# 3 ways to turn corruption into a minor risk in Mexico

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Once considered to be a country ripe with potential for growth, investment and productivity, recent corruption scandals and public distrust have lowered confidence and had a negative impact on the Mexican economy and public perception.

In order to create conditions for a more inclusive and competitive physical environment, it is estimated that the country needs to invest at least 5% of global GDP in long term infrastructure development for the next 15 years. To tackle corruption and create the conditions for transparency, Mexico needs to open the communication channels between business and public institutions to help identify key risk areas, assess opportunities and develop tools. Although critical for economic growth, in practice, the implementation of these measures will not be an easy task. Besides building infrastructure, the government has other priorities and resources are limited. In addition, bureaucracy and opaque processes remain as some of the biggest obstacles for investors despite the willingness to foster multi-stakeholder dialogue.

The challenge for Mexico now is how to mitigate these risks. This issue has been well analyzed by public and private organizations as well as international institutions with several solutions proposed to elevate Mexico in competitiveness, doing ease of business and corruption perception rankings.

Working with the World Economic Forum as part of the Long Term Investing, Infrastructure and Development Challenge and the Partnering Against Corruption Initiative (PACI), we have developed three recommendations for mitigating the risks of corruption with the aim of creating economic value in Mexico:

1. **Identification and assessment of key corruption risks**

   Countries successful in achieving low levels of perceived corruption such as Denmark, New Zealand, Finland, Sweden, Norway, and Singapore have different mechanisms to prevent, investigate, prosecute and judge corruption. Beyond these mechanisms and international treaties, there is the immeasurable component of the will to doing things right with zero tolerance against corruption as stakeholders including enterprises, public officials and civil society recognize that through collective action, long-term economic and social gains can be achieved.

   To align incentives from government and business to create real change in this area, solutions have been developed to dismantle and identify sub-issues within key risk areas and assess opportunities for process improvement. A clear example of this is the PACI industry project Building Foundations for Transparency that has developed a diagnostic tool which is an online-based, front-end platform that informs stakeholders about ongoing work in the sphere and aggregates relevant data. The solution-oriented workshops that feed into the tool could be replicated in Mexico to develop solutions for the identified key issues and to foster local dialogue with public officials and local policy makers for more transparent processes.

2. **Public Private Partnerships (PPP)**

   When building critical infrastructure, projects and assets involved have longer life-cycles than political cycles. In addition, there are various political and regulatory risks involved related to systems and time frames. Furthermore, interests differ; whilst governments pursue competitiveness to achieve political targets, companies pursue competitiveness to increase profits and boost economic growth. Private sector investors have expressed a willingness to collaborate and create continuous dialogue with government provided there is political will. In line with this, the private sector is co-investing in large scale projects to deliver facilities and services. Through these partnerships, the skills and assets of each sector (public and private) are shared and each party shares in the risks and costs associated with these projects.

3. **Implementation of tools for risk mitigation**

   Risk manifests itself during different phases of the infrastructure projects including the planning, design, construction, operation and termination phases. A few months ago, the World Economic Forum conducted an assessment in Mexico to identify and characterize the main manifestations of political and regulatory risk in infrastructure projects.

   Cancellations, change of scope and community risk were highlighted as those with the highest impact, and corruption cited as the most pervasive risk cutting across industries and sectors. In terms of tools to mitigate risk, the World Economic Forum has developed a framework to characterize political and regulatory risks, and identified a series of mitigation strategies based on global best practices. In addition to discussions at global and regional levels, multi stakeholder dialogue is needed to align views around the actual manifestations of political and regulatory risks at country level, considering the particularities of domestic political landscapes, country infrastructure programmes, and country risk profiles. More importantly, such analysis is necessary to design effective mitigation strategies that respond to the specific country conditions.