



Food and Agriculture Organization
of the United Nations

Strengthening coherence between agriculture and social protection

Mexico country case study report

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The From Protection to Production (PtoP) programme, jointly with the United Nations Children's Fund (UNICEF), is exploring the linkages and strengthening coordination between social protection, agriculture and rural development. The PtoP programme is funded principally by the United Kingdom Department for International Development (DFID), the Food and Agriculture Organization of the United Nations (FAO) and the European Union.

The programme is also part of a larger effort, the Transfer Project, together with UNICEF, Save the Children and the University of North Carolina, to support the implementation of impact evaluations of cash transfer programmes in sub-Saharan Africa.

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Abbreviations/Acronyms

AMUCSS	Mexican Association of Social-Sector Credit Unions
ASERCA	Agricultural Marketing Services and Support Agency
CDI	National Commission for the Development of Indigenous Peoples
CONAGO	National Conference of Governors
CONAPO	National Population Council
CONEVAL	National Council for the Evaluation of Social Development Policy
COPLAMAR	National Commission for Deprived Zones and Marginalized Groups
ENIGH	National Household Income and Expenditure Survey
FAO	Food and Agriculture Organization of the United Nations
FinRural	<i>Financiera Rural</i>
FIRA	Trust Funds for Agriculture
GATT	General Agreement on Tariffs and Trade
INEGI	National Institute of Statistics and Geography
NAFTA	North American Free Trade Agreement
PAN	National Action Party
PEC	Special Concerted Programme for Sustainable Rural Development
PIDER	Public Investment for Rural Development Programme
PRD	Democratic Revolution Party
PRI	Institutional Revolutionary Party
PROCAMPO	Direct Rural Support Programme
<i>Progesa</i>	Education, Health and Nutrition Programme
PRONASOL	National Solidarity Programme
SAGARPA	Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food
SAM	Mexican Food System
SEDESOL	Secretariat of Social Development
SEMARNAT	Secretariat of the Environment and Natural Resources
SNIIM	National Market Integration and Information System
SIAP	Agrifood and Fishery Information Service
SMB-Rural	Rural Microbank System
UNDP	United Nations Development Programme

Executive Summary

Since the late 1970s, the prevailing theory of change that has guided public policy with respect to rural areas has been based on one central idea: the modernization of the country, understood as essentially a combination of industrialization and urbanization. The assumption at the heart of this theory is that overall economic growth would create enough jobs to absorb the labour force that was being displaced from rural areas. On that basis, an agrifood policy was devised that was underpinned by two pillars. One was the concentration of promotional efforts on the production of inputs, technical assistance and, most of all, subsidies and credits for farmers working irrigated plots (with irrigation infrastructure being provided to these producers by the state) so that they could produce commodities and bring in foreign exchange. The other was the broader coverage of small-scale producers, most of whom were farmers of rain fed areas, to provide them with inputs and support measures so that they could produce inexpensive foodstuffs for the domestic market. The *ejidos* (a pillar of the country's agrarian reform which, since introduction of the 1917 Constitution, had been evolving into an institution that represents small-scale rural producers and serves as a vehicle of political control) played a key role as a reserve supply of cheap labour that could be called upon to support the urban industrialization process.

In sum, the prevailing theory of change incorporated the assumption that agriculture would perform its classic functions in the development process: to provide foreign exchange, raw materials, food and cheap labour. The agricultural sector did fulfil these functions for a period of 30 years (1940-1970), but thereafter the situation began to change for two reasons. One was the slowing growth of the economy as a whole and, as a result, the shrinking supply of the jobs needed to absorb rural areas' excess labour supply. The other was the increasing difficulty being encountered by small-scale producers in shaping an endogenous development process. Internal migration was on the rise, and the rural poor were migrating to the cities and settling in poverty-stricken outlying areas surrounding the metropolitan areas. Thus, in the 1970s, the shortcomings of the theory of change as applied to rural areas began to become apparent, and that approach began to give way to a new cycle of rural policies and programmes. Although it was not evident at the start, one crucial aspect of this new cycle was the reliance of public policies for rural areas on the labour market.

Against the backdrop of the gradual collapse of the theory of change that had underpinned rural policies and programmes since the 1940s, the government was striving to address the altered state of affairs. Drawing on the information gleaned from hands-on interviews¹ and specialized literature,² three stages in the evolution of production promotion and social protection policies for rural areas can be discerned. The first spans the years from 1970 until 1982, which included the repression of the student movement and large-scale peasant farmer demonstrations throughout the decade and continued up until the payments crisis and the demise of the import-substitution and closed-economy model. The second, from 1982 to 2000, was the period when the combination of recurrent economic crises and two electoral reforms paved the way for the assumption of presidential office by a party other than the Institutional Revolutionary Party (PRI) for the first time in over 70 years. The third, from 2000 to 2015, is the period when two Administrations (spanning 12 years) of opposition

¹ See, in particular, the interviews of Jaime de la Mora (15/VI/2015) and Mario Luis Fuentes (11/V/2015) for "Coherencia Protección Social y Agricultura".

² For example, Levy (2007), Yaschine (2012) and Maldonado (2013).

parties on the right wing of the political spectrum were followed by an Administration of the PRI, which had held office continuously since the revolution up to 2000.

Although most of this study focuses on the third of these periods, the other two stages should not be passed over without comment, as information about the main trends during those periods is necessary for an understanding of the reasons why production development and social protection policies have lacked cohesion and coordination. During the first of those stages, three rural programmes overseen by the Office of the President and the then Secretariat of Programming and the Budget played a key role. The National Commission for Deprived Zones and Marginalized Groups (COPLAMAR), the Public Investment for Rural Development Programme (PIDER) and the Mexican Food System (SAM) all dealt with the same area but placed emphasis on different aspects.³ Their common thread was the linkage of production development and social protection initiatives under a single programme. The differences in emphasis derived from the fact that COPLAMAR primarily served marginalized areas and groups in indigenous regions, while PIDER focused chiefly on rural infrastructure (roads, bridges, electricity)⁴ and SAM based its actions on the population's nutritional needs and sought to influence the entire production cycle on both the supply side and the demand side.⁵ Nonetheless, the vision of a rural sector with a smaller population, larger agricultural parcels, more technically sophisticated production activities and rates of economic growth high enough to absorb excess labour continued to prevail among the political and economic elites and in the government service.⁶

The start of the second stage, which was marked by recurrent economic crises, was also the period in which the greatest economic and political changes to occur in Mexico in modern times were taking place.⁷ The emphasis on the market as the leading force in economic affairs gave rise to major changes in rural areas – in particular, in public policy relating to the rural environment. Under the Salinas and Zedillo Administrations, property rights were redefined; government involvement in the areas of agricultural inputs, technical assistance and marketing was reduced; and direct interventions in the production and marketing of cereals (CONASUPO and BORUCONSA), seeds and fertilizers (PRONASE, FERTIMEX) and a number of other specific crops (CONAFRUT, INMECAFE, TABAMEX, ALBAMEX, etc.) were discontinued. More importantly, from the standpoint of this study, these policies and their associated programmes and objectives drew a clear distinction between social protection efforts to serve the (primarily rural) poor and the promotion of production among what were called (without any precise definition) “viable agricultural producers”. This differentiation was apparent even in the government's Cabinet portfolios, with the recently created (1991) Secretariat of Social Development (SEDESOL) tasked with coordinating and heading up the federal government's efforts to enhance social protection, in coordination with other secretariats (chiefly health and education) and with the long-established Secretariat of Agriculture (which had been founded in 1917 as the Secretariat of

³ John Scott (12/V/2015), Mario Luis Fuentes (11/V/2015) y Héctor Robles (11/V/2015), interviews for “Coherencia Protección social y Agricultura”.

⁴ Jaime de la Mora, interview for “Coherencia Protección Social y Agricultura”, 15/VI/2015.

⁵ Cassio Luiselli, interview for “Coherencia Protección Social y Agricultura”, 4/VI/2015.

⁶ See Section 3.1 for a presentation of the differing positions on this issue of a number of the persons interviewed for this study.

⁷ There is a large body of literature dealing with these events, which were also experienced by virtually all the other countries of Latin America.

Development and Agriculture and bore a number of different names as the years passed),⁸ which was tasked with coordinating the various production development programmes with other government offices. The two flagship programmes of that period (*Progresa* and PROCAMPO) are still in operation today, although they have undergone significant changes, as discussed in this study. These programmes are a manifest example of that dissociation. What has proven to have even farther-reaching implications was the commencement of a still ongoing phase in which collectives such as the community are sidelined from both rural social protection programmes and production development actions.⁹

The two Administrations, headed by what until that point had been an opposition party – the National Action Party (PAN) – maintained an approach that was surprisingly similar to the stance adopted by their predecessors (1982-2000), particularly with respect to three elements: continuation of the same cash transfer programmes (*Progresa*, renamed *Oportunidades*, and PROCAMPO);¹⁰ the separation of rural production development and social protection initiatives; and their distribution among three secretariats – the Secretariat of Social Development (SEDESOL), the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) and the Secretariat of Agrarian Reform (SRA). In essence, they followed the same theory, which dates back to the 1940s,¹¹ regarding the role of rural areas with respect to the links between economic growth, displaced rural labour and support measures for “viable agricultural producers”. Nevertheless, the first two Administrations of the twenty-first century did accomplish significant legislative and legal work in areas relating to the accountability and linkage of rural production programmes. Perhaps the high point of this effort is embodied in the Social Development Act, which was adopted by Congress unanimously in 2006 and provided for the creation of the National Council for the Evaluation of Social Development Policy (CONEVAL).¹²

These changes in policies, programmes and institutional arrangements did not occur in a vacuum,¹³ although there was indeed a lag in their assimilation of the changes occurring in rural areas. Four clusters of changes in the rural environment can be identified that should serve as signposts for any change in the direction of rural development policy. First of all, the sociodemographic changes that have occurred in the rural areas of Mexico also fall into four main areas: the aging of the adult population; the migration of rural youth; the increasing

⁸ It is curious – although also highly symptomatic of the prevailing view during the golden age of the agricultural sector’s growth – that three government agencies remained in charge of rural affairs: the Secretariat of Agriculture and Livestock (1946-1976), which worked with the farmers and ranchers of the rain fed farming areas that make up most of Mexico’s agricultural land, the Secretariat of Water Resources (1946-1976), which served the agribusinesses in irrigated areas, and the Department of Agrarian Affairs and Settlement (DAAC) (1934-1970) – later renamed the Secretariat of Agrarian Reform (1970-2012) – to deal with issues relating to rural inhabitants’ access to land and, above all, to ensure that the government retained its political control over the nation’s farm population.

