

# U4 Helpdesk Answer

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## Anti-corruption networks and groups in Mexico related to the private sector

Attempts to engage the private sector in anti-corruption measures are visible in the form of government and civil society backed initiatives. In some cases, such collaborations have been formalised, in other cases, more needs to be done to include businesses in anti-corruption policymaking and strengthening corporate integrity networks.

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### RELATED U4 MATERIAL

- [Integrity risks for international businesses in Mexico.](#)
- [Mexico: Overview of corruption and anti-corruption efforts.](#)

# Query

Please provide an overview of anti-corruption networks or collective actions in Mexico in the private sector. We would like to know if these networks have any special legal status, such as civil associations, fiduciary trusts, etc.

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## Caveat

Information found in the public domain and from consultations with regional experts suggests that there is a lack of anti-corruption networks and groups organised by the private sector (except initiatives by professional associations). For the purpose of this answer, anti-corruption initiatives from the government and civil society engaging the private sector have been presented.

## Background

Weak rule of law enabling both grand and petty corruption in Mexico are obstacles when conducting business in the country (Kukutschka 2018). Operating a business was observed to have become more difficult in 2021, as noted by the Index of Economic Freedom by the Heritage Foundation. Bertelsmann Stiftung's Transformation Index (BTI) 2020 report notes that corruption at the state and local levels has increased enormously due to the lack of policy coordination and oversight between the federal and regional authorities.

## MAIN POINTS

- Corruption is a business risk for the private sector.
- Targeted attempts to curb corruption have yielded significant benefits to improve the regulation of the business environment.
- Government and civil society supported anti-corruption initiatives involving the private sector operate to mainstream corporate compliance systems.
- In some cases, there are formal arrangements, such as the MPA's business integrity model; in other cases, such as the Citizen Participation Committees, there are informal engagements with businesses.
- Other civil society backed programmes, such as IC500, seek to evaluate the top 500 Mexican companies with respect to the existence and public availability of corporate integrity policies.

The Global Competitiveness Index for 2019, published by the World Economic Forum, placed Mexico among the 25 countries – out of a list of 141 – in which corruption has a greater incidence to the detriment of competitiveness. In fact, the business community surveyed for the 2017-2018 edition, identified corruption as the main problem for

doing business in the country (Holge and Mayola 2021).

Businesses are known to have close ties with politics in Mexico. Some actors in the private sector are known to employ both legal (e.g., lobbying) and illegal or corrupt rent-seeking practices (e.g., bribery, illegal political contributions, conflict of interest and trading in influence) to obtain privileges that allow them to ignore rules and regulations applied to other actors in the sector, while others have managed to establish de facto monopolies (Kukutschka 2018).

An investigation by Animal Político, a multi-media outlet, and Mexicans against Corruption and Impunity (Mexicanos Contra la Corrupción y la Impunidad – MCCI), a civil society organisation, exposed a corruption scheme that involved a number of federal ministries, a network of 128 fictitious or irregular companies, and eight public universities. Together, the scheme served to deviate more than US\$430 million dollars' worth of public contracts between 2013 and 2014 (Animal Político 2017). Businesses also believe that public funds are often diverted to companies and individuals due to corruption and perceive favouritism to be rampant (GAN Integrity 2020).

Disclosure of information related to the private sector – particularly in bank secrecy, beneficial ownership and corporate tax – remains very low, despite Mexico being an important destination for tax evasion and money laundering (Ardigo 2019).

An evaluation team of the OECD Working Group on Bribery (WGB) stated that Mexico did not provide information on the number of companies that have benefited from the anti-corruption compliance awareness raising activities carried out by Mexican authorities (OECD 2018). Given the lack of data and companies' low levels of awareness

of integrity tools, the WGB evaluation team was not persuaded that the Mexican government had made sufficient efforts to engage with the private sector on foreign bribery offences (OECD 2018). In fact, most compliance regimes that were found to be in place were to serve the requirements of foreign jurisdictions such as the United States and United Kingdom (OECD 2018).

When it comes to the anti-corruption climate in the country, the National Anti-Corruption System (Sistema Nacional Anticorrupción, SNA) has yet to receive the political support it needs to thrive (Hinojosa and Meyer 2020). The operation of the SNA is based largely on the premise that civil society organisations and anti-corruption experts are crucial to monitoring and evaluating anti-corruption policies; however, the incumbent president frequently criticises that sector of society, discrediting its role in acting as a counterweight to government institutions (Hinojosa 2019). It seems as though President López Obrador is “most likely to support what he can control” (Hinojosa 2019). For example, the president and his allies in Congress have demonstrated the most openness to engaging with and allocating resources to the Ministry of Public Administration (MPA), the only member of the SNA Coordinating Committee that falls under executive control (Hinojosa 2019).

Nevertheless, with respect to the private sector, corruption, in all its forms, is always a business risk (Bannerman and Roberts 2012). Targeted attempts to curb corruption have yielded significant benefits to improve the regulation of the business environment (Breen and Gillander 2012).

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#### **U4 Anti-Corruption Helpdesk**

# Anti-corruption networks and groups related to the private sector

## Initiatives from Proméxico and Mexican Business Council for Foreign Trade, Investment and Technology (COMCE)

Proméxico is the federal government agency in charge of coordinating strategies to strengthen Mexico's participation in the international economy, supporting the export processes of companies established in Mexico and coordinating actions aimed at attracting investment. In its engagement activities with the private sector, Proméxico has conducted a series of awareness raising measures with respect to complying with measures of OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD 2018).

