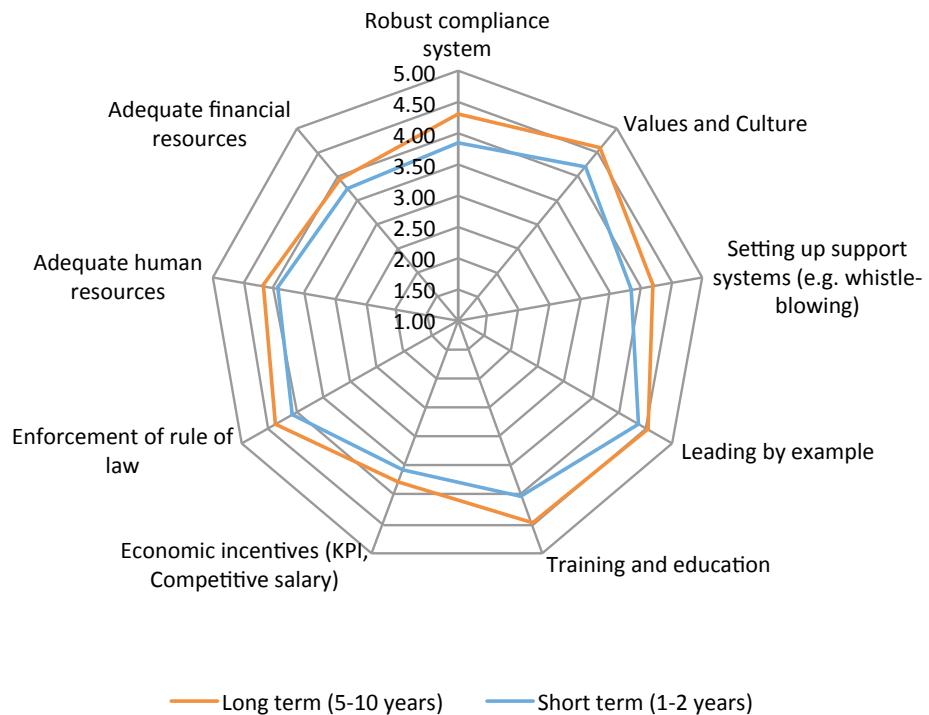


Figure 11: Social and regulatory factors enabling trust and integrity – short term (1-2 years)

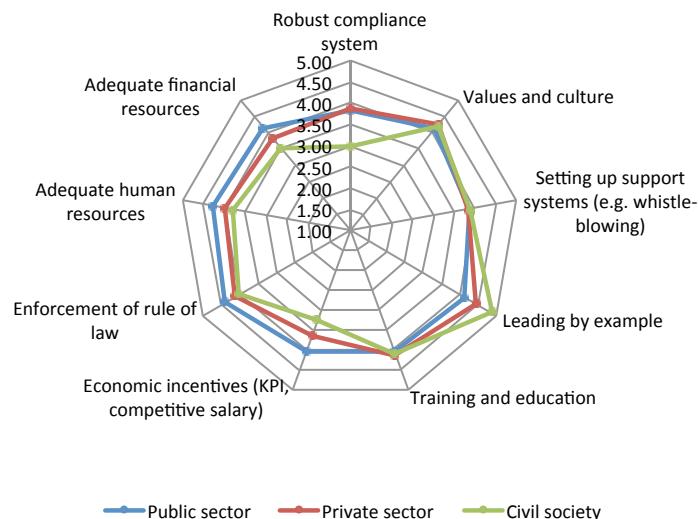
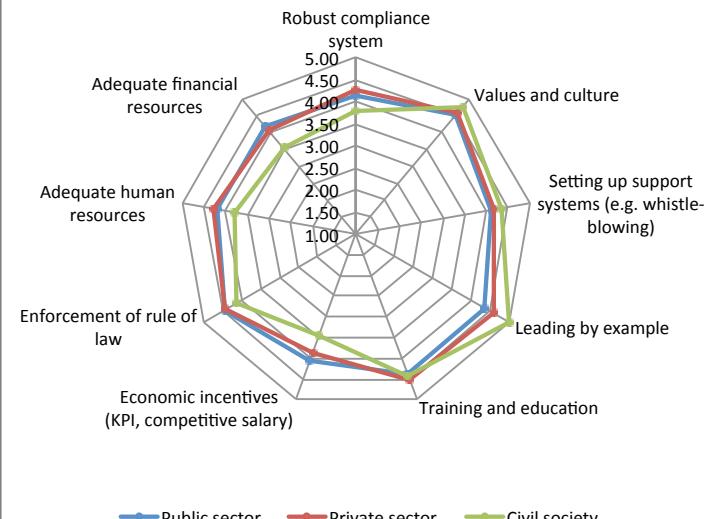


Figure 12: Social and regulatory factors enabling trust and integrity – short term (5-10 years)



## 1. Enforcement of the rule of law: a new system to defy impunity

Throughout the past decade, a diversity of countries worked to build anti-corruption systems. However, trust between stakeholders decreased over the years due to a perceived lack of enforcement. With democracy came transparency, and with it the recognition that corruption was a systemic problem, but impunity was continual challenge. Mexico's new National Anti-Corruption System demonstrates the capability of legal reform when civil society, the private sector, citizens and the government work collectively and channel social frustration in a positive way. However, Mexico's government and institutions are at an important cross-road where public scrutiny demands sufficient resources and political commitment to implement and enforce reforms required to validate stakeholder commitments. Enforcement of the rule of law and a zero tolerance policy are obstacles in the restoration of trust. Having independent authorities that enforces the rule of law regardless of the position of the individual is vital to close the road of impunity and re-build trust between the private sector and public institutions.

Perceived corruption at the centre of law enforcement agencies and the bureaucracy of the judicial system is a threat to the applicability of the rule of law, while the effectiveness of the enforcement is a key element to guarantee public trust. Yet, in Mexico prosecution and legal ramifications are not perceived as one of the primary risks to institutions acting corruptly, neither by the public sector (28%) nor the private sector (36%). Civil society also believes the rule of law is not a deterrent. This suggests a severe lack of trust in the ability of the judiciary system to implement and enforce its legal duties. It also begins to explain why "closing the roads of impunity" has become one of the main concerns for stakeholders.

## 2. Leadership: The connection to acting with integrity

Evidence suggests that trust increases with a positive perception that others are acting with integrity. The survey explored different aspects of the role of leadership, and found that 94% of all of the respondents, regardless of sector, stated that actively "leading by example" is clearly the most important factor in upholding integrity. 'Individual principles and family values' are said to motivate individuals to act with integrity twice as much as management and codes of conduct across all stakeholders.