⁹ The last social programme to use the community as the platform for its activities was the National Solidarity Programme (PRONASOL) and the last production development programme to do so was the Social Consensus Programme, both of which ran from 1988 to 1994.

¹⁰ See Figure 2 in the annex (“Changes in the *Progresa/Oportunidades/Prospera* and PROCAMPO/ProAgro programmes”).

¹¹ The substantive difference in this theory of change is that, up to 1982, the leading actor was the state and, after 1982, it was the market.

¹² Fernando Cortés (5/V/2015) and John Scott (12/V/2015), interviews for “Coherencia Protección social y Agricultura”. See Box 1 in the annex (“The evolving legal framework for policy-making, 1995-2012”).

¹³ See paragraphs 54 to 63 for a specific discussion of the structure of incentives and the historical, technical, administrative and political factors that have resulted in the absence of incentives for linking agricultural and social protection programmes.

involvement of women in rural production activities; and the shifting role played by small cities and by towns with fewer than 500 inhabitants.¹⁴

Changes in the production sector can also be divided into four types. The agricultural sector – including crop-farming, livestock, forestry and fisheries – has generally remained stagnant in terms of growth and productivity rates. Within the sector, the production of fruits and vegetables is the clear leader, although the livestock subsector is also showing growth; in both cases, exports are the most important activity. In the case of cereal production, Mexico has had more or less the same crop structure for at least the last 40 years: maize and beans for human consumption, as well as sorghum. The lagging performance of the forestry and fishery subsectors has been exacerbated by the depletion and deterioration of these natural resources.¹⁵

The greatest change probably has to do with shifts in the rural household income structure. According to data gathered by the National Household Income and Expenditure Survey (ENIGH) for 2012, the rural sources of income that have grown the most are non-farm wages and public transfers, particularly those provided by PROCAMPO (now called ProAgro) and *Oportunidades* (now known as *Prospera*). Employee wages have been the largest category of income since 2006, representing over 60 percent of the total, but have remained at around that level, whereas transfers have risen steadily, from 12.5 percent of the total in 2006 to 16 percent in 2012. According to the same survey, own consumption represented 9.3 percent of total non-monetary income, in-kind transfers came to 43.3 percent of that category, in-kind wages 5.9 percent and housing rentals 41.5 percent.¹⁶ ENIGH data for 2014 confirm these trends with regard to the faster-paced growth of non-farm wages and public transfers.¹⁷

Finally, the fourth element – which has unfortunately shown little change since 1992 – is that extreme poverty is primarily a rural phenomenon. As of 2010, only one-fourth of the population lived in rural areas, but nearly two-thirds of the population living in extreme poverty did so (World Bank, 2010), with extreme poverty levels in rural areas ranging between 16 and 25 percent higher than in urban sectors. Given the rural household income structure, the lag in levels of well-being in rural areas can be attributed to the sluggishness of the sector, the stagnation of farm wages and the decline in real prices of agricultural products. In terms of productivity, a person employed in the construction or manufacturing sectors has a productivity level – measured in terms of monetary income – between 3 and 7 times greater than a person working in the farm sector.¹⁸

The biggest challenge in terms of well-being and productivity is in the small-scale production sector. With 22 percent of the total land area devoted to agriculture and forestry, small-scale producers and farmers employ nearly 85 percent of contract labour in Mexico's agricultural sector and 88 percent of the labour performed by family workers in that sector (INEGI, 2007). With 5 million hectares and 7.6 million workers, small-scale producers and farmers carry considerable weight in the nation's aggregate productivity figures.¹⁹

¹⁴ See Part 2. "Overview of the rural sector as a whole: agriculture and rural development in Mexico (1991-2014)".

¹⁵ See the section entitled "Linkages among the farming, livestock, fishery and forestry subsectors and their ties with social protection policies" in Part 2.

¹⁶ See Part 2.

¹⁷ See Part 2.

¹⁸ See Part 2.

¹⁹ See Part 2.

Another factor that should be included in this analysis is the effect of the structural changes occurring not only in the Mexican countryside but also in the rural areas of all of Latin America in the 1990s. The balanced and well-founded observations presented in the *World Development Report 2008: Agriculture for Development* (World Bank, 2008:138), whose preparation was coordinated by University of California at Berkeley Professor Alain de Janvry, are pertinent here: “Structural adjustment in the 1980s dismantled the elaborate system of public agencies that provided farmers with access to land, credit, insurance, inputs The expectation was that removing the state would free the market for private actors to take over these functions – reducing their costs ... Too often, that didn’t happen. ... Incomplete markets and institutional gaps impose huge costs in forgone growth and welfare losses for smallholders, threatening their competitiveness and, in many cases, their survival.”

The various efforts made by the government to link social protection and production development policies and programmes in rural areas and to ensure the coherence of these initiatives should not be overlooked.²⁰ The Sustainable Rural Development Act of 2001 was designed to underpin a public policy specifically aimed at linking government action with civil participation and ensuring the coherence of the two in order to further the development of rural areas, raise employment levels in those areas and improve the level of well-being of rural inhabitants. Three interagency coordination mechanisms were intended to support this effort: the Special Concerted Programme (PEC), the Inter-Secretariat Commission for Sustainable Rural Development and a number of specialized systems or services.

However, as noted elsewhere in this study, despite significant innovations, at just short of 15 years after its passage, the Sustainable Rural Development Act has not proven to be an effective tool for overcoming the institutional inertia that has tended to widen the gap between social and production policies. PEC has functioned more like a cluster of additional requirements and operations rather than providing an integrative line of action to guide public interventions in rural areas. The Sustainable Rural Development Act does not establish any common frame of reference encompassing social, economic and environmental criteria for use in designing and assessing public policy as a whole; instead, it takes an aggregative sectoral approach based on a vision forged at the national level that is then brought down to the local level.²¹ Agricultural federalism²² – the relations among national, state and municipal governments – has not produced promising results either. The distribution of the sector’s resources has been extremely limited (less than 10 percent of SAGARPA’s budget), inconsistent, subject to the vagaries of political events and biased towards the richer agricultural states.²³ Perhaps the most frequent and well-aimed criticism in this respect has been that rural subsidies are highly regressive.²⁴

A comparison of the least regressive production development programme (PROCAMPO) and one of the most regressive (the Target Income Programme) provides a way of pinpointing the exact nature of this regressiveness.²⁵ All the above notwithstanding, it should be acknowledged that *Progres-a-Oportunidades* has accomplished a great deal in the provision

²⁰ See Section 3.2, “Three national development plans (2001-2018)”.

²¹ See Section 4.3, “The Sustainable Rural Development Act and the Special Concerted Programme: purposes and limitations”.

²² Secretary for Agriculture Francisco Labastida launched what was probably the most determined effort in this area (1995).

²³ See Section 3.2, “Three national development plans (2001-2018)”.

²⁴ This has been documented by OECD (2007), by the World Bank (2009) and by Jonathan Fox and Libby Haight (coords.) (2010) in *Subsidios para la desigualdad*.

²⁵ See the discussion entitled “Do conditionalities matter? The case of the *Oportunidades* programme” in Section 4.4.

of social protection, although its benefits have done no more than to “trickle down” to production development efforts. And for its part, for more than ten years now, PROCAMPO, despite its regressive nature, has been serving a group of producers – those with less than 1 hectare – who had never been served by any other production development programme.²⁶ Furthermore, as Barrientos (2012) suggests, these programmes may often have multiplier effects for poor rural households that derive some of their income from agricultural activities or that produce food for own consumption and that lack access to credit markets.²⁷ This also underscores the significance of the huge shortfall in rural financing in a sphere of activity in which there are so many opportunities for forging links between social protection and the promotion of production. This subject will be discussed in depth in this study.²⁸

A review of two programmes (*Prospera* and the *Territorios Productivos* pilot project) and of what has been described as a social development strategy (the National Crusade against Hunger) has been left until the end of this study; these initiatives offer promising opportunities for increasing programmatic coherence as defined in the Overseas Development Institute study, *Strengthening coherence between agriculture and social protection* (ODI, 2015) and in the work of Cejudo and Michel (2016). In addition to defining coherence as a condition, we draw a distinction between two different levels of analysis: (1) coherence between social protection and agriculture as policy domains; and, within and between these domains, (2) coherence among policy tools, target populations and objectives.²⁹

²⁶ See the discussion entitled “*The impact on production: transfers, subsidies or projects?*” in Section 4.4 and the studies on the multiplier effects of cash transfers by Todd *et al.* (2010), Gertler *et al.* (2012) and Sadoulet *et al.* (2001).

²⁷ See the discussion entitled “*A comparison of Progres/Oportunidades/Prospera and PROCAMPO/ProAgro*” in Section 4.4.

²⁸ See the discussion entitled “*Small-scale financial mechanisms: rural coverage and limitations*” in Section 4.4.

²⁹ See Part 1, “Why is coherence between agriculture and social protection important for the success of public policies and the achievement of development objectives?”

