

Implementation of Integrity Pacts in the Water Sector in Mexico including the El Cajon Hydroelectric Project

Transparencia Mexicana completed 48 Integrity Pacts (IPs) between 2001 and June 2008 and has another 13 ongoing. In following the same principles as the TI IP, the Mexican IP has built in an additional feature to increase citizen participation in the contracting award process. This is the use of a 'social witness (testigo social)' to oversee the contracting process. The social witness is selected by Transparencia Mexicana and must be an independent and respected technical expert in the field. The final report of the social witness covers the following areas: observations and recommendations on the contracting process; a review of qualifying criteria for bidders; an assessment of the group of bidders; and an evaluation of the rationale of the decisions taken by the contracting authority.

At the request of the relevant contracting agencies, Transparencia Mexicana has arranged for the hiring of social witnesses in projects in the water sector such as the 750 MW 'El Cajon' and the 746 MW 'La Yesca' hydroelectric projects under the responsibility of the Federal Electricity Commission (Comision Federal de Electricidad –CFE); and the Operation of a Wastewater Treatment Plant under the responsibility of the Municipality of Saltillo.

The 750 MW 'El Cajon' Hydroelectric Project. The following sets out the steps undertaken by TI-Mexico in relation to its involvement in the 'El Cajon' hydroelectric project over the period August 2002 – June 2003:

- (a) Designation by TI-Mexico of a social witness to monitor the process;
- (b) As a condition for competing for the project, each bidder was required to make a unilateral Declaration of Integrity, signed by the highest level bidding official of the bidding consortia. Similar declarations were submitted by CFE officials as well as by all Government officials involved in the bidding process;
- (c) Based on interviews with each prospective bidder, TI-P concluded that the bidders were most concerned about the fairness of the evaluation process;
- (d) Of the thirty prospective bidders, who bought the bidding documents (which covered the civil and electro-mechanical aspects of the project), twenty one did not submit proposals; the remaining 10 split into three consortia that submitted proposals. These proposals were evaluated in terms of technical acceptability. A contract of US\$ 748 million equivalent was then awarded to the lowest evaluated bid of a consortium comprising Constructora Internacional de Infraestructura, Promotora e Inversora Adisa, Ingenieros Civiles Asociados, La Peninsular Compania Constructora and Energomacexport-Power Machine; this compared with the estimated cost of US\$ 812 million;
- (e) **Complaints.** During the bidding process, TI-Mexico received one complaint in relation to an alleged irregularity in the bidding process – that CFE provided confidential information to one bidder five months before the start of the bidding process. TI requested a meeting with the complainant but received no response. In response to a request for an explanation, CFE informed TI Mexico that it had posted information on the Internet months ahead of the tender, requesting feedback on the project from all interested stakeholders. None of the bidders complained about the qualification criteria or about the legal framework of the

contracting process. According to TI Mexico, there were no unresolved complaints in relation to the project; and

- (f) At the conclusion of his involvement in the project, the social witness prepared a report, which was posted on TI-Mexico's webpage¹.

Spoletto, July 4, 2008.

¹ This writeup is based on information extracted from Transparencia Mexicana's web page (<http://www.transparenciamexicana.org.mx/pactosdeintegridad>). See also Larry Haas, Leonardo Massei and Donal O'Leary, "Setting Standards for Communications and Governance", World Bank Working Paper No. 121, 2007. Note for the 'La Yesca' hydroelectric project, the report of the Testigo Social was also posted in Mexico's national dailies.