An obvious contradiction exists between the desire to act with integrity and high-levels of corruption in the context. The surveyed results are indicative of a typical organizational cognition issue: the knowing-doing gap. In spite of knowing that individuals should act with integrity, they often do not know how to do it, either because they lack practical examples, or the mechanisms and organisational process of reward for ethical conduct are not institutionalised. The survey pin-points that the respondents may perceive the moral and ethical reasons to perform with integrity as incompatible with future prospects for increased financial benefits when operating in the current business environment. Therefore, one of the most important roles of organisations and institutes is to create an enabling environment where individuals can act with integrity.



**Figure 13: What motivates you to act with integrity in the professional environment?**



Leaders who tolerate undesirable behaviour can create inappropriate organizational cultures and set undesirable incentives for the organisation. Therefore, organizational leadership is encouraged to follow a zero tolerance policy and executives and ministerial leadership play a pivotal role in setting the tone at the top. In regards to reporting unethical practice the private sector and civil society on average are more comfortable raising concerns to management, supporting the role of strong leadership. However, in the public sector there is a higher fear of reprimand through loss of employment by reporting unethical conduct with less than one third feeling comfortable to raise concerns. Results illustrate that across all stakeholders, leadership in any organization is “ready” to assist in building integrity, with the highest commitment in the private sector (97%), followed by civil society (89%) and the public sector (73%). Case study 1 provides a good example of how leadership can build a culture of integrity through empowering employees within difficult operating contexts.

### Case Study 1 – The Role of Leadership

*The Issue: The price to pay or not to pay bribes*

*Resisting bribes in heavily corrupted countries requires committed leaders, willing to enforce clear policies and creatively face retaliation.*

Corruption is present in virtually every country in the world, but in some countries it reaches extreme levels. In such countries, the expectation of a bribe or a facilitating payment accompanies every service rendered. Accepting to pay such bribes is often the easier option, although it reinforces the problem and often marks the start of a slippery slope that results in full blown corruption. Resisting demands for bribes, however, requires more than just determination. It requires resilience, decisiveness, and creativity.

*The Idea: Play by the rules, not by the book*

*Corruption should be opposed on any scale, at all times, at all costs.*

When a large retailer entered an emerging economy ripe with corruption, the challenges began immediately. A few weeks before its announced, grand scale, inaugural opening, the local utility company refused to provide electricity, unless a kickback was paid. Paying was the easy option. Most multinational enterprise's choose to pay such kickback as technically, this would not be a bribe but a ‘facilitating payment,’ to speed up the implementation. In some legislations such payments are accepted as the cost of doing business in challenging environments and not prohibited. However, paying this first kickback would have surely invited more requests for such payments, perhaps in larger amounts, and in order to obtain permissions that would have become routine.

The retailer refused to pay. Instead, it sought a creative alternative to obtain electricity and eventually rented diesel generators to power its store through the inauguration. After realizing that its threat to withhold electricity had failed, the utility company caved it.

*The Challenge: Always fight clean*

*Acting with integrity is a tough place to be. It's also the only place to be.*

Acting with integrity and challenging the local business practices invited heavy retaliation. Local authorities systematically created obstacles that slowed down the retailer's expansion plans. Reports of multiple sanitary and fire safety violations, denied construction permits, and many other complications ensued. The retailer responded through the only legal means available: the court system, although it was itself inefficient and corrupt. The retailer is now involved in over 750 arbitration and court cases - a figure that some estimates place at ten times higher than all of the other retailers in the country combined.

*Lessons Learned: Respond decisively and be prepared to walk away*

*If you cannot do business legally, then you cannot do business.*

Working around the obstacles of a challenging and hostile business environment created a new, unexpected challenge: internal corruption. An executive was found taking kickbacks from a supplier of very expensive electricity generators. The retailer responded swiftly and decisively. The executive was immediately fired. Even when two high ranked executives were found to have merely allowed a kickback to be paid by a contractor to a utility company, though they had not personally gained from the scheme, they were immediately and publicly fired.

Despite these numerous inconveniences, business has been growing fast and profitably. Nonetheless, the retailer has halted all its further investment plans in the country. This decision put pressure on the central government to act to curb corruption at all levels to avoid alienating all foreign investors.

### 3. Training and education: Changing the paradigm

The project identified education as a driver to change the paradigm of corruption over the long-term. Educating citizens, students and professionals on why and how corruption is harming society can build capacity and impact ethical behaviour. Training and education has one of the highest results for the long-term impact for rebuilding trust and integrity. It is the most homogeneous response regardless of sector or stakeholder, which suggests potential support and implementation from all actors. It was noted during the *Building Foundations for Trust & Integrity* workshop that the education system can offer integrity training from an early age to both teachers and children.

Likewise it was noted that business and institutions in Mexico require more support and resources in developing codes of conduct. 92% of the respondents from the public sector declare to having an active code of conduct in their organization, 75% of the private sector and 67% of civil society. However, less than one third of the public and the private sectors see it as a motivator to act with integrity in their professional environment and none of the respondents from civil society perceive code of conduct as an enabler for change. Since leadership is perceived as having an influence on building a culture of integrity, leaders can promote the code of conduct and demonstrate how to follow and enforce it. The following criteria were suggested by the Workshop participants as important factors for revitalising codes of conduct in Mexico (as seen in Figure 14).

**Figure 14: Recommendations for revitalising codes of conduct**



### Case Study 2 – Smarter Crowdsourcing Against Corruption

To identify and implement innovative approaches for fighting corruption, the Yale Law School Open Government Clinic and the Governance Lab (GovLab) plan to partner with the Office of the President of Mexico and the Inter-American Development Bank to conduct a series of online conferences that will convene global experts from a variety of fields, including public administration, law enforcement, prosecution, analytics, business, and technology.

#### *The Challenge: Institutional Agility*

With corruption afflicting various levels of government and standing in the way of the effective delivery of public services, improving government integrity in Mexico is a daunting task.

Inevitably, the challenge faced by public officials is one of institutional agility, namely to identify what works quickly: what are those models and best practices that have succeeded elsewhere? In some instances, answers may come in the form of strategies or tools previously applied to other problems but that have potential to aid in the fight against corruption. Innovations in open data, machine learning, sentiment analysis, and various other fields all come with potential applications for corruption. The challenge is quickly identifying what those innovations are and understanding what it would take to apply them here.

#### *The Solution*

Building on the GovLab's experience using new technologies to curate and convene experts' intent on solving hard problems, the Smarter Crowdsourcing Team will organize a series of bilingual online sessions to brainstorm innovative and practical ways to help governments fight corruption, increase transparency, and improve public trust. The goal of the initiative is to generate innovative and implementable solutions to the challenges posed by corruption at the federal, regional, and local levels and to bring measurable improvements to citizens' lives.