1. Why is coherence between agriculture and social protection important for the success of public policies and the achievement of development objectives?

The case of Mexico lends itself to an exploration of the linkages between social protection and agriculture for several reasons:

- Public spending in the rural sector in Mexico represents a significant fiscal category. In fact, between 2003 and 2013, the budget for spending in this sector was increased by 170 percent (Robles, 2013a). Despite significant changes in recent decades, some programmes have achieved broad coverage and maintained their continuity; in 2013, *Prospera*, which has been operating for 16 years, reached 5.9 million households, and ProAgro, which has been active for 20 years, reached 2.7 million farmers.
- Social policy and production development or promotion policies – in the broad sense of the term³⁰ – have been the object of academic scrutiny and ongoing national and international assessments.
- Both policy domains encompass a wide range of actions and tools involving varying degrees of convergence.
- Notwithstanding the country’s limited experience with intersectoral and vertical (decentralizing) coordination schemes, policy instruments for driving coherence are on the table, and those instruments can be analysed and assessed.

In the current context of mounting fiscal pressures and a fairly sluggish economy, the governmental administration that took office in 2012 has been reformulating its approach to establishing linkages between production development and social policies. Although it is too early to assess the outcomes of this new approach, it is still worth analysing its design, direction and preliminary results, especially given that coherence between social and agricultural policies has ceased to be merely desirable and has instead become imperative.³¹ A complex and diverse rural society requires a differentiated range of public actions whose coherence cannot be taken for granted. Although the Mexican political context and market have some unique characteristics, broader lessons can nonetheless be drawn about the role of social protection in the agricultural sector and the role of agricultural production promotion programmes on households’ production strategies and decisions.

This study follows the general lines of analysis laid out by the Overseas Development Institute (ODI) treatise entitled *Coherence between agricultural and social protection: An analytical framework*. An effort is made to gauge the existing level of coherence and to determine what degree of coherence is actually required or useful to obtain better policy outcomes. Using the ODI analytical framework, it is possible to distinguish between two facets of coherence:

³⁰ Given the multifunctional nature and the wide range of activities of the majority of rural households, references to production promotion policies include primary activities (crop-farming, livestock, fishery and forestry activities), manufacturing (including the processing of agricultural products) and some services (Scott, 2010).

³¹ For a discussion on two different perspectives on this matter see Box 4 in the annex (“Transfers to support production and human rights: two views”).

first, coherence as a situation or condition, when it is considered to be a tool, whether or not it is a deliberate objective of the public action; and second, coherence as an interim result of coordination.

For the purposes of analysis, it is important to refrain from assuming an *a priori* or normative evaluation of the importance of maintaining or achieving coherence. However, in its absence, intended policy outcomes can be disrupted and may overlap – leading to inefficiencies in public spending – or important objectives may be disregarded or eligible population groups overlooked. Nonetheless, the purpose of analysis – as stated in the ODI framework – is to gain an understanding of how small changes in programme design or operation can help to generate synergies between social protection and agricultural programmes or, at the very least, to avoid situations in which the actions of one hinder those of the other.

In the case of Mexico, coherence – as a condition – is exemplified at the household level by the documented liquidity and multiplier effects of *Prospera* cash transfers on the development of agricultural and non-agricultural economic activities (Todd *et al.*, 2010). However, in this context, complementarity between social protection and agriculture takes the form of a specific instrument and becomes apparent in specific types of population groups. Furthermore, as suggested by Barrientos (2012), these multiplier effects tend to arise in situations where there is limited access to credit markets. Without complementary production policies and programmes, investments continue to be directed towards low-risk, low-value-added crops, thus limiting the potential of these kinds of policy interventions (Winters and Davis, 2009). In the case of Mexico, in addition to defining coherence as a condition, another definition needs to be considered in order to draw a distinction between two different levels of analysis: (1) coherence between social protection and agriculture as policy domains; and (2) within and between these domains, coherence among *policy tools*, *target populations* and *objectives* (Cejudo and Michel, 2016).

With regard to the first type of coherence defined above, the question that arises – in terms of both implementation and policy outcomes – is whether or not efforts to achieve one type of policy’s objectives are having an impact (positive or negative) on the achievement of another type of policy’s objectives. In Mexico, the trade-off between production promotion and social protection is clear. According to one World Bank study, agricultural spending in Mexico is so regressive that it cancels out approximately half of the redistributive effect of rural development spending (World Bank, 2009). Differentiation between social protection and production development programme actions can deepen existing social and regional inequalities when, for example, agencies devoted to the promotion of competitive rural production enterprises spend very little on the poorer production units while more welfare-based forms of government expenditure are focused on those same units.³² The second type of coherence, which refers to *policy objectives*, *policy tools* and *target populations*, can best be assessed through intra- and intersectoral analysis of public action in the rural sector (see Figure 1 in the annex).

³² See Figure 3 in the annex (“Comparison of the SAGARPA and SEDESOL budgets, by state, listed in order of their human development indices”).

2. Overview of the rural sector as a whole: agriculture and rural development in Mexico (1991-2014)

Mexico's demographic structure has undergone enormous change in the last 50 years. In 1900, there were fewer than 13 million people in the country; by 2010, according to the population and housing census, that number had risen to 112 million. In other words, there has been an eightfold increase in the population, with an average annual population growth rate of 1.94 percent. Although the growth rate has declined since 1990 and now stands at around 1 percent, the National Population Council (CONAPO) estimates that the population will have grown to some 150 million by 2050 (CONAPO, 2010). Age distribution has also changed; the largest age group used to be children between 5 and 9 years old; now young people between the ages of 15 and 19 make up the largest group. This means that Mexico is currently reaping what has come to be called the "demographic dividend".

During the twentieth century, Mexico has gone from being a predominantly rural country to one in which 78 percent of the population resides in urban areas (defined as settlements with over 2 500 inhabitants).³³ The highest levels of urbanization are found in the Federal District, Nuevo León, Baja California and Coahuila; in contrast, less than half of the population lives in urban areas in Oaxaca, Chiapas and Hidalgo.³⁴ One of the most far-reaching sociodemographic phenomena within the context of the urbanization process is internal migration, defined as the spatial mobility of the population associated with changes in habitual domicile from one state to another (CONAPO, 2013). While the major trends in this respect have been identified, very little research has been done at a territorial level and our knowledge about this phenomenon is quite limited.

Generally speaking, the most widely accepted view is that this kind of migration began in the 1930s as a means of coping with the economic and social crises that swept across the country's rural areas (Gijón and Reyes, 2007) The main migration flows were directed towards the country's largest cities (Mexico City, Guadalajara and Monterrey) and to the United States, through the Bracero Programme (1942-1964), which was designed to bring labourers to work in the farm sector in the United States. This trend began to change around 1995, however, when Mexico City and the states of Nuevo León and Jalisco ceased to be the main destinations for internal migrants, replaced in 1995-2000 by the states of Baja California, Quintana Roo and Baja California Sur. For the period 2005-2010, the main destination states for migrants were Baja California Sur, Baja California, Sonora, Chihuahua and Campeche (SEMARNAT, 2012). In fact, in 2010, Baja California Sur witnessed a larger relative change in its migration rate (83 percent) than New York (70 percent). CONAPO data indicate that some places, such

³³ In 1900, 71.7 percent of the population lived in rural settlements. By 1960, migration from rural areas to the cities had reduced this figure to 49.3 percent. See CONAPO (2005) and INEGI (2010).

³⁴ Isidro Soloaga and Antonio Yúñez (2013) have proposed a different classification based on the concept of "functional territories", whereby areas can be placed in one of six different categories: "deep rural" areas, rural areas, semi-urban areas, urban areas, urban (+) areas and metropolitan areas. The methodology for developing the selection criteria for each of the different types of territories was taken from Berdegué *et al.* (2012). The advantage of this type of analysis is that it facilitates a fuller understanding of a phenomenon that has spread around the world – the urbanization of rural regions – by allowing analysts to understand how a region gradually transitions, step by step, from being one type of territory to another. It shows how many rural households have become "multi-locational" households (i.e. their members live or work along an urban-rural corridor (Berdegué and Proctor, 2015). However, for practical reasons of comparability, the methodology used by the National Institute of Statistics and Geography (INEGI) and the World Bank (in which settlements with fewer than 2 500 inhabitants are classified as rural and those larger than that are classified as urban) will be used in this report.

as the Federal District and Texas, began to have negative net migration rates in 2000-2010 (decreasing by 20 percent and 5 percent, respectively) (SEMARNAT, 2012).

In the 1990s, major migration flows began to shift towards the northern and southern parts of the country. This does not mean that migration has ceased to be predominantly *from rural areas to urban areas*, but simply that it has ceased to be primarily *from rural areas to the main metropolitan areas*. This phenomenon is illustrated, for example, by Baja California, which is now the number one destination for migrants. While it is a peripheral state, it is also primarily urban, with over 86 percent of its inhabitants living in settlements with populations of over 2 500. The same is true for Coahuila, Chihuahua and Sonora. The urbanization rates for the main destination states for migrants in 1995-2010 provide an indication of the role played by small and medium-sized cities in the northern and southern parts of the country in cushioning the impacts of social crises.³⁵

As for the dynamics of income poverty, it is important to note that *extreme poverty* is almost entirely a rural phenomenon; although in 2010 only 22 percent of the population lived in rural areas, nearly two-thirds of the population living in extreme poverty resided in rural zones (World Bank, 2010). The main difference between rural and urban poverty has to do with income levels. Poor people in urban zones have access to services and opportunities that are generally unavailable to poor people in rural areas, while people living in poverty in rural areas have “safety nets”, such as agricultural production for own consumption.

