

Foreword

The State of Mexico is the biggest federal entity in Mexico in terms of its population, which is currently estimated at 17.3 million inhabitants. The State of Mexico is also home to the country's most populated municipality, Ecatepec de Morelos, with around 1.6 million inhabitants. The economy of the State of Mexico produces about 8.7% of Mexico's GDP, and GDP per capita in the state grew 9.8% between 2010 and 2016, well above the national average of 8.5%. However, the state also faces important challenges. For example, 47.9% of its population is considered to be below the poverty line and 6.1% in extreme poverty. Likewise, trust in public institutions, as measured by citizen perceptions, is low. The situation has become even more challenging as a result of the effects of COVID-19 on national and state economies.

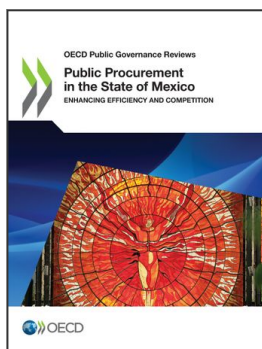
The Government of the State of Mexico has set ambitious initiatives to tackle these challenges, as reflected in the State Development Plan 2017-23, including reducing inequality by addressing the needs of vulnerable groups and achieving the full implementation of the State Anticorruption System (*Sistema Anticorrupción del Estado de México y Municipios*, SAEMM). Public procurement can be a powerful tool for advancing these initiatives. First, effective and efficient public procurement is crucial for delivering public services to improve the standard of living, while ensuring value for public resources. Second, ensuring transparent public procurement and high standards of integrity among procurement officials can help build trust in public institutions. Likewise, public procurement, which represented about 25% of the State of Mexico budget in 2019, could be used to develop its SME sector, particularly at a time when the COVID-19 crisis has severely affected business activities.

This report presents the findings and policy recommendations of the Public Procurement Review of the State of Mexico. The review addresses existing strategic and operational gaps, and reflects on what the state can do to improve the governance of its procurement system. The system is centralised under the Ministry of Finance and led by its General Directorate of Material Resources (*Dirección General de Recursos Materiales*, DGRM). It also makes recommendations for facilitating competition in the State of Mexico's tender processes and, therefore, improve its access to goods and services of better quality and at better prices.

As part of the review process, workshops were held on the key phases of the public procurement cycle, such as market analysis, award criteria, and risk management, with the support of peer experts from the Government of Schleswig-Holstein, Germany, and the Open Contracting Partnership.

This review recognises the achievements of the procurement system of the State of Mexico, such as being one of the states at the forefront in implementing its anticorruption system and requiring a Certificate of Independent Bid Determination from bidders. This latter was recommended in a previous OECD report for the State of Mexico in 2012. Likewise, this review provides recommendations on how to upgrade public procurement practices including, for example, improving the transactional capabilities of the e-procurement platform COMPRAMEX and developing the capacities of the procurement workforce, to align it with proven OECD good practices.

After publication, OECD will accompany the Government of the State of Mexico in implementing the recommendations and prepare a follow-up report to be delivered in approximately one year, in order to allow sufficient time for reforms to be carried out.



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