Instead of a handful of people meeting once at great expense in a conference room, the team will use the Internet to make it easy for experts to lend their time and know-how and deliberate with one another to identify, design and iterate upon implementable ideas that governments can use.

The aim is to marry the agility and diversity of crowdsourcing with careful problem definition and informed curation to target those with relevant know-how and bring them together in a format designed to produce effective and implementable outcomes. This more targeted form of crowdsourcing, which quickly matches the demand for expertise to the supply of it, is what we call "smarter crowdsourcing."

## 4. Technological enablers: Instruments to build trust and integrity

In the age of digitalization, technology provides citizen a voice and has enabled the disruption of empowerment from a top down to bottom up approach. Technology has the potential to build trust and integrity with e-governance systems, open contract partnerships and open data. Approximately 80% of the surveyed people responded positively when asked if technology was a key enabler for creating a culture of integrity.

Globally, technology has been proven to be a useful tool to substantially reduce corruption. Through the correct application of new technologies, corruption can be diminished in Mexico. However, it is also important that technology is harnessed to identify corruption when it occurs. Big data analytics can help to overcome the seemingly overwhelming amount of information generated by public transactions. New technologies are now able to detect patterns of suspicious transactions in areas such as taxation, payment of government services and healthcare. In addition, forensic tools such as Self-Monitoring, Analysis and Reporting Technology (SMART) can be used by auditors to identify corrupt practices.<sup>21</sup> All of this greatly enhances auditability and public oversight.

Technology also assists with developing and institutionalizing tools to curb corruption through various channels, including creation of increased transparency, decrease in human interaction and closer monitoring. Examples of successful tools include Open Government, which is a way to improve citizens' trust in public sector or the Tech for Integrity Challenge, which is an open innovation challenge to source solutions to promote integrity, accountability and transparency in the public sector.

### Case Study 3 – Increase Transparency in Infrastructure Project through Open Data

In order to meet the projected long-term demands of air travel in Mexico City and remedy the current capacity constraints at the existing airport, the Mexican Government announced in late 2014 the construction of a new airport (NAICM), which has become the largest infrastructure project to be undertaken in Mexico in several decades.

#### *The challenge*

Situated on a 5,000 hectare site, the new airport is expected to be one of the largest airports in Latin America in terms of passenger traffic and an important regional hub. It will have an initial capacity of approximately 68 million annual passengers during its initial phase of operations, and increase progressively to reach 125 million annual passengers by 2065. At its opening, which is expected to occur in October 2020, NAICM will comprise a single terminal with three simultaneous runways, and expand to achieve its maximum capacity to six triple-simultaneous runways by 2065.

Beyond being a state of the art airport facility, designed to the most advanced environmental specifications, and fulfilling an important social mission, NAICM also aims to develop a new standard in transparency for infrastructure projects in Mexico. To that end, several initiatives have been put in place.

#### *The solutions*

In order to ensure that the execution of the project is carried out following best international practice in terms of transparency and accountability, the Mexican Government and OECD have signed an agreement whereby the latter is assisting the project sponsor, Grupo Aeroportuario de la Ciudad de México S.A. de C.V. ("GACM") in designing and enacting several measures to strengthen the governance and stakeholder engagement around the construction of NAICM. Important inroads have already been made towards the goal of achieving the successful development of the project within its timeline, budget and quality specifications.

Among the procedures that have been introduced - some of them for the first time in Mexico - are the full public disclosure of all the construction and service contracts that have been signed, and the legal documentation involved in the financing; the meetings where contracts are awarded are carried live on the internet, and involve the participation of social witnesses; there is an ethics code that is signed not only by the sponsors' staff, but by all the participants in the tendering process. Also, a public consultation process, encompassing almost 15,000 participants was carried out in the area surrounding the project, in order to provide information and identify concerns and grievances related to the construction.

Another important element to reinforce the governance features of the project is that the organizational structure of GACM has been strengthened in areas like Transparency, Internal Audit and Communications. As a public sector entity, GACM's Board of Directors is filled by Cabinet members; however, independent board members have now been incorporated, and they will be presiding the newly formed Ethics and Social Practice Committee.

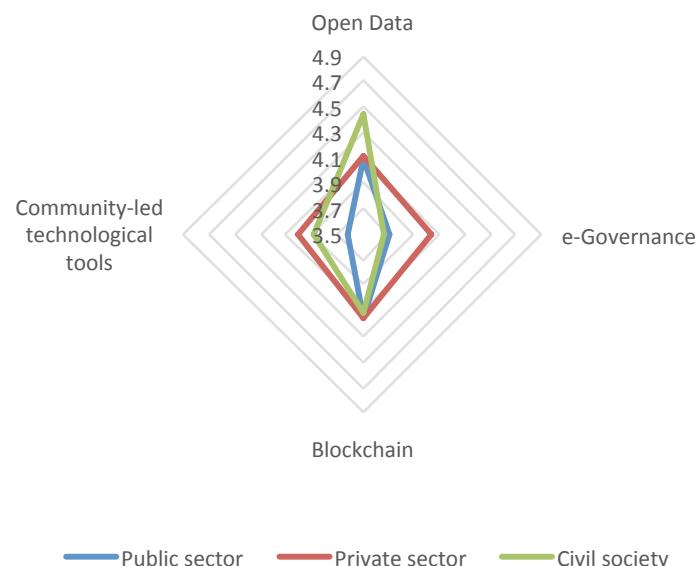
Figure 15 represents the short term impact of technology innovations for rebuilding trust and integrity. The level of perceived effectiveness differs according to the sector. For the public sector and civil society the trend is similar with making information more transparent and accessible to the public (i.e Open Data) and developing blockchain-based architectures to ensure all data has not been tampered. Reducing human interaction through e-governance was less promoted by the public sector and civil society than from the private sector which perceives approximatively all solutions as equally effective.