According to a World Bank study (2002), during the period 1989-2002, absolute poverty in rural areas fell by slightly over 10 percent and relative poverty decreased by between 60 percent and 50 percent. This explains why, according to the same study, the overall rural poverty rate declined more than the national and urban poverty rates did. The ratio of rural/urban income went from 41 percent in 2000 to 48 percent in 2002. According to data from the National Council for the Evaluation of Social Development Policy (CONEVAL),³⁶ between 2010 and 2014 the percentage of the rural population that was poor fell from 64.9 percent to 61.1 percent (a decrease of somewhat more than 200 000 persons) and the proportion of people living in extreme poverty fell from 26.5 percent to 20.6 percent (nearly 2 million persons). Even so, the rural poverty rates are between 25 percent and 16 percent higher than the rates for urban areas during the same period.

This relative reduction in poverty is primarily attributable to changes in the income structure of rural households. ENIGH data for 2014 indicate that the rural income sources showing the biggest increases were non-farm wages and public transfers (specifically PROCAMPO – now ProAgro – and *Oportunidades* – now *Prospera*). The income structure in rural areas has changed as their proximity to markets has increased. One of the main changes in income

³⁵ In his book entitled “El campo mexicano en el siglo XX”, Warman (2001) states that in 1910, rural settlements were 70 300 whereas in 1995 the number had almost tripled to 198 311. The average number of inhabitants in rural settlements went from 153.8 to 121.8 (a decrease of one-fifth); however, he notes that these are aggregate figures and emphasizes the importance of breaking them down into the corresponding statistics for different sets of years within that period. He discusses the possible reasons for this scattering of the population, including a constrained natural environment, the predominance of farming activities and a traditional inclination towards the formation of clusters in rural towns. Perhaps the most insightful remarks refer to the inverse relation between growth rates of very small rural settlements and political and economic instability in the country (Warman, 2001:42).

³⁶ Fernando Cortés, who was interviewed for this study, emphasizes that poverty rates can vary between 16 and 80 percent, depending on the metrics used, but in any case, poverty is a serious factor that hinders the population’s efforts to achieve full development.

distribution in rural areas has been the reduction in farm income between 2006 and 2014.³⁷ Wages received by persons with labour contracts have represented the largest income category since 2006, when they constituted more than 60 percent of total income. They remained close to that figure up to 2014, when they were equivalent to 55.9 percent of total income. Transfers, on the other hand, have been climbing steadily, from 12.5 percent of total income in 2006 to 19.8 percent in 2014. Results of the ENIGH survey also indicate that, for 2014, non-monetary income breakdowns were as follows: own consumption, 8.3 percent; in-kind transfers, 37.2 percent; in-kind payments, 6 percent; housing rentals, 48.5 percent.

In sum, the income structure in rural Mexico indicates two important conclusions:

- The most conspicuous trend in the rural income structure is the increasing number of people who derive most of their income from non-agricultural sources.
- As a consequence of this trend, the growth of farm output is potentially a very important factor in poverty reduction, either via own consumption or via increased sales and the associated rise in wages or labour demand.

The next question that arises concerns how the production structure in rural areas has changed. Overall, crop-farming activities have been trending upward, but there have been sharp fluctuations around that long-term trend, including an average growth rate of just 0.4 percent for 2010-2013. Livestock-raising activities, on the other hand, have clearly been expanding, with an average annual growth rate of 1.9 percent for that same period. Livestock output for 2012 represented a 28 percent increase over the output level for 2000. A comparison of growth rates for the crop-farming and livestock sectors for 2000-2013 shows that stock-raising activities have been growing steadily, whereas crop-farming has fluctuated around its long-term trend.³⁸

In a number of European and Asian countries,³⁹ the forestry sector has benefited from heavy investment in technologies that have boosted the prices for finished products. This has not occurred in Mexico, however, where the forestry sector has received fairly little government support and limited private investment. This situation has led to depressed levels of production, productivity and efficiency. This lag in development has been evident since at least 2000, with production levels falling far below the overall trend for the forestry sector in other parts of the world.

The fisheries sector presents a different case; although output has been on the rise, the value of production fell steeply in 1998-2002, then began to recover at an average annual growth rate of 2 percent for 2003-2009. Aquaculture represents only 3 percent of the value of total fishery production output, mainly because 90 percent corresponds to freshwater or marine wild catches. This indicates that investment in aquaculture could be an attractive possibility, as prices in that subsector have been rising steadily and the current lack of investment offers

³⁷ See Figure 4 in the annex (“Income distribution in rural areas, 2006-2014”).

³⁸ See Figure 5 in the annex (“Crop, livestock, forestry and fishery production: growth rates, 2000-2013”).

³⁹ China is the best example. In response to the economic crisis, it launched a package of incentives for the forestry and other sectors, which stepped up public investment in infrastructure projects, support for private-sector investment in residential and commercial construction and public investment in forest plantings for purposes of environmental protection, as well as lowering taxes on exports of some wood products and providing producers and small businesses with greater access to financing. See FAO (2015a).

opportunities for achieving increasing returns on capital (Escalante and Catalán, 2008; SAGARPA, 2012).

The lagging development of the forestry and fishery subsectors is compounded by the depletion of natural resources: 37 percent of the tree cover has been lost; production in over 80 percent of the country's fisheries has topped out; nearly 45 percent of the land has been degraded to some degree; and 2 557 of the 81 540 species and subspecies that have been described in Mexico are at risk (SEMARNAT, 2006; Carabias, *et al.*, 2012). During the period 2000-2010, 195 000 hectares of forest were lost each year due to changes in land use, illegal logging and fires. The overuse of resources has been the dominant paradigm, with 8 of 13 hydrological-administrative regions registering water extraction of over 40 percent of the average annual natural recovery rates, putting at risk on the long run at least 77 percent of the national population and 87 percent of the country's GDP (Carabias, *et al.*, 2012; OECD, 2013).⁴⁰

The production structure in rural areas is generally an outgrowth of the farming activities, which, although they have shown some expansion, have also experienced sharp fluctuations that have depressed their growth over the long run.⁴¹ Fruits and vegetables have increased the most in terms of area planted, with the area of fruit harvest amounting to 56 percent more in 2013 than in 1990. Other crop production has declined steadily throughout the period, with the steepest decrease being in the coffee crop (a decline of nearly 50 percent in land area planted and harvested).

The lagging levels of well-being seen in rural areas can be attributed to the lack of dynamism in that sector, the stagnation of farm wages and the drop in real prices of agricultural products. Productivity in the farm sector also lags far behind other sectors of the economy in Mexico, such as construction, mining and manufacturing. For example, a person employed in agriculture generated \$67 549 of production value in 2012, whereas a worker generated \$217 516 of value in the construction industry, and \$485 245 in the manufacturing sector, which means the per capita productivity levels in those sectors were between three and seven times greater than in the agricultural sector.⁴²

Much of the lag in productivity growth in the farm sector is a result of its small-scale production units. There are 2.7 million agricultural/forestry production units, working on no more than 5 hectares each, covering a total of 5.4 million hectares, or nearly 8 percent of the national total agricultural land. In addition, the 944 000 agricultural/forestry production units with between 5 and 20 hectares each cover a total of 9.7 million hectares, or some 14 percent of total land. Thus, smallholders and other farmers, working 22 percent of the total land area devoted to agriculture and forestry, employ almost 85 percent of contract labour and 88 percent of family labourers in the sector (INEGI, 2007). With 15 million hectares and 7.6 million workers, the small-scale producers and farmers of Mexico represent a considerable proportion of the aggregate productivity figures for the country as a whole.

⁴⁰ Carabias *et al.* (2012) and OECD (2013) discuss the risk posed to GDP by the vulnerability to climate change reflected in the crisis in ecological balance being experienced in the country.

⁴¹ See Figure 6 in the annex ("Agricultural structure: growth indices, 1990-2013").

⁴² See Figure 7 in the annex ("Mexico: productivity of selected economic sectors, 2012").

There is no doubt that where people live largely determines the different types of opportunities that will be open to them. While 80 percent of the total population is classified as poor or vulnerable, according to one or another metric used by CONEVAL, the number of poor people in rural areas rose from 16.2 million to 17 million between 2008 and 2014, and the number of people living in extreme poverty climbed from 16.2 to 17 million during that same period. If we use the metric of income and expand the period of analysis to 1992-2012, however, the results differ.

Over the period 1996-2006, the general trend was towards a decrease in poverty, thanks to recovery from the crisis of 1995. Between 2006 and 2014, however, this downward trend reversed, with food poverty increasing from 14 to 20.6 percent and asset poverty rising from 42.9 to 53.2 percent. Over the last two years, the number of persons living in poverty overall declined by 2 million, but the number of persons living in extreme poverty declined by just 87 000. This underscores the impossibility of maintaining the same rate of poverty reduction as in the past and highlights the increase in the number of people whose income puts them below the threshold of well-being for 2010-2012. Over the long run (1992-2014), income poverty rates have remained more or less the same, which means that the total population living in poverty has increased. Between 1992 and 2014, the proportion of the population living in food poverty went from 21.4 to 20.6 percent, while the corresponding figures for asset poverty went from 53.1 to 53.2 percent.

Linkages among the farming, livestock, fishery and forestry subsectors and their ties with social protection policies

Trends in farm production began to change in the 1960s, as the import substitution model that had been followed in Latin America between 1940 and 1970 began to weaken. That model had been intended to drive industrialization by using subsidies to mitigate the deterioration in trade between agriculture and other sectors of the economy. The economic and financial crises of the 1980s and the advent of the “Washington consensus”⁴³ in the second half of that decade opened the way for a series of reforms focused on making the transition from closed economies catering to the domestic market to open economies that were more integrated into international trade flows (Barrera *et al.*, 2011).