In collaboration with the Mexican Business Council for Foreign Trade, Investment and Technology (COMCE), Proméxico has held training courses for small and medium enterprises (SMEs) with cross-border businesses (OECD 2018).

## Ministry of Public Administration (MPA) business integrity programme

The business integrity model developed by the Ministry of Public Administration (MPA) provides the standard where companies must incorporate "due controls in their organisation" with respect to corporate criminal foreign bribery offences (OECD

2018). When it was launched in 2017, the integrity model was disseminated to 160 companies by email and published on a [website](#) designed by the Ministry of Economy and MPA.

The Phase 4 Report on Mexico by the WGB found, from a focus group of companies, that while most of them were aware of the recently established corporate liability regimes, the majority of companies were unaware of the integrity model's existence and that it provided the standard to comply with Article 421<sup>1</sup> of the National Code of Criminal Procedure (CNPP) (OECD 2018).

## Integridad Corporativa 500 (IC500)

A product of Transparencia Mexicana (TM) and MICCI, the IC500 measures the integrity and anti-corruption policies of the 500 largest companies in Mexico based on whether they have an anti-corruption programme and if it is publicly available (Mexicanos contra la Corrupción y la Impunidad and Transparencia Mexicana 2020).

While the exact content of integrity policies varies widely among companies, depending on their business activities as well as perceived risks, IC500 reviews the minimum elements that should be included in corporate integrity policies, including an anti-corruption programme as well as a code of conduct/ethics (Mexicanos contra la Corrupción y la Impunidad and Transparencia Mexicana 2020). TM and MICCI note that publishing companies' corporate integrity policies is the starting point for improving transparency and accountability systems. The subsequent milestones are to improve the quality of these policies and their effectiveness in controlling corruption (Mexicanos contra la

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<sup>1</sup> Dealing with corporate compliance.

Corrupción y la Impunidad and Transparencia Mexicana 2020).

Having an anti-corruption programme that is public and easy to understand helps in mitigating risks related to internal corruption, as well as potentially reducing the extent of sanctions if such acts are committed. The public nature of anti-corruption programmes is a means for companies to showcase their commitment to anti-corruption (UNODC 2013). According to the UNDP's *Manual para la gobernanza corporativa e integridad* (2020), companies that embrace an anti-corruption commitment improve their reputation and are able to do business with integrity.

IC500 seeks to work with the private sector to effectively control corruption (Mexicanos contra la Corrupción y la Impunidad and Transparencia Mexicana 2020). According to the IC500 evaluation from 2020, 354 of Mexico's top 500 companies have made their anti-corruption programme public. The report, however, also notes that progress from 2019 to 2020 was less significant compared to previous years (Mexicanos contra la Corrupción y la Impunidad and Transparencia Mexicana 2020). In 2018, only 299 out of the 500 biggest companies had anti-corruption or integrity programmes available on their website. It should also be noted that most of the anti-corruption programmes in place focus narrowly on bribery and public donations but tend to neglect practices like fraud and money laundering. These are angles which the IC500 wants increasingly to focus on, along with addressing challenges of gender equality in the private sector and sexual extortion, also known as sextortion (Mexicanos contra la Corrupción y la Impunidad and Transparencia Mexicana 2020).

## Citizens and Markets, Transparencia Mexicana

Launched in 2011 by Transparencia Mexicana, its objective is to analyse in depth and reflect on the emerging relationships that exist between citizens, the private sector and governments vis a vis anti-corruption (Transparencia Mexicana 2021).

Its publication, *A New Role for Citizens in Public Procurement* (2011), attempts to evaluate public procurement processes and the role of citizens in them (Transparencia Mexicana 2021).

## National Anticorruption System (Sistema Nacional Anticorrupción, SNA) Citizen Participation Committee (CPC)

The Citizen Participation Committee (CPC) is a civilian oversight body meant to serve as a bridge between the SNA and civil society. The president of the CPC serves as the president of the entire system, giving citizens a lead role in the anti-corruption fight (Hinojosa 2019).

While no formal working group has been established with the CPC to include private sector representatives, interviews during a fact-finding mission by an OECD evaluation team revealed that, in practice, they are constantly involved in activities with the committee and that a fruitful dialogue takes place with them. One example is the discussion on the national anti-corruption policy, where the private sector was invited to take part (OECD 2019).

The follow up report on the OECD Integrity Review of Mexico (2019) recommends such cooperation could be formalised to create a solid partnership,

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which considers the perspective of the private sector and discusses related initiatives (OECD 2019).

## Professional associations

Various professional associations in the country have issued codes of conduct on the themes of ethics and anti-corruption. For example, La Cámara Mexicana de la Industria de la Construcción (CMIC), an association for the construction sector has issued a *código de ética y conducta*, a mandatory code of conduct on ethics, based on the national anti-corruption law, which is applicable to the organisation as well as its stakeholders (CMIC n.d.).

Similarly, the Consejo de Ética y Transparencia de la Industria Farmacéutica (CETIFARMA) is a council on ethics and transparency for the pharmaceutical sector founded by the general assembly of the Cámara Nacional de la Industria Farmacéutica (CANIFARMA) (CETIFARMA 2019).

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The U4 anti-corruption helpdesk is a free research service exclusively for staff from U4 partner agencies. This service is a collaboration between U4 and Transparency International (TI) in Berlin, Germany. Researchers at TI run the helpdesk.

The U4 Anti-Corruption Resource Centre shares research and evidence to help international development actors get sustainable results. The centre is part of Chr. Michelsen Institute (CMI) in Bergen, Norway – a research institute on global development and human rights.

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## **KEYWORDS**

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