Civil society has a better opinion of the potential impact of “open data” to rebuild trust and integrity in the coming years, which suggests they are well positioned to lead the development of technology innovations regarding this matter. The private sector is not fully able to distinguish which of the enablers would be the best solution. The lack of distinction could be explained by a lack of understanding of the different enablers. The public sector

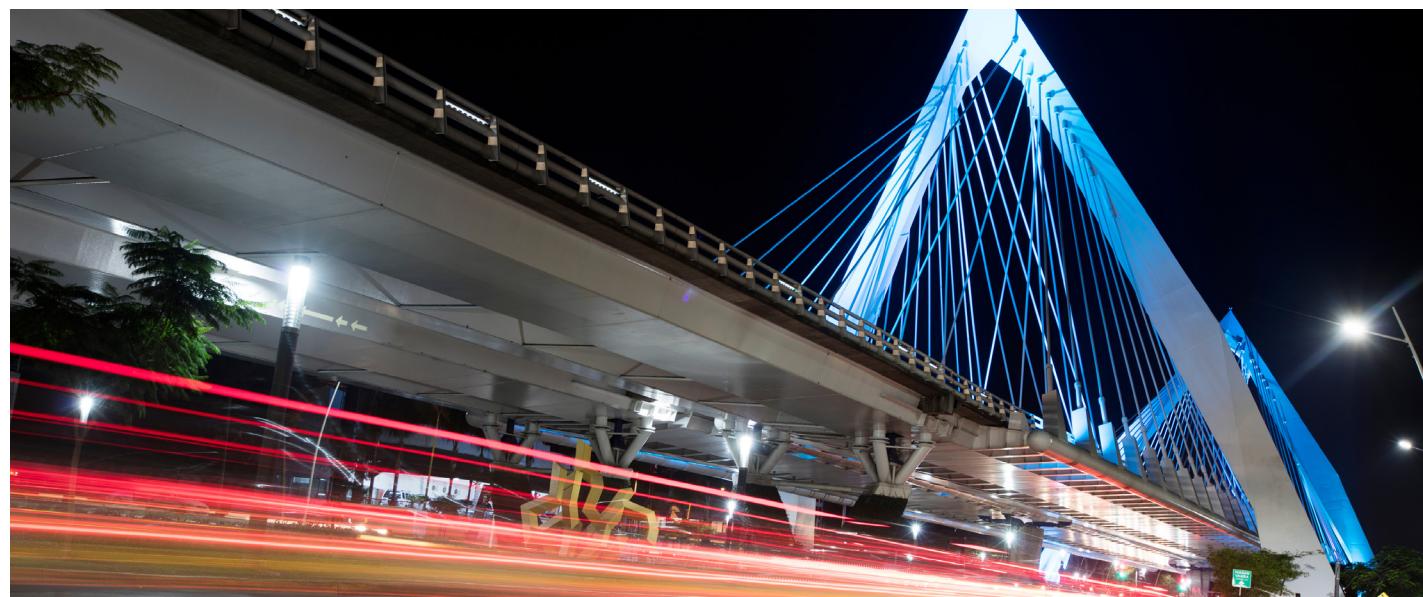
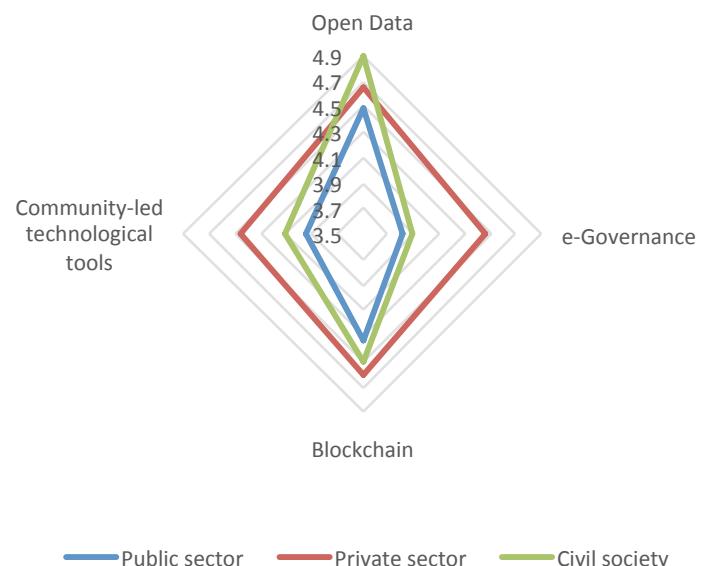
is less concerned by e-governance and a strong will for this solution is not reflected in the findings. Global leading practices are adopting e-governances and are further encouraged by the project team in this context.

Figure 16 represents the long term expected impact of technological enablers; the trend observed on the long-term is similar to the short term with open data and blockchain as solutions with the highest buy-in. The difference registered is due to the higher level expected in the long term. It indicates that work needs to be done to develop solutions through these technological innovations and it will require some time, particularly those led by the public sector and civil society – exception being open data where the public sector is well advanced.

**Figure 15: Technology innovations enabling trust and integrity: short term (1-2 years)**



**Figure 16: Technology innovations enabling trust and integrity: long term (5-10 years)**



## *Technology enhancing transparency in Infrastructure and Urban Development*

Technology could be a “game changer” for the industry, yet the IU industry has been conservative over the years in adopting technology. The average construction company’s information technology budget allocation is lower than any other industries;<sup>21</sup> however the industry has been shifting its direction recently and entering the digital world.

## **Box 2: Enhancing transparency in Infrastructure and Urban Development**

Obtaining a construction permit or licenses and registering land property is often a long, opaque and difficult procedure. Mexico is ranked 101st out of 189 countries on dealing with construction permits and 89th on registering property. In Mexico City, there are 13 steps to obtain a construction permit and 8 to register a property. Each additional step is costly, time consuming, and provides an opportunity for bribe.