In 1989, three years after Mexico joined the General Agreement on Tariffs and Trade (GATT), the pace of change accelerated with the introduction of the agribusiness export model, and new links were forged between agriculture and manufacturing. Following the entry into force of the North American Free Trade Agreement (NAFTA) in 1994 and the agreements concluded in the Uruguay Round of GATT in 1995, change became even more rapid. The changes introduced included deregulation of the sector, as public agencies were sidelined and public enterprises devoted to processing and marketing agricultural products, and offering farm credit and insurance were restricted. The idea behind these changes was to increase the efficiency of resource use, holding down price increases by importing less expensive products and thus enhancing the population’s well-being (Barrera *et al.*, 2011). However, these policies were beneficial for higher value-added crops, to the detriment of staple crops, and thus had a

⁴³ Including the privatization of semi-state enterprises, the opening up of trade and the contraction of public expenditure, among other things.

negative impact on the incomes of many smallholders who use part of their output for own consumption and for maintenance of their rural households.

According to the National Institute of Statistics and Geography (INEGI), in 2012 the land area that was planted and harvested totalled 21.9 and 20.5 million hectares, respectively, which was 2.1 and 2.5 million more than in 1992. These figures do not reflect the productivity gains achieved during that period, since the value of output increased more than tenfold during those years. Ten crops account for 80 percent of the planted area (irrigated and rain fed farming): maize, hay, sorghum, beans, oats, sugar cane, coffee cherries, fodder maize, wheat and alfalfa. Maize continues to be the main crop in Mexico, accounting for one-third of the planted area in irrigated and rain fed farming plots. Sinaloa, Chihuahua, Guanajuato, Michoacán, Estado de Mexico and Tamaulipas account for over 70 percent of total production from irrigated farming units. In terms of value, the maize crop tops the list, followed by sugar cane, sorghum, hay, avocados, alfalfa, beans, green chillies, green tomatoes and wheat.

Increased output of hay and fodder has gone hand in hand with the expansion of stock-raising activities. The output of beef and pork rose sharply between 1990 and 2012, and the output of poultry nearly tripled during the same period. The output of eggs doubled during those years, climbing to 2.3 million tonnes by 2012. National milk production rose by 60 percent over that period, to 10 800 million litres in 2012. For fishery producers, shrimp was the most important item, followed by tuna, in terms of both value and consumption. Over 80 percent of the catch in the states of Sonora, Sinaloa and Baja California Sur is taken in the Pacific Ocean.

Natural vegetative cover remains predominant: temperate, mountain cloud and tropical forests, jointly account for 34 percent of the national territory and shrublands account for 26 percent (SEMARNAT, 2012). Overall, 73 percent of the country is covered by natural vegetation, almost 142 millions hectares of which 70 percent are communal property and 77 percent were classified as having the potential to produce timber and non-timber forestry products (FAO, 2005b). Regulatory inefficiencies have been described as the main causes for declines in forestry production (Merino, 2011).

The transition from a closed economy that was almost entirely focused on the domestic market to an open economy that was much more integrated into international trade flows ushered in a new stage in the formation of linkages between agriculture and manufacturing. An effort was made to make more efficient use of public resources and to enhance the well-being of the country's households by keeping down prices through bringing in cheap imports. However, this effort ended up favouring the highest value-added crops and had an adverse impact on the incomes of smallholders who devote part of their harvests to own consumption.

3. Coherence between agriculture and social protection: Where do we stand?

3.1 Political environment in Mexico (2000-2015)

Productive/social divergence

Three main views have been expressed regarding the divergence between social policy and production development policy:

- *Position I:*
According to John Scott: “It is not that there used to be a strong, explicit link between social policy and production development policy. But what *has* changed is that the State has reduced its production supports and has generated fresh resources for its social programmes; there was a radical shift in the allocation of State funding away from economic areas and towards social areas during the terms of Salinas and Zedillo in the 1990s. [...] Rather than delinkage, there was a polarization between relatively ineffective targeted and non-targeted production support policies and increasingly accurately targeted social policies. What was missing was an effort to ensure the market integration of small-scale producers.”⁴⁴
- *Position II:*
According to Mario Luis Fuentes: “Since the 1960s and 1970s, the idea of addressing marginalization is what has linked and articulated the efforts of the State. The underlying idea is that we are all going to grow, but that we have to work to do away with marginalization primarily by means of social communications infrastructure. [...] There is evidence that, starting in the 1980s, the idea of dealing with marginalization – which entailed an enormous effort on the part of the State to launch social initiatives – began to give way to another discursive construct: the concept of poverty. The 1980s witnessed the start of an across-the-board redefinition of social and production policy. [...] It was also at that time that the main constraint which is still holding us back today became evident: the problem of how to market social and production outputs. [...] The market is incapable of inducing production; it is no longer a question of projects but rather the limited idea that the State should create a conducive environment in which competitive advantages can arise. Period.”⁴⁵
- *Position III:*
According to Héctor Robles: “The delinkage began during the Administration of Carlos Salinas with the Solidarity Programme and solidified with *Progresá*. In 1997, the [programme selection] criteria no longer had to do with producers; in other words, the criterion shifted from producers to households and was focused on living conditions; that is where the concept of marginalization came in.”⁴⁶

All three of these positions tend to identify the start of the structural adjustment and shift towards an open-market economic model as the point in time when a stronger policy delinkage

⁴⁴ John Scott, interview for “Coherencia Protección Social y Agricultura”, 12/V/2015

⁴⁵ Mario Luis Fuentes, interview for “Coherencia Protección Social y Agricultura”, 11/V/2015

⁴⁶ Héctor Robles, interview for “Coherencia Protección Social y Agricultura”, 11/V/2015

appeared to emerge. *Position I* maintains that there never was a clear linkage between the two types of policies; however, *Position I* agrees with *Position III* that this delinkage deepened in the 1990s. According to *Position II*, on the other hand, prior to the 1980s there was a greater linkage of public action between the social sphere and the production sector – a perspective in line with *Position III* – but the delinkage is seen as occurring at the start of the adjustment period and gradually increasing up to the present day.

Evolution of the incentive structure and institutional design over time⁴⁷

Political environment: The shift from a one-party to a multi-party system in Mexico can be characterized as a protracted transition (Eisenstadt, 2000) in which the opening up of the political arena has occurred primarily in electoral terms, while the constitutional design of the political environment remained virtually unchanged. This political shift has been marked by the gradual strengthening of political pluralism and of the state, judicial and legislative branches of government, to the detriment of presidential power. The disruptive effect of these changes in terms of the relationship between the electorate and the authorities has been uneven. Mexico's experiences demonstrate that democratic practices and clientage can coexist in daily life; however, the result is an unstable balance of power and a partial democratization process that generates a great deal of uncertainty.

Policy-making process: Since 1990, the Government of Mexico has been working to modernize and professionalize the civil service –largely in response to the severe erosion of its reputation caused by the series of corruption scandals that marked the post-revolutionary period. Successive provisions have introduced tools for rationalizing public spending, evaluating programme performance and results and paving the way for greater transparency and accountability. Nonetheless, the political and administrative inexperience of the first non-PRI Administration (2000-2006) and the advent of political pluralism – whose clearest manifestation is a federal congress in which no party has had a majority since 1997 – have shed light on the role that the PRI's political predominance played during the post-revolutionary era (1926-1997). Of the many functions that it fulfilled, two are of particular importance: the government's ability to design public policies that enjoyed broad-based support from political actors; and its ability to hold political sway over local governments and trade unions (Hernández, 2004).

Rural production development policy: State action to promote rural production went through a fairly short period of liberalization in which sweeping changes were made, followed by a gradual expansion of governmental action in the form of subsidies and direct transfers to producers (Léonard & Losch, 2009). Between 1988 and 1992, the main steps taken to redefine the public sector's role in the rural economy were the elimination of price support systems, the privatization or liquidation of public procurement, distribution and commercial management companies and the financial depletion of public insurance and credit institutions. Since the signing of NAFTA in 1992, the main constant in Mexico's agrifood model has been the design of strategies for establishing a better position in the North American market and for mitigating the worst effects of trade integration. Despite the passage of progressive legislation (the Sustainable Rural Development Act of 2001), this has resulted in the proliferation of scattered

⁴⁷ The following points are given in summary form in Box 1 of the annex ("The evolving legal framework for policy-making, 1995-2012").

programmes and initiatives that perpetuate a regressive distribution of resources which works to the benefit of large-scale maize producers or exporters and to the detriment of small-scale production systems (Palmer-Rubin 2010).

Social protection policy: Social protection emerged as a discrete area of policy in the early 1990s. In 1997, the *Progres-a-Oportunidades* programme became the main vehicle for social protection in the country's rural areas and, since 2000, this flagship programme has exerted a strong influence over social policy as a whole, thanks to its fairly solid reputation and proven track record in areas such as targeting and evaluation. In 2005, the increasing specialization and legitimization of social protection programmes culminated in the passage of the Social Development Act. One of the numerous changes in the legal framework introduced by this law was the creation of CONEVAL that same year, to head up an independent, professionalized system for poverty measurement and assessments.

Federalism: Over the past two decades, state governments have taken on new areas of authority, expanded their funding base and gained greater autonomy. At the same time, the checks and balances employed by the central government in the post-revolutionary period have been diminishing, especially in cases where different parties are in office at the federal, state and municipal levels. This has given rise to stark discrepancies in government performance, which hinder the coordination, design and follow-up of public policies at the different levels of government. The weakest link in Mexican federalism has been the municipal governments, which suffer from a cumulative underdevelopment of democratic, financial and administrative practices. While federal social policy has remained highly centralized, in 1997-2001 institutional efforts were made to decentralize production development policy under an umbrella programme called *Alianza para el Campo* (Rural Alliance). However, despite the assumption of office in 2000 of the National Action Party (PAN) – a party that has historically championed the autonomy of state and municipal governments – this move towards devolution failed to gain traction.

