

Press Release

## Between 2021 and 2022, the Risks of Corruption in Mexican Federal Government Public Procurement increased

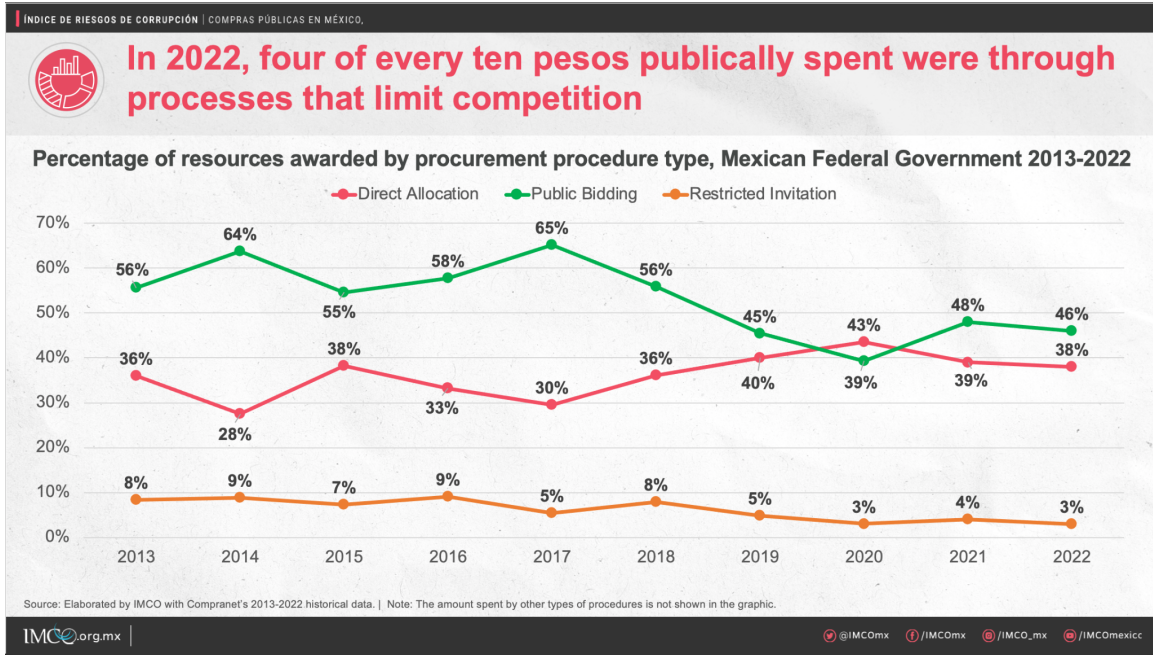
- In the Corruption Risk Index (CRI) 2023, 184 federal institutions (71%) increased their risks of corruption in public procurement.
- Federal institutions in Mexico received the highest risk score in the category of competition, with 70 of 100 points, where 100 is the greatest risk of corruption.
- In 2022, federal institutions allocated 2.5 million Mexican pesos to shell companies, 107.868 million to penalized companies, and 3.474 billion to newly created businesses.

Public procurement processes are fundamental for functioning government institutions and the supply of goods and services. At the same time, they are vulnerable to corrupt practices such as the diversion of resources, bribery, and collusion. **With the goal of analyzing the Federal Public Administration's expenditures and identifying risky and corrupt practices, the Mexican Institute for Competitiveness (IMCO) introduces the new edition of the Corruption Risk Index (CRI), a tool to help identify, prevent, and reduce corruption in procurement processes.**

In 2022, public federal institutions carried out 174,219 purchases and spent more than 513 billion Mexican pesos, an amount that represents 9% of this year's designated budget. **Seven out of every ten institutions increased their risk score in the CRI compared to 2021. In the Federal Government, recruitment practices that work against competition, transparency, and law-compliance persist.**

### Which were the risk practices in public procurement of the Federal Government in 2022?

- **Lack of competition.** Since 2019 there has been lower economic competition in public procurement. In particular, 38% of public procurement spent was directly allocated, and 25% competitions for federal contracts had three or less participants.