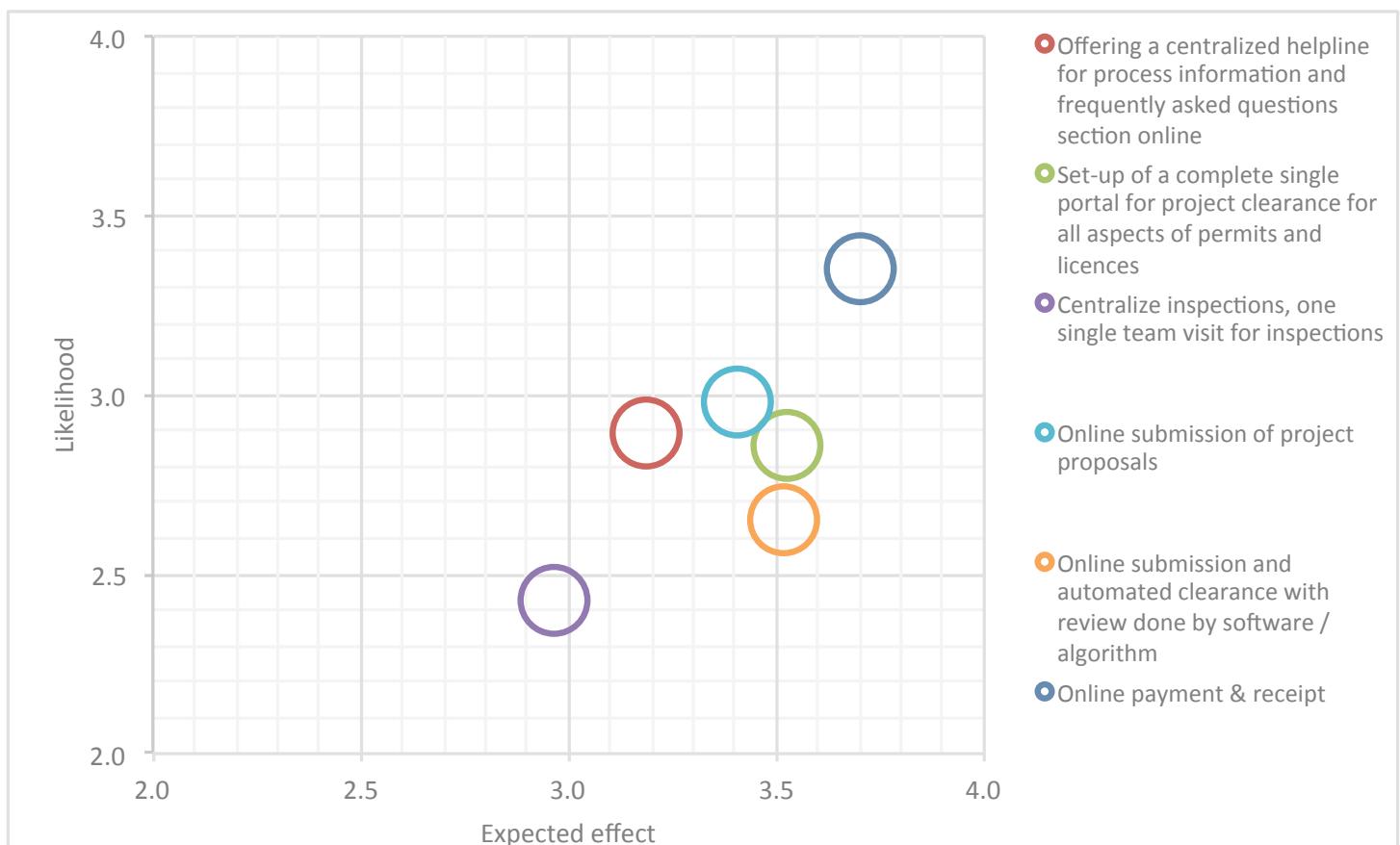
### *The Challenge*

It has been asked to key stakeholders to determine which of the digital solutions have the highest expected impact and the highest likelihood of being implemented within the next 5 years for licensing and permitting to increase transparency and reduce the chance of bribery.

### *The Solution*

The solutions (see figure 17) for permitting and licensing, particularly ‘online payment and receipts’ are, expected to have a high effect (mostly more than 3 out of 4) although the likelihood of implementation within the next 5 years is relatively low (less than 3 out of 4). It turns out that this solution stands out, not only in terms of impact but also of likelihood of implementation. Due to its relative simplicity, online payment and receipts have, compare to other proposed solutions, the highest likelihood of being implemented within the next 5 years.

**Figure 17: Solutions for permits and licenses**



# Turning Intent into Action

A key demand from all stakeholders is how to move positive intent into impact. Several dimensions have been highlighted that can rebuild integrity and trust in business and institutions. PACI and project partners are committed to demonstrating solutions and assisting Mexico and IU address corruption. Based on the identified dimensions the project working groups have come up with four recommendations needed to rebuild trust and integrity within and across all stakeholders. These actions have the advantage of being expandable to other regions and sectors.

## **Recommendation 1: Build trust and integrity through online educational platforms**

Establish an educational and mentoring mechanism to combat corruption, stimulate good governance and restore integrity.

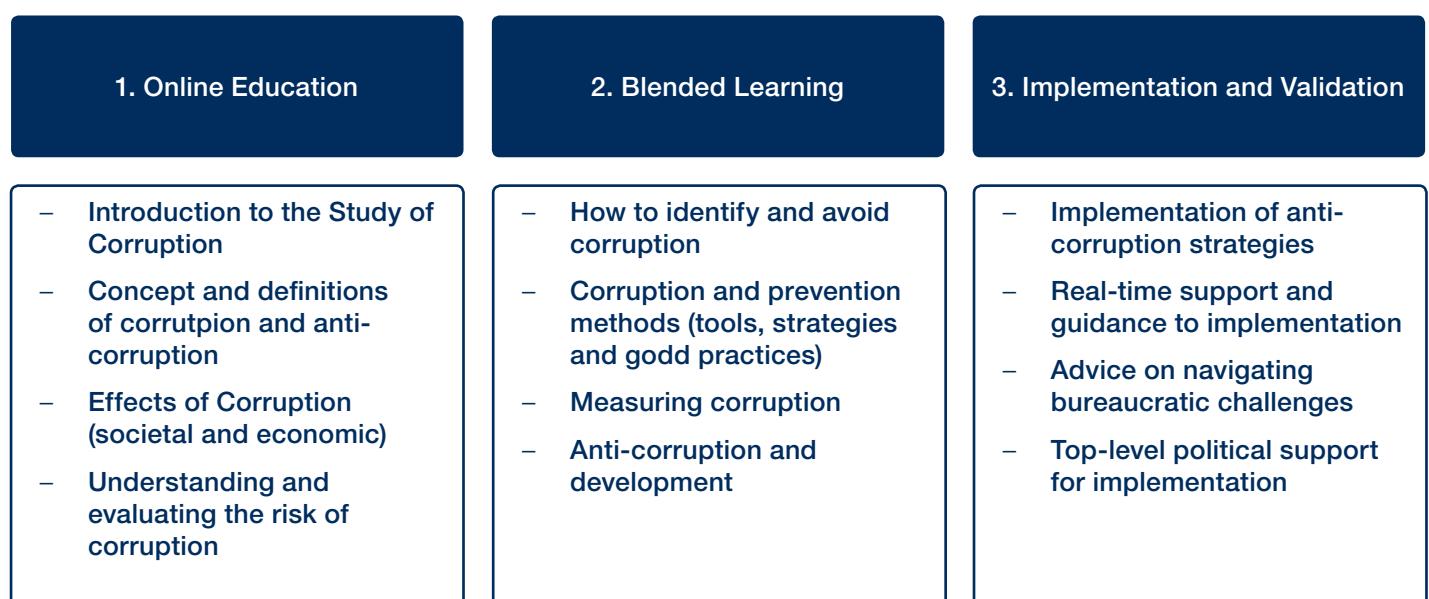
### **Demand**

The PACI community and the people surveyed reiterate the need for strong focus on the role of education in teaching values and ethics throughout the lifecycle of educational and professional institutions. Moreover, people need to be educated in order to be able to create tools anti-corruption strategies.