Historical, technical/administrative and political factors limiting incentives for linkage

Government officials, academics and members of civil society who were interviewed listed numerous factors that they felt had helped to create a policy setting that lacks incentives for linking farm policies and social protection policies. Even though social policies and production promotion policies are often implemented in the same areas, the lack of clear articulations may be a result of a deliberate effort to distinguish between them. According to John Scott (2010): “The premise can be interpreted as a recommendation that “production” programmes focus exclusively on correcting market failures and raising GDP to its highest potential level (the production possibility frontier) and that the task of reaching an optimum social level within that possibility frontier be delegated to “social” (redistributive) policy instruments.”

The classic distinction drawn between administration and policy is another factor that feeds into the overall constraints on interagency cooperation. Omar Garfias – the official in charge of this area in the National Crusade against Hunger – states that: “the fact that political figures vie with one another over client access is a real issue.” For the most part, these structured sectoral interest groups are reluctant to innovation. These kinds of disputes may arise between government departments and agencies as well as between different levels of government.

This lack of cooperation explains why, for example, there is no information system for identifying which population groups should be served by the different departments or bodies on a joint basis. In the absence of any joint programme access and information mechanism, each department or agency identifies its own target population groups in different ways and carries out the corresponding baseline analyses but does not share them.⁴⁸

This climate of mistrust, although often justified, has given rise to a large number of “locks” and “controls” on programme operations. Some former officials, such as Enrique Provencio, agree on the need to bring in tools to support accountability, but they also recognize that the exponential growth of operational rules has greatly hampered programme implementation. “In other words, we went from the extreme of discretionality in government action to the extreme self-over-regulation. [...] Today’s heightened requirements of transparency are a means of combating corruption but they do make it very difficult to apply the rules flexibly.”⁴⁹

The most common response to a lack of interagency coordination has been to set up various joint bodies. These joint bodies – at all levels of government – can do a great deal to increase the coherence of public action, but a major institutional effort is required in order for them to operate effectively. Garfias notes that “this is not a side issue; it is a substantive aspect of an enormous societal effort, an enormous amount of work to build capacity, to ensure that everyone involved also embraces an integrated line of reasoning.”⁵⁰ In other cases, he describes meetings of these joint bodies as mere formalities; the interagency social development bodies tend to meet just for the sake of maintaining protocol.

3.2 Seeking programme and policy convergence⁵¹

Three national development plans (2001-2018)

The national development plans that have been in place during the last three six-year presidential terms (*Diario Oficial de la Federación*, 30/05/2001, 31/05/2007 and 20/05/2013) have not departed in any important way from the established approaches to social protection, promotion of rural production or the link between the two. Rather, they have reflected a gradual acceptance of the proposition that coordination of public action in rural areas is a desirable objective. The National Development Plan for 2013-2018 uses less rigid language regarding the possibility of aligning the criteria for assessing the equity and efficiency of the allocation of public funding and includes a novel and more precise approach to the linkage of social protection and production development initiatives. However, it would be inaccurate to say that it constitutes a radical departure from its two predecessors.

A comparison of the three national development plans reveals that they have been overlaid upon one another. Mario Luis Fuentes summed it up as follows: “their social proposals and programmes are like the geological layers in sedimentary rocks, with one project overlaying the one below.

⁴⁸ Omar Garfias, interview for “Coherencia Protección Social y Agricultura”, 7/V/2015.

⁴⁹ Enrique Provencio, interview for “Coherencia Protección Social y Agricultura”, 15/V/2015.

⁵⁰ Omar Garfias, *op cit.*

⁵¹ See Box 2 in the annex (“Baseline analyses and policies in three national development plans, 2001-2018”).

Each new layer encompasses the existing ones in terms of the new Administration's aims, but the others remain in place, whether due to bureaucratic inertia or vested interests."⁵²

The national development plans analysed started out with wording that reflected the dissociation between production development and social protection, but over the ensuing periods, that dissociation has been fading. The National Development Plan for 2013-2018 includes new passages that deal with the need to create productive opportunities for persons graduating from the *Oportunidades* programme and to align follow-up actions, with the objective of generating a third level of development by linking public financing with social protection. The result is somewhat paradoxical; on the one hand, the plan focuses on an issue of the utmost importance – the linkage of social protection with financial and production chains. On the other hand, some of the factors relating to the baseline analysis that should be taken into consideration and that would call the initial dissociation into question – such as mechanisms for accessing local markets or the emphasis on public versus private goods – receive little or no attention.

Vertical policy coordination and convergence: federalism and local governments

Federalism

In order to determine the level of government at which the greatest degree of coherence between social protection and rural production development can be achieved, it is necessary to understand why, although efforts have clearly been made to decentralize, the country's states and municipalities still do not have consolidated institutional structures.⁵³ At these levels of government, management tools and approaches for building institutional capacity have not had any substantial impact on the direction of public policy, nor on reducing expenditure. Whether as a result of a lack of competence or constitutional mandates, the areas of authority enjoyed by certain states and municipalities are essentially superfluous when the time comes to allocate funding for specific programmes.

Under the Mexican Constitution, all the states and the Federal District share a common legal status, but within certain limits, each can configure its own sphere of action in line with its local legal order. Even though this part of the Constitution has existed since the framing of the first version in 1917, until 1997 “a highly centralized presidential system and a very loosely coordinated system of representation” were in place (Carbonell, 2003; Maldonado, 2006).

Diego Valadés (2005) suggests that the federal compact in post-revolutionary Mexico has operated more like a system of management than one of representation, since the authorities take decisions on behalf of others as they see fit, rather than by agreement, as in representative government. Without a redefinition of the system of representation, the transfer of power to the states therefore runs the risk of concentrating power in certain groups at the local level.

⁵² Mario Luis Fuentes, interview for “Coherencia Protección social y Agricultura”, 11/V/2015

⁵³ Diego Valadés (2005) emphasizes the need to establish professional teams of administrators at the local and municipal levels and to do away with the idea that public positions are a form of political wealth to be disbursed by the people in high offices.

One sign of this is that emphasis is being placed on increasing the amount of funding going to the states but not on improving the means for state congresses to exercise political control over the executive branches of state governments.

If asked whether there has been a decentralization of power in Mexico in recent decades, many would answer that power has certainly ceased to be concentrated in the hands of the president. However, the heightened profile of state governors has entailed a multiplication of pockets of power, especially given the structural weakness of local congresses and judicial bodies (Valadés, 2005). What appears to be occurring at the state level is that the presidential model is being reproduced on a “micro” level; in other words, the great majority of state governments are retaining the centralized spheres of authority that they derive from the constitutional system. Governors thus control the local party apparatus while at the same time increasing their spheres of influence at the federal level.⁵⁴

A great deal of effort has gone into challenging the centralist focus of public action in rural areas, with one of the main avenues of attack being the “federal compact to boost agricultural production and competitiveness”, which is better known as the Rural Alliance. This initiative was launched on 31 October 1995 in the presence of most of the country’s governors, heads of state secretariats and associated offices, together with representatives of rural producer organizations.

The chief objectives of the Alliance were described by the then President of Mexico, Ernesto Zedillo (1994-2000), in the following terms:

To achieve progressive increases in producers’ incomes, boost agricultural output at a rate that outpaces population growth, produce sufficient staple foods for the population and promote exports of agricultural and other rural products (1995).

The then head of the Mexican Department of Agriculture, Francisco Labastida (1995), stated that:

[...] This Alliance is an integrated programme that brings together all the tools available to the public sector. This market-oriented initiative will boost productivity, modernize marketing systems, promote the formation of a suitable, competitive financial system, help the agrarian system to make up for lost time and bring in environmental protection measures. [...] Technology transfer will be of key importance and will be strongly supported, with efforts being made to help to ensure that it reaches a majority of producers and to promote their capitalization and to provide training. *The common thread running throughout this initiative will be the federalization of the Department of Agriculture and the creation of state foundations to foster technology transfer.* [...] These foundations will support the transfer of technologies that will boost productivity and make it possible to make better use of the land, climate and water supply in ways that are best suited to each microregion.

⁵⁴ Valadés and Serna (2005) note that the candidacies of many federal legislators are put forward thanks to the influence wielded by state governors whose chances of succeeding them are usually determined by local heads of government. Because of this state of affairs and the transfer of the power to levy taxes and borrowing capacity, there is a potential for the states’ public debt to become unmanageable (Valadés, 2005).

Initiation of this model entailed the transfer of the rural development districts and 85 percent of the Department of Agriculture's 126 operational functions to the state governments, while the federal government retained responsibility for policy-making, evaluation, oversight, animal and plant health and the coordination of special programmes (Labastida, 1995). In his presentation, Ernesto Zedillo (1995) drew attention to the inefficiency of central management resulting from the central authority's unfamiliarity with many of the economic, political and social conditions existing in each of the country's states and municipalities. He underscored the need for a new type of federalism and greater participation on the part of producers and their organizations as a platform for rural development.

This devolution effort was reflected in three main provisions of the Sustainable Rural Development Act of 2001, which focused on: providing greater scope for the participation of social and producer organizations at the local level and promoting the role of deliberations in decision-making (Article 18); establishing a commitment on the part of local government to work as an agent of development in partnership with rural society (Article 12); and striking a balance between the assistance supplied by federal programmes and local demand (Article 7).

To apply this regulatory framework and decentralize decision-making on resource allocation to the states, SAGARPA introduced various federally funded programmes: *Alianza para el Campo-Subprograma Fomento a la Inversión y a la Capitalización* [the Rural Alliance Investment and Capitalization Subprogramme] (1996-2007), *Adquisición de Activos Productivos* [Production Asset Procurement] (2008-2010); and *Apoyo a la Inversión y Equipamiento* [Investment and Equipment Support] (2011-2014). The federal components of these programmes allocate federal funds that remain subject to the operational rules of the Secretariat, but the associated budget execution functions are delegated to the state governments. These programmes are run under coordination agreements between the federal and state governments. The agreements specify the amount of funds and other contributions to be supplied by each party as part of a complicated negotiation process that, unfortunately, tends to hinder delivery of resources in due time and appropriate form.

