

## Executive summary

The northern Mexican state of Coahuila de Zaragoza is in the process of aligning its legislative framework with the national reforms that established the National Anti-corruption System (NACS). In particular, the constitutional reform establishing the NACS requires federal states to establish their own anti-corruption systems in accordance with the model defined for the federal level in July 2016. This process is not only a unique opportunity for Coahuila to upgrade its integrity system, but also to incorporate good international practices and respond to declining trust in government. This Review provides analysis and proposals to support Coahuila in seizing such an opportunity, based on the OECD Recommendation on Public Integrity as well as best practices.

In order to build a coherent and comprehensive public integrity system, the implementation of Coahuila's Local Anti-corruption System (CLACS) should rest on two critical elements: sustained leadership from the highest political and managerial levels and broad participation of stakeholders and institutions at the state and municipal levels of government. The heads of public institutions need to be fully aware of the implications of the CLACS and should take a leading role in implementing the system, defining clear responsibilities, and allocating the necessary resources. In line with the process followed to create the NACS, Coahuila should follow Open Parliament practices during the design and discussion of the remaining secondary legislation required to set up the local anti-corruption system. In doing so, leaders and institutions will be made accountable for the implementation of the reform. Using the NACS creation process as a guide, Coahuila will be on the right path to ensuring the highest degree of transparency and seeking the strong engagement of its civil society, business community, and municipalities. In fact, Coahuila's Ministry for Audit and Accountability (*Secretaría de Fiscalización y Rendición de Cuentas*, SEFIR) set up a working group with these stakeholders to allow participation and to facilitate buy-in for implementation.

Coahuila has created a Code of Ethics and Conduct applicable to all public servants of the state government and a specific Code of Conduct for SEFIR's officials. However, public servants still need to understand how to apply the principles and values of these codes in their daily work. By mainstreaming integrity throughout all institutions of the government of Coahuila and effectively communicating about shared principles and values, Coahuila could cultivate a culture of integrity. The government of Coahuila could set up Integrity Contact Points in every ministry and agency to ensure the implementation of integrity policies. Translating regulations into practical situations through manuals, training, and continuous guidance could help clarify what is expected from public officials. Furthermore, Coahuila needs to develop clear guidelines for public officials facing conflicts of interest and should complement the existing requirements for government suppliers to disclose such cases.

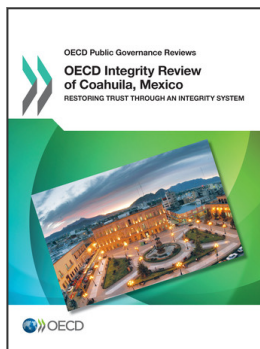
The current asset disclosure system could be strengthened by reviewing and auditing the disclosure forms in a systematic manner. For this purpose, SEFIR should pursue authorisation to cross-check information with other databases such as those of tax and banking authorities.

The design of the CLACS is an opportunity for Coahuila to go beyond the model of the NACS and pass dedicated whistleblower protection legislation. Such legislation would clearly define the nature of protected disclosures, call for sanctions on individuals who exercise reprisals against whistleblowers, shift the burden of proof to employers, allow redress for civil servants who experience reprisals, and facilitate anonymous reporting. By building an open organisational culture within the state institutions, trust in the reporting lines can be strengthened and potential whistleblowers will be encouraged to come forward.

Internal control is a critical element in safeguarding integrity and enabling effective accountability. Coahuila has developed a General Standard for Internal Control including a risk management framework to be applied in the state government. However, further efforts are needed to embed internal control activities into the strategic and operational activities of public sector institutions. Indeed, public officials from operational levels claim that a stronger tone emanating from the heads of public institutions would help establish internal control and risk management as a responsibility of every public official, not just top management. The use of data analytics and the creation of Internal Control Units in ministries where risks are most significant also have the potential to improve internal control activities in Coahuila.

Coahuila has developed one of the most advanced transparency frameworks in the country. According to rankings compiled by think-tanks and non-governmental organisations, its level of sophistication is a result of a strong legal framework, extensive disclosure of budget information, and the performance of the guaranteeing institution. For instance, the Mexican Institute for Competitiveness (*Instituto Mexicano para la Competitividad*, IMCO) measured compliance with budget transparency criteria at state level and, for the second year in a row, Coahuila was the only state where all municipalities complied. The state government has also developed a strategy on open data after a broad public consultation process involving all state regions. Public entities in Coahuila could improve data socialisation and develop online visualisation tools to make transparency an effective mechanism to promote accountability. Furthermore, Coahuila could further promote public engagement and oversight by using existing tools more effectively and developing new innovative ones.

The state government has also taken steps to ensure integrity and value for money in public procurement, which is particularly vulnerable to integrity violations due to its high complexity, close interaction between the public and private sectors, and the large volume of transactions processed. It has developed a Code of Conduct and a Conflict-of-Interest Manifest for suppliers. Nevertheless, it still lacks a specific code of ethics for procurement officials. The state government has improved transparency in public procurement by reducing direct awards thresholds and the live transmission of tender events. Coahuila could maximise transparency by developing a unique online portal for public procurement and an e-procurement system. Additional reforms could include developing co-operation agreements and integrity pacts with the private sector, and improving engagement with civil society through mechanisms such as the social witness programme.



**From:**

## **OECD Integrity Review of Coahuila, Mexico**

### **Restoring Trust through an Integrity System**

**Access the complete publication at:**

<https://doi.org/10.1787/9789264283091-en>

#### **Please cite this chapter as:**

OECD (2017), “Executive summary”, in *OECD Integrity Review of Coahuila, Mexico: Restoring Trust through an Integrity System*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264283091-3-en>

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