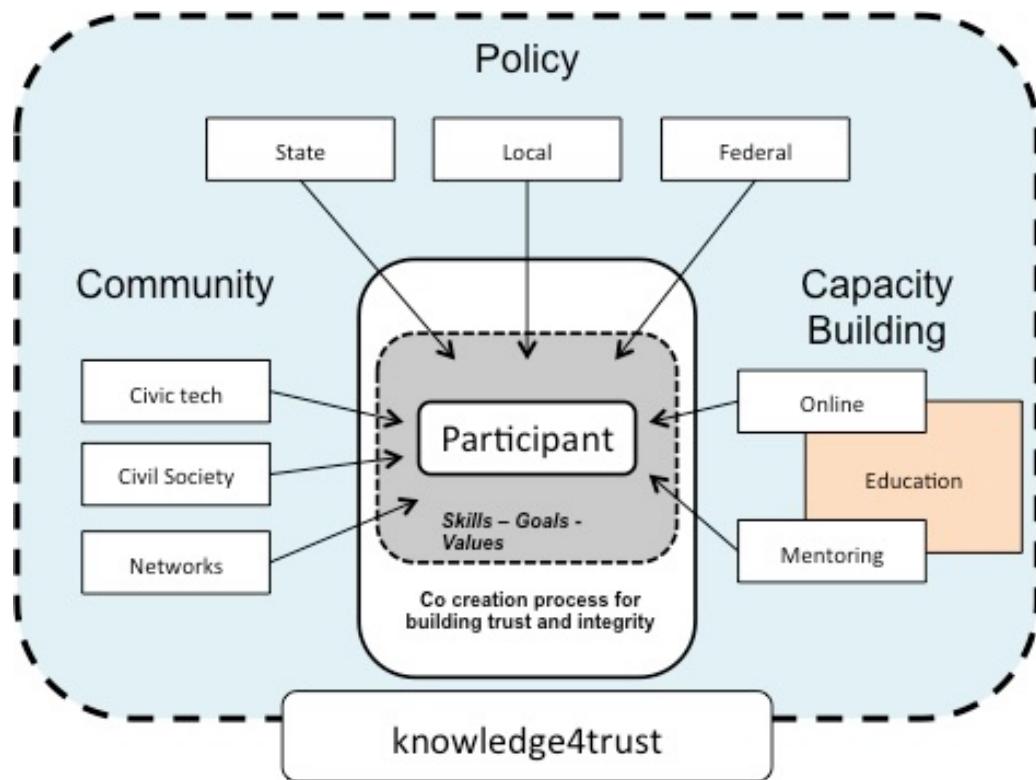
### *Proposed action*

Members of the project team have begun to establish an educational and mentoring course to combat corruption and stimulate good governance. The expected outcome aims to promote a culture that reflects an ethical corporate behaviour towards the public transformation process with the involvement of civil society and academia. eGovlab at Stockholm University and the Accountability Lab (PACI partners) will launch in 2017 a multistakeholder programme ([www.knowledge4trust.org](http://www.knowledge4trust.org)) that provides practical assistance through a hands on educational offering. Taking into account the current Mexican context, the implementation of this programme will use best practice and existing international instruments to provide a roadmap for a sustainable anti-corruption ecosystem. The anti-corruption training programme adopts a blended learning approach with both face-to-face teaching and distance-learning courses and aims to build an active community of responsible leaders across the public and private sectors that have developed the relevant skills, policy ideas, measurement tools and strategies to fight corruption. The programme will utilise eGovlab/Stockholm University's online learning platform and combine it with Accountability Lab's of face-to-face workshops and seminars lead by experts in the field and round off with implementation and validation of knowledge earned (Figures 18 and 19).

Figure 18: Modules of training programme



## 19: Method for the educational platform



### *Proposed impact*

The programme familiarizes participants with corruption, helps them recognize and mitigate associated risks and builds an active community of responsible leaders across the public and private sectors that have developed the relevant skills, policy ideas, measurement tools and strategies to fight corruption.

### **Recommendation 2: Develop a framework for mapping digital solutions**

The project steering and advisory committees noted that the Mexican government has already launched several open data or open contracting projects that would enable building trust and integrity. By increasing transparency and fighting corruption, it is hoped that citizen trust can be restored to these institutions. Technological applications such as e-services and other digital solutions have not only made the permitting process more efficient, but also reduce or eliminate the need for human interaction. This will facilitate public trust and ensure due process.

### *Demand*

Around the world technology has been proven to be a useful tool to substantially reduce corruption. There is currently a lack of communication on the good work or tools which are done and could be shared and replicated.

### *Proposed action*

To address the challenge of declining citizen trust in public institutions in Mexico, the project proposes the development of a framework for applying technology to promote transparency in public works and licensing and permitting. The framework for applying technology must incorporate several basic principles:

- Existing solutions that have shown their worth should be scaled up to ensure broad reach with minimal extra cost.
- Equal access must be ensured so that all citizens have the opportunity to benefit from these advances.
- Civil participation should be continually encouraged to ensure that the authorities are making adequate technological choices and to optimize accountability.
- Auditors should work with civil society groups to ensure that audit results are made publically available.

### *Proposed impact*

With the correct application of new technologies, the opportunities for corruption will be diminished in Mexico, and it could be used as an example for other countries in the region.

### Recommendation 3: Raise awareness through information sharing

Sharing information and data empowers all stakeholders to make the right decisions and improves accountability.



#### Demand

The diagnostic tool responded to the need to push forward the corruption agenda by increasing transparency. Data exist but must be aggregated and disclosed to make their accessibility easier.

#### Proposed action

In line with online platforms, a diagnostic tool has been replicated from phase two of the project to share relevant data to inform stakeholders about issues in the

Infrastructure and Urban Development industries within Mexico. The tool explores the situation of two countries, India and Mexico, with the opportunity to be extended into other regions. The content includes access to twitter through #PACI and up-to-date infrastructure and anti-corruption related news in the region. The tool consists of different elements of content. One element is the aggregated relevant data from different specialized databases, such as the World Bank Doing Business ranking, World Bank Enterprise Surveys and the JLL Global Real Estate Transparency Index. It also provides information from key experts on dimensions for rebuilding integrity and trust in IU. The tool can be accessed via this this [hyperlink](#) of the QR code (Figures 20 and 21).

#### Proposed impact

The diagnostic tool is easily replicable and scalable. Expanding the tool would allow a benchmarking across regions.