In 2002-2013, these resources amounted to an average of 9.1 percent of the Secretariat's budget; however, since 2012, they have represented no more than around 5 percent. The criteria for allocation, as well as the programme structure and geographic distribution, do not follow any clear outline but vary from year to year (Robles, 2013b). A report by Brian Palmer-Rubin finds that the system for distributing funds among the states has been inconsistent and unpredictable, and resource allocation has been regressive. The report goes on to say that the attendant political negotiations carry more weight than the development strategy in determining the distribution of funds, leaving states with a great deal of scope for discretionary action (Palmer-Rubin, 2010).

The areas of authority regarding social policies of states and the federation are unclear, and the evidence points to a great deal of fragmentation and proliferation. For example, in 2014, CONEVAL (2015b) listed 3 788 state programmes and actions that were aligned with programme areas dealing with social rights or dimensions of economic well-being;⁵⁵ of these programmes and actions, 29 percent dealt with education, 24 percent with economic well-

⁵⁵ The criteria to be met for inclusion in the inventory were whether or not the programme had an accompanying policy document, operating manual, information on its objectives and resource allocation standards.

being and 17 percent with health. If the 223 federal programmes and the 1 883 municipal programmes that were identified in 2014 are added to that figure, the total number of social development programmes and actions throughout the country comes to 5 904. Between 2010 and 2012, the number of state programmes rose by 58. As of 2012, the states with the most initiatives or programmes were Chiapas (253), Veracruz (241), the Federal District (236) and Estado de México (232). Most public actions consisted of providing non-monetary assistance (60 percent), followed by those supplying monetary support (19 percent) and those offering a mixed assistance package (12 percent); no information was available for the other 9 percent (CONEVAL, 2012a).

Unlike the moderate decentralization drive by the Secretariat of Agriculture, using schemes that draw on “federalized” resources, cooperation in the area of social policy has been limited to the states’ contributions to the education and health components of the federal *Oportunidades-Prospera* programme. The states’ efforts in the area of social protection have focused on designing programmes to serve other groups and niches (older adults, persons with disabilities, school uniforms and supplies, scholarship for upper secondary school students and university students, etc.). In some cases, as in establishing pensions for older adults and income floors in Oaxaca or Chiapas, federal and state programmes have overlapped. In cases in some states, programme design has been based on a universal approach rather than on the targeted, conditional model used by the federal government. The foremost example of this is the social agenda advanced by the Administrations of the Democratic Revolution Party (PRD) in the Federal District since 1997.

Local governments

Over the last 30 years, Mexico’s municipalities have witnessed unprecedented degrees of electoral competition and have spearheaded the democratization process. During this same period, power and funding in municipalities have increased to levels that would have been unimaginable in the early 1980s. Nonetheless, municipalities are still institutionally fragile and suffer from major lags in terms of administrative capacity and accountability – and, in the words of some scholars, are the “weakest link in Mexican federalism” (Cabrero *et al.*, 2011). During much of the post-revolutionary era, municipal governments were considered to be more or less irrelevant compared with the states or the federation. Then, in 1983, in the midst of an economic crisis and in the wake of electoral victories by opposition parties at the local level, President Miguel de la Madrid (1982-1988) moved to launch a devolution process by embarking on ambitious reforms aimed at the municipal level.⁵⁶

The gradual increase in the transfer of authority and resources culminated in the 1998 reform package, in which specific funds were established for use by the municipalities based on two budget lines: the Municipal Social Infrastructure Contributions Fund (FAIS)⁵⁷ and the Fund

⁵⁶ Another step taken in the 1980s to reorganize the functional roles of the different levels of government was the introduction of an expenditure programming and planning system in the form of municipal development planning committees (COPLADEMs or COPLADEMUNs) that were tasked with pursuing plans and actions in partnership with other levels of government (Selee, 2011). Although many of these committees were created in name only, as a mere formality, they were later revived during the Administration of Carlos Salinas (1988-1994) and entrusted with running a municipal component of the National Solidarity Programme.

⁵⁷ FAIS has been criticized as a hefty budget line that is managed by states and municipalities without being subject to budget controls or evaluations and that is often devoted to high-profile projects that do not actually have a real impact on the living conditions of marginalized population groups. Since 2013, the Chamber of Deputies and the federal government have been

for the Strengthening of Municipalities and the Territorial Divisions of the Federal District. These funds are supposed to be distributed to the states according to a set formula, but the associated schemes vary from state to state and the funds are often distributed on the basis of discretionary considerations relating to alignments with the predominant political parties (Selee, 2011). In 1999, a further amendment to Article 115 put municipal governments on a par with state governments and the federal government with regard to their power as policy-making bodies dealing with local affairs within their jurisdictions. Paradoxically, when a PAN Administration took office in 2000 – a party with a strong municipal agenda that had historically garnered electoral victories at that level – it did not pursue further municipal reforms. This has led to the current situation, which is marked by stark inequalities; rising municipal expenditure is not matched by a similar trend in municipal tax receipts and decision-making power is growing, but the corresponding funds rely on more or less discretionary transfers from the states and the federation. Although municipalities played a leading role in starting the democratization process, they are now often eclipsed and come up short in terms of accountability (Selee, 2011).

It is clear that the country's municipalities are extremely heterogenous and constitute a mosaic made up of many different and contrasting pieces. According to the 2010 census, Mexico contains 2 440 municipalities, plus 16 boroughs in the Federal District. A comparison based on population density shows that rural municipalities predominate: in 1 391 municipalities, more than 50 percent of the population lives in settlements of fewer than 2 500 inhabitants, while in just 383 municipalities, more than half the population resides in towns with populations of over 15 000.⁵⁸ The country's municipalities also exhibit sharp differences in terms of marginalization. The estimates for educational, housing and income indicators used by the National Population Council indicate that 35 percent of Mexico's municipalities display high or very high levels of marginalization, while only 27 percent have low or very low levels.

These asymmetries and contrasts notwithstanding, there is some evidence of innovation and good governance in the promotion of inclusive, democratic municipal policies by many municipalities, including rural and small ones.⁵⁹ One of the most important lines of action are the initiatives aimed at enhancing public participation, because it is at this level that mechanisms for conducting consultations with civil society are most effective at influencing the configuration of social agendas. Even under highly adverse conditions, some of these mechanisms – such as the Municipal Sustainable Rural Development Councils – have succeeded in engendering productive deliberations among their members concerning these initiatives, as well as mutual recognition of the rules of the game, along with greater clarity and transparency around allocation criteria and decisions.⁶⁰

making changes designed to channel resources more effectively and create stronger linkages with actions that will meet the needs measured by CONEVAL: income, food, housing, basic housing services, health and education. These changes require the municipalities to channel these resources into a predefined catalogue of projects and create incentives for targeted investments by making the following year's allocations dependent upon efficient, responsible use of the current year's funding (*Diario Oficial de la Federación*, 14/02/2014).

⁵⁸ Here again, however, the concept of “functional territories” developed by Isidro Soloaga and Antonio Yúñez (2013) has a number of advantages, since it provides for the identification of six different types of areas – “deep rural” areas, rural areas, semi-urban areas, urban areas, urban (+) areas and metropolitan areas – and allows for the category of “multi-locational” rural households, which reflects the porosity of the urban-rural dichotomy (Berdegué and Proctor, 2015).

⁵⁹ The Local Governance Prize awarded by the *Centro de Investigación y Docencia Económica* (CIDE) constitutes a documented acknowledgement of good practices at the municipal level (Arzaluz, 2013).

⁶⁰ See Box 3 in the annex (“Municipal Sustainable Rural Development Councils”).

Nonetheless, the municipalities' current policy agenda does not provide a useful starting point and blocks the progress of the federal government's overall policy effort, because "the traditional view of municipal governments as immature, fragile and unreliable institutions has resulted in just that: a weak and generally ineffective sphere of government action" (Cabrero *et al.*, 2011). Perhaps the most important lesson here is that public policies should not be based on the assumption that an institutional bulwark already exists and that participation has no cost, or that stakeholders can engage in policy actions without detracting in any way from their day-to-day activities. Mexico needs to invest in the formation of governmental and social actors at the municipal level by decentralizing resources, expanding decision-making spheres and building oversight capacity to monitor the agents that deploy and derive benefit from public resources (Caire, 2009).

According to Diego Valadés (2005), true federalism requires a construct of relations between the federal state and the federated states based on their asymmetrical relationship as well as an effective, democratic, representative system. In order to accomplish this goal, it becomes necessary to determine which areas of authority and capacities should be recentralized and which areas of authority and resources should be decentralized and deconcentrated, taking into account the management and operational capacities of states and municipalities. The aim of this effort is to build a coherent federalist approach for strengthening the municipal and state governments.

4. Political economy of the effort to combat rural poverty in Mexico

According to Cejudo and Michel (2016), public policies encompass various measures adopted by the state to resolve problems that are of specific interest to the public but remain interrelated. These policies not only coexist but also interact with other policies and can either leverage or hamper them. In order for one policy to reinforce another within the same area, the two policies must be coherent; in other words, there must be synergy such that each policy makes a clearly differentiated contribution to the resolution of the problem in question. Generally speaking, policies designed to provide support for rural areas in Mexico have not constituted an integrated policy package and, although some have produced significant results (such as *Oportunidades*, which has helped to raise educational levels and to improve the health and diets of beneficiary households), they have not provided aggregate solutions for public problems; they build capacity but they are not linked with production initiatives.