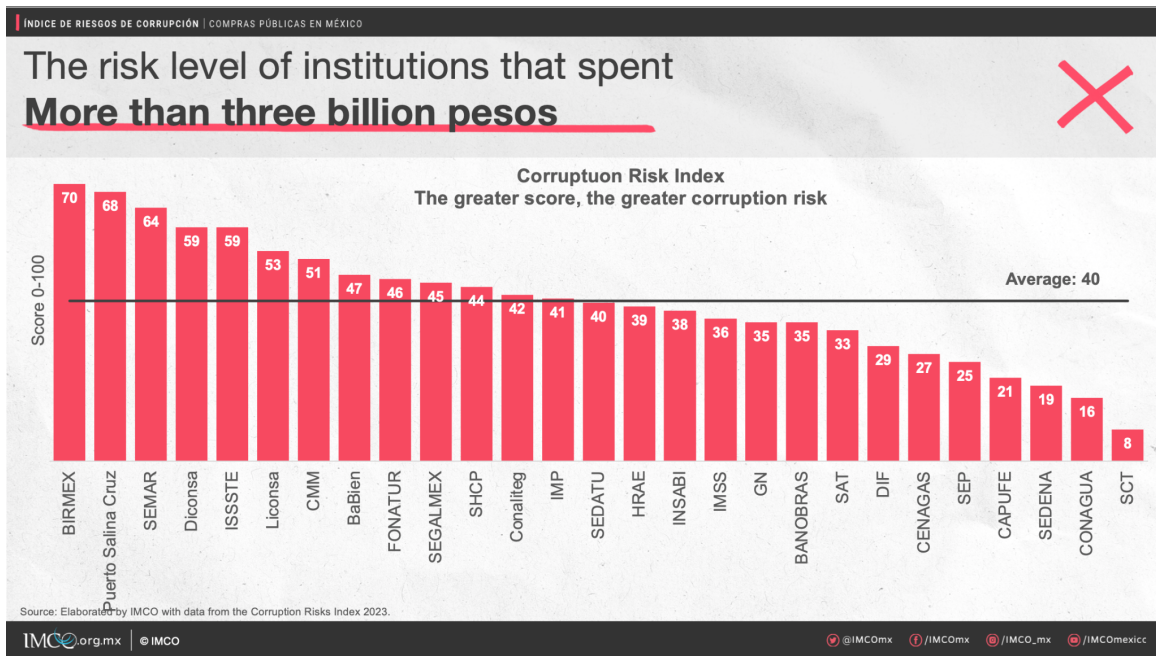
- **Lack of transparency.** More than thirteen thousand direct allocations (16%) did not have their contract document available to the public and just over two thousand public bids (30%) were incomplete. In other words, they were not compliant with the publication of one or more documents. Likewise, 4% of public spending did not disclose a functional link to the *Compranet* platform, which impedes the flow of basic information of the process.
- **Incompliance to the law.** 45% of public procurement in 2022 was published in *Compranet* after the start date of the contract. In fact, 9% of the contracts were uploaded onto the platform between one and two months after having started.
- **Risk providers.** In 2022, federal institutions spent more than 107 million Mexican pesos on contracts with suppliers sanctioned by the Ministry of Public Function (SFP). In addition, of which 32% was through direct allocations and 64% was destined towards surveillance services.

The CRI also focuses on each public institution to understand the specifics in contracting and the risks associated with each transaction. **What results does it yield regarding federal institutions?**

- **Between 2021 and 2022, the corruption risk in public procurement increased in 184 of the 260 federal institutions (71%) and lowered in 76 (28%).**
- **The institution with the highest risk of corruption was Laboratorios Biológicos y Reactivos de México (Birmex).** This institution scored 70 points in the CRI, which is 26 points higher than the previous year. 99% of its public procurement was conducted through direct allocations and restricted invitations.
- **The institution that experienced the highest increase in its risk score was the Port of Salina Cruz.** Between 2021 and 2022, it went from 25 to 68 points in the CRI, mainly

due to the lack of competition in warehouse maintenance purchases and the acquisition of stone material for the West Breakwater (*Rompeolas Oeste*), the most significant project carried out at the port in several decades and part of the Interoceanic Corridor of the Isthmus of Tehuantepec.

- **The Ministry of Communications and Transportation was the institution with high public spending whose risk score was lower**, which can be explained by the timely release and transparent manner of recruitment in the *Compranet* platform.



- **Public procurement in the health sector was one of the least competitive.** 74% of the amount spent in medicine was directly allocated. They highlight the cases of the National Health Institutes, particularly the Salvador Zubirán National Institute of Medical Science and Nutrition (INCMNSZ), the Luis Guillermo Ibarra Ibarra National Rehabilitation Institute (INR) and the National Institute of Genetic Medicine (INMEGEN) that received scores higher than 80 in the competition subindex
- **Diconsa and Liconsa, businesses administered by the department Mexican Food Safety (Segalmex), were also characterized by the lack of competition in its spending.** Diconsa’s public procurement spending was 19.734 billion Mexican pesos and 90% was directly allocated. On the other hand, Liconsa scored 85 points in the competition subindex, because it tendered only 18% of its amount spent in public procurement.

Public procurement should be characterized by integrity, ensuring a high level of competition, transparency, and compliance with the law. **The Ministry of Public Function (SFP) is responsible for improving procurement practices and monitoring public spending.** Given the recent changes in the *Compranet* platform and the functions of the Ministry, the institution

has an opportunity to increase the scope and effectiveness of resource monitoring, and transform data into intelligence and actions. In order to achieve this goal, IMCO proposes:

- **Strengthening the spending processes consolidated in medication and pharmaceutical supply in the health sector, particularly in the new IMSS Bienestar**, so that the planning is based on demand estimates and framework that prioritizes the competition between providers.
- **Reforming the Unique Providers and Recruiters Registry (RUPC) administered by the Ministry of Public Function** so that it carries out the function of providing useful information and opportunities for contracted institutions.
- **Modifying legal framework that allows institutions to carry out direct allocations** when having to do with goods and services geared towards direct marketing.

**IMCO updated the public procurement tool in Mexico that offers visuals, time series, and risk indicators of more than 800 thousand contracts available in the *Compranet* platform. It can be found here: <https://imco.org.mx/riesgosdecorrupcion/>**

**The Mexican Institute for Competitiveness (IMCO) is an evidence-based, non-partisan, not-for-profit think tank that combines research and advocacy to solve Mexico's most important challenges. Our mission is to propose public policies, suggest viable actions, and influence ghd adoption and execution of solutions to improve competitiveness and achieve prosperity and economic opportunity.**

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