Figure 20: Diagnostic tool – Homepage

**INFRASTRUCTURE AND URBAN DEVELOPMENT RAISING AWARENESS THROUGH INFORMATION SHARING**  
PARTNERING AGAINST CORRUPTION INITIATIVE **DIAGNOSTIC TOOL**

**Tweets**

Isabel Cane @IsayCane  
#PACI board discusses if the US get rid of cash and move to a digital cash @FightBribery @apcworldwide weforum.org/agenda/2017/01... via @wef

The US should get rid of cash... India has already removed 86%... weforum.org

Isabel Cane @IsayCane  
Mark Pieth @JosephEStiglitz @MargeryKraus discuss beneficial ownership, building Integrity 2 address corruption @wef #PACI @Prmdearneida

Annual Meeting 2017

Embed View on Twitter

Figure 21: Diagnostic tool – Mexico

**INFRASTRUCTURE AND URBAN DEVELOPMENT RAISING AWARENESS THROUGH INFORMATION SHARING**  
PARTNERING AGAINST CORRUPTION INITIATIVE **DIAGNOSTIC TOOL | HOMEPAGE | MEXICO**

**POPULATION**  
127 MN (WB data)

**GDP 2015** **FORECAST 2017**

\$ 1.144 TN 2.785% (WB data)

**THE NATIONAL INFRASTRUCTURE PROGRAM 2014-2018 ENCOMPASSES 743 PROJECTS FOR A TOTAL OF USD 596 BN.**

**WORLD BANK DOING BUSINESS 2017**

YEAR	RANK
2016	111 / 189
2017	101 / 189

**MEXICO RANKING ON DEALING WITH CONSTRUCTION PERMITS**

YEAR	RANK
2016	87 / 189
2017	89 / 189

**MEXICO RANKING ON REGISTERING PROPERTY**

YEAR	RANK
2016	103 / 138
2017	103 / 138

**NEWS**

Carlos Slim consortium clinches \$3.5bn Mexico airport deal JANUARY 9TH 2017, 1:30:00 PM Mexico City Airport Group awarded the consortium, led by Mexican business ... The winning consortium also includes local Mexican construction companies ICA ...

Arena Ciudad de México is the country's basketball crown jewel JANUARY 12TH 2017, 1:30:00 PM Arena Ciudad de México is the country's basketball crown jewel. The stage ... Two years of construction and a \$300 million investment made the arena possible.

Gasolinazo protests: The symptom of a bigger crisis JANUARY 13TH 2017, 11:30:43 AM In the past few weeks Mexico has witnessed an unprecedented spike ... the consequences of pervasive political corruption and obscene levels ...

**WORLD ECONOMIC FORUM GLOBAL COMPETITIVENESS REPORT 2016-2017**

Rank	Score
126 / 138	MEXICO RANKING ON ETHICS AND CORRUPTION

## **Recommendation 4: Develop a digital blockchain application**

Developing a blockchain backbone<sup>22</sup> to address corruption will increase corporate and government transparency internationally by increasing the use of publishing cryptographic hashes during each step of a transaction. This will provide an irrefutable “proof of existence” and establishes a standard of trust that can be deployed among participating parties.

### *Demand*

The United Nation's Sustainable Development Goals aim to provide every person on the planet with a solid and tamper-proof digital identity by 2030.

### *Proposed action*

PACI partners have developed a pilot anti-corruption blockchain backbone (ACBB) using an internet secure platform integrating blockchain technology. The application will increase corporate and government transparency internationally and provide an irrefutable “proof of existence” and establishes a standard of trust that can be deployed among participating parties joining an ACBB. A shared ACBB-trusted ledger could ensure that transactions and data shared with the core systems are consistent and error free and available for everyone to see.

### *Proposed impact*

Blockchain has the potential to improve trust between stakeholders in large organizations and within governments. As the number of systems multiplies worldwide, each has sway over some sets of data, making overall audit and settlement increasingly difficult.



# In Summary

The *Building Foundations for Trust and Integrity* project conducted in collaboration with the Infrastructure and Urban Development Industries, explored issues and solutions in the context of Mexico and found that leadership, technology, education and enforcement of rule of law were important for long-term and short-term change. The public and private sectors are encouraged to focus on resourcing successful implementation strategies to demonstrate progress on the back of strong political and civil action.



# Contributors

## Steering Committee

**Tony Awad**, Corporate Ethics Compliance Officer, Consolidated Contractors Company (CCC), Greece

**Laurence Bates**, Chief Legal Officer, LIXIL Group Corporation, Japan

**John M. Beck**, Executive Chairman, Aecon Group Inc., Canada

**Pierre Patrick Buffet**, Strategy Officer, Acciona, Spain

**Jeanne Cranford**, Senior Managing Director, Newmark Grubb Knight Frank, USA

**Diane De Saint Victor**, General Counsel and Company Secretary, Member of the Executive Committee, ABB Ltd, Switzerland

**Hentie Dirker**, Chief Compliance Officer, SNC-Lavalin Group, Canada

**Douglas Durst, Chairman**, The Durst Organization, USA

**Ken B. Graversen**, Officer, Corporate Ethics and Compliance, Danfoss A/S, Denmark

**Wilfried Grommen**, Director and Account Chief Technology Officer, International Governmental Institutions, Hewlett-Packard Company, Switzerland

**Gregory Hodkinson**, Chairman, Arup Group Ltd, United Kingdom

**Therese Lee**, Senior Counsel, Google, USA

**Nicolas Mariscal Torroella**, Chairman of the Board, Grupo Marhnos, Mexico

**Carlos Moreira**, Chairman, Chief Executive Officer and Founder, WISeKey, Switzerland

**Raja Nahas**, Executive Manager, Corporate Office, Construction Products Holding Company (CPC), Saudi Arabia

**Mark Ohringer**, General Counsel and Corporate Secretary, JLL, USA

**Anne Randall**, Chief Compliance Officer, WS Atkins Plc, United Kingdom

**Susan Ringler**, Vice-President and Chief Ethics and Compliance Officer, Alcoa Inc., USA

**Peter Smith**, Chief Executive Officer, Blockchain, USA

**Daniel Trujillo**, Senior Vice-President, Chief Ethics and Compliance Officer – International, Wal-Mart Stores Inc., USA

**Lee Charles Tashjian**, Special Assistant to the Chairman and Chief Executive Officer, Fluor Corporation, USA

## Advisory Committee

**Gemma Aiolfi**, Head, Corporate Governance, Compliance and Collective Action, Basel Institute on Governance, Switzerland

**Abdullah Al-Nimri**, Secretary-General, Saafah Foundation, Saudi Arabia

**Norman Anderson**, President and Chief Executive Officer, CG/LA Infrastructure, USA

**Christina Bain**, Director, Initiative on Human Trafficking and Modern Slavery, Babson College, USA

**Jacqueline Beckett**, Founder, Beckett Ethics and Compliance, USA

**Brian Behlendorf**, Executive Director, Hyperledger, Linux Foundation, USA

**Eduardo Bohórquez**, Executive Director, Transparencia Mexicana, Mexico

**Juan Pablo Castañon Castañon**, Chairman, Business Coordinating Council, Mexico

**Gabriel Cecchini**, Director Latin America, Transparent Markets, Argentina

**Gerardo Corrochano**, Country Director for Colombia and Mexico, World Bank, Washington DC

**Jan V. Dauman**, Chairman, Chairman, IBLF Global, United Kingdom

**Ricardo Dueñas Espriu**, Chief Financial Officer, Grupo Aeroportuario de la Ciudad de México (GACM), Mexico

**Mahmoud El Burai**, Chief Executive Officer, Dubai Real Estate Institute, United Arab Emirates

**Blair Glencorse**, Founder and Executive Director, Accountability lab, USA

**Joaquín González Casanova**, Director, International Affairs, Instituto Nacional de Transparencia (INAI), Mexico

**Gavin Hayman**, Executive Director, Open Contracting Partnership, United Kingdom

**Harald Kjellin**, University Professor, Stockholm University, Sweden

**Max Kaiser**, Director Anti-Corruption, Instituto Mexicano para la Competitividad (IMCO), Mexico

**Matthias Kleinhempel**, Professor of Business Policy, IAE Business School, Universidad Austral, Argentina

**Robert Klitgaard**, University Professor, Claremont Graduate University, USA

**Vasilis Koulolias**, Director, eGovlab, Stockholm University, Sweden

**Douglas Krone**, Chief Executive Officer, Dynamism, USA

**Paul F. Lagunes**, Assistant Professor, School of International and Public Affairs (SIPA), Columbia University, USA

**Alessandro Lanteri**, Professor of Entrepreneurship, Hult International Business School, United Kingdom

**William S. Laufer**, Associate Professor of Legal Studies and Sociology, The Wharton School, University of Pennsylvania, USA

**Emanuel Macedo de Medeiros**, Chief Executive, ICSS Europe, United Kingdom

**Petter Matthews**, Director, CoST, United Kingdom

**Galina Mikhlin-Oliver**, Director Operations and Strategy, World Bank, Washington DC

**Andreas Pohlmann**, Partner, Pohlmann & Company, Germany

**Adriana Sanford**, Professor, State University of Arizona, USA

**Carlos Santiso**, Division Chief, Institutional Capacity of the State, Inter-American Development Bank, USA

**Sushanta Sen**, Principal Advisor, Confederation of Indian Industry (CII), India

**Pranjal Sharma**, Consulting Editor, Consulting Editor, Businessworld, India

**Jorge Soto**, Founder, Data4, Mexico

**Neville Tiffen**, Principal, Neville Tiffen & Associates, Australia

**Luis Urrutia Corral**, General Counsel, Central Bank of Mexico

**Enrico Vink**, Managing Director, FIDIC, Switzerland

**Duncan Wood**, Director, Mexico Institute, Woodrow Wilson International Center for Scholars, USA

**Enrique Zapata**, General Director of Open Data, Office of the Presidency of Mexico

## **Deloitte (Adviser and Knowledge Partner)**

**Penelope Lepeudry**, Partner, Deloitte Financial Advisory

## **World Economic Forum**

**Pedro Rodrigues de Almeida**, Head, Partnering Against Corruption Initiative (PACI); Member of the Executive Committee

**Isabel Cane**, Project Lead, Partnering Against Corruption Initiative (PACI)

**Raphael Forestier**, Project Manager, Partnering Against Corruption Initiative (PACI); seconded from Deloitte

**Michael Max Buehler**, Head, Infrastructure and Urban Development Industries

# Contact Information

## **Pedro Rodrigues de Almeida**

Head of Partnering Against Corruption Initiative  
Member of the Executive Committee  
World Economic Forum  
Tel.: +41 (0)22 869 3613  
Email: [pedro.rodriguesdealmeida@weforum.org](mailto:pedro.rodriguesdealmeida@weforum.org)

## **Isabel Cane**

Project Lead  
Partnering Against Corruption Initiative  
World Economic Forum  
Tel.: +41 (0)22 869 3521  
Email: [isabel.cane@weforum.org](mailto:isabel.cane@weforum.org)

## **Raphael Forestier**

Project Manager  
Partnering Against Corruption Initiative  
World Economic Forum  
Tel.: +41 (0)22 869 1212  
Email: [raphael.forestier@weforum.org](mailto:raphael.forestier@weforum.org)

## **Michael Max Buehler**

Head of Infrastructure and Urban Development Industries  
World Economic Forum  
Tel.: +41 (0)79 590 6533  
Email: [michael.buehler@weforum.org](mailto:michael.buehler@weforum.org)

# Endnotes

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- 10 From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.
- 11 OECD (2015), Economic Surveys Mexico, <http://www.oecd.org/eco/surveys/Mexico-Overview-2015.pdf>
- 12 As part of the project, the expert opinion survey received input from 214 experts most of them based in Mexico. Public sector n=47, private sector n=152 and civil society n=15.
- 13 Søren Serritzlew , Kim Mannemar Sønderskov & Gert Tinggaard Svendsen (2014) Do Corruption and Social Trust Affect Economic Growth? A Review, Journal of Comparative Policy Analysis: Research and Practice, 16:2, 121-139, DOI: 10.1080/13876988.2012.741442
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- 17 It is important to note that a definition of civil society wasn't provided in the survey and could accommodate a significant number of groups.
- 18 See endnotes 13, 15 and 16
- 19 Daniel Kahneman and Amos Tversky (1979), Prospect Theory: An Analysis of Decision under Risk.
- 20 The enablers with the highest average (and the lowest standard deviation) were selected and the most standardized answers synthesized.
- 21 More information in the 3rd Annual Construction Technology Report
- 22 A backbone is the part of the computer network infrastructure that interconnects different networks and provides a path for exchange of data between these different networks (<https://www.techopedia.com>).





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World Economic Forum  
91–93 route de la Capite  
CH-1223 Cologny/Geneva  
Switzerland

Tel.: +41 (0) 22 869 1212  
Fax: +41 (0) 22 786 2744

[contact@weforum.org](mailto:contact@weforum.org)  
[www.weforum.org](http://www.weforum.org)