Some factors that limit the effectiveness of many programmes include:

- absence of production promotion programmes targeting smallholders that operate on a scale and provide coverage suited to the size of this population;
- channelling of most programme expenditures to states, municipalities, towns and producers with the most advantageous productive and economic conditions;
- lack of connection between many programmes and current public policy objectives;
- dissociation of social policies and social policy instruments;
- lack of coordination between programmes and even between different components of the same programme;
- scattered coverage of essential services that would ensure production ventures are successful and sustainable (e.g. organizational arrangements for collective economic action, technical assistance and training for innovation and production, technical assistance and services to facilitate market access and build marketing capacity, access to financing);
- minimal involvement on the part of state and municipal governments in local programme management; and
- lack of rigorous impact assessments that would show which programmes are effective and which are not (Berdegué, *et al.*, 2015).

4.1 Design and implementation of public policies for social protection (2000-2014)

In Mexico, the redefinition of the role of the state in the 1980s had a lasting impact on the configuration of social policy. It had been apparent since the mid-1970s that the development model and social security schemes employed by the government during the post-revolutionary period had created limited, segmented social protection systems. A more consistent institutional effort to redistribute income and meet the basic needs of marginalized population groups was mounted during the presidency of López Portillo (1976-1982). During his Administration, which was able to take advantage of the oil boom, progressive groups in the government designed three initiatives to improve the living conditions in marginalized sectors, particularly for rural smallholders, who were regarded as having been hardest hit by the modernization process: the Public Investment for Rural Development Programme (PIDER), the National Commission for Deprived Zones and Marginalized Groups (COPLAMAR) and the Mexican Food System (SAM).⁶¹ These programmes were designed to promote small-scale farm production, infrastructure construction and the expansion of public services. However, when the economic crisis hit in the early 1980s and public spending was cut repeatedly, PIDER, COPLAMAR and SAM were gradually dismantled. It was at that point that the *idée-force* of overcoming marginalization began to give way to a different discursive construct: the notion of poverty.⁶²

Diminishing access to health care, education and nutritious diet for large segments of the population during the late 1980s, combined with the democratization movement, resulted in hotly contested presidential elections in 1988 that were seen by many as having been fixed by the incumbent party. In an effort to gain credibility and overcome the resulting political crisis, President Carlos Salinas (1988-1994) launched an ambitious anti-poverty agenda under an umbrella scheme called the National Solidarity Programme (PRONASOL) while at the same time embarking on an intensification of orthodox economic policies. Although no reliable performance indicators were in place, PRONASOL and its open community participation model benefited many poor households that had been excluded from the government party and its structures.⁶³ In addition, PRONASOL prompted the creation of the Secretariat of Social Development (SEDESOL), whose first mandated task was to coordinate that programme.

The armed uprising in Chiapas and the 1994-1995 economic crisis had a profound impact, by changing the direction of social policy. PRONASOL lost credibility as a result of being used for election purposes (Magaloni *et al.*, 2007) and growing budget constraints prompted President Ernesto Zedillo to initiate a direct transfer programme. This programme was directed at the household, rather than the community, and its objective was to generate aggregate demand that would help to surmount the crisis and to lower unemployment.⁶⁴ The Education, Health and Nutrition Programme (*Progresá*), which came into being at this critical juncture, fell outside the scope of SEDESOL, as its design and pilot projects fell under the Disbursements Department of the Secretariat of Finance and Public Credit, the National

⁶¹ Jaime de la Mora (15/VI/2015) and Cassio Luiselli (4/VI/2015), interviews for “Coherencia Protección Social y Agricultura”.

⁶² Mario Luis Fuentes, interview for “Coherencia Protección social y Agricultura”, 11/V/2015.

⁶³ Alejandro Encinas, interview for “Coherencia Protección social y Agricultura”, 5/V/2015.

⁶⁴ Mario Luis Fuentes, interview for “Coherencia Protección social y Agricultura”, 11/V/2015.

Population Council and the Office of the President.⁶⁵ Despite changes made in the programme over time, *Progres-Oportunidades* has remained at the forefront of the federal government's social action efforts. It has maintained its independence from SEDESOL, and its continuity and expansion have had a decisive impact on the configuration of the federal government's social policy.

Progres-Oportunidades contains a set of features⁶⁶ that have contributed to its continuity and expansion: cash transfers; synergies in its activities in the areas of nutrition, education and health; continuing technical advances in targeting, registration and operating mechanisms and rules; and emphasis on impact assessments conducted by international agencies. The latter are widely disseminated by international academic institutions and are backed by institutions such as the World Bank and the Inter-American Development Bank (Maldonado, 2014). Against all expectations, assumption of federal executive office in 2000 by what had been an opposition party, combined with increased strength in the pivotal budgetary decision-making role played by a Congress in which no one party held a majority, did not result in any change in direction for the programme. In 2002, The PAN Administration of Vicente Fox re-baptized *Progres-Oportunidades* as the Human Development Opportunities Programme (generally known as *Oportunidades*) and expanded its coverage to include urban areas in which the population is subject to a low or intermediate level of marginalization. These measures were coupled with changes intended to afford greater transparency and control, such as distributing debit cards to beneficiaries, replacing “promoters” with local associative bodies and increasing funding for outside evaluations.

The continuity, expansion, legitimacy and credibility of *Progres-Oportunidades* have had a strong influence not only on the design of other programmes in the sector, such as the People's Insurance (2003) and the 70 and Over (2007) programmes,⁶⁷ but also on the framing of the Social Development Act of 2004. This law established mechanisms for maintaining contact and coordinating with other levels of government (the National Social Development Council and the Inter-Secretariat Social Development Commission) and set up an independent body to conduct mandatory assessments of federal social programmes and compile multidimensional measurements of poverty (CONEVAL). It also included passages that interpreted the content of the social rights guaranteed by the Constitution and provided “lock-ins” to block any reduction in the allocations for these items of federal social expenditure.

This law was unanimously approved by both houses – a relatively rare occurrence in a Congress in which no party has had a majority since 1997. This was especially remarkable because it concerned a highly controversial area of public policy that has implications for the tax burden and had been associated with elections fraud (Maldonado, 2014). The different ideologies and approaches that were involved in the formulation of the Social Development Act are illustrated by the positions of the PAN and the PRD. The PAN sees the state as subsidiary to efforts of the individual and “beneficiaries” as the main subjects of government policy, whereas the PRD regards the state as a guarantor of universal rights for the whole of the population or “citizenry” (Maldonado, 2013). Another issue was whether to define social

⁶⁵ Idem.

⁶⁶ See Figure 2 in the annex (“Changes in the *Progres/Oportunidades/Prospera* and PROCAMPO/ProAgro programmes”).

⁶⁷ The People's Insurance Programme is intended to provide people who are not covered by any other social security system with access to health-care services for the treatment of a group of prioritized ailments. The 70 and Over Programme provides non-conditional direct transfers for poor and marginalized older adults.

expenditure as an instrument that is subject to the availability of resources or as a priority. On the positive side, the result was a balanced text in which guarantees for satisfaction of universal minimum needs are combined with recognition of the importance of targeting social policies in order to ensure their efficiency and uphold the principle of shared responsibility. On the negative side, the text contains ambiguities in the definition of rights and their associated programmes and budgets (Maldonado, 2014).

According to Carlos Maldonado (2014), this consensus was made possible by a combination of elements:

- The Social Development Act did not call into question the preceding social policy model but instead supported it to a large degree.
- It took accountability practices and mechanisms that had been used in a relatively successful and credible previous initiative (*Progres-Oportunidades*) and applied them on a larger scale.
- It came up for a vote at a time when a series of reforms (e.g. the electoral reform of 1996, the Transparency Act of 2002) had placed limits on discretionary action by the federal government in electoral matters, information access, use of resources allocated for social development and the measurement and evaluation of federal programmes.
- The executive's decision to allow the various parties to present and discuss their own bills made it possible to arrive at a final text that included contributions from all the parties.

However, as the 2006 presidential elections approached, it was clear that the possibility of winning unanimous approval for the law would wane as the political and electoral situation became more polarized. It is important to note that since 2001, the government of the Federal District had been pursuing a universal social policy in which the flagship programme provided a non-conditional, untargeted food allowance for persons aged 70 or over.⁶⁸ The clash between these two social policy models resulted in only partial institutionalization of the system provided for in the Social Development Act.

The Social Development Act made the tools used in *Progres-Oportunidades* applicable to all of the federal government's initiatives in the sector, but they have not been universally embraced in other (state and municipal) levels of government, which seems to have opened up new gaps or differences in the quality of social expenditure. Although exemplary, *Progres-Oportunidades* has nonetheless suffered from a number of limitations associated with its inflexible and centralized implementation, which translates into a failure to take regional priorities into account and to include key stakeholders (e.g. state governments in charge of the programme's health and education components) in decision-making regarding the programme's objectives (Levy, 2007). The evidence points to a serious deterioration in social infrastructure and the consequent need to reinforce the institutional supply of basic services.

In the more general framework of the Social Development Act, inter-sectoral coordination bodies have largely remained theoretical or functioned in a purely formal manner but have not played an effective role in coordinating programme actions.⁶⁹ By the same token, many performance indicators are ad hoc measurements that do not fit in with more ambitious overall

⁶⁸ Alejandro Encinas, interview for "Coherencia Protección social y Agricultura", 5/V/2015.

⁶⁹ Omar Garfías, interview for "Coherencia Protección social y Agricultura", 7/V/2015.

policy objectives.⁷⁰ Moreover, relations between the federation and the states in this area have been marred by mistrust regarding such matters as the sharing of beneficiary lists and the conclusion of coordination agreements.⁷¹ This indicates that doing away with intermediaries and introducing more rigorous transparency standards does reduce the risk of political and/or electoral manipulation, but does not eliminate that risk entirely (UNDP, 2007).⁷²

4.2 Design and implementation of public policies in the area of rural production promotion (2000-2014)

During the Salinas Administration (1988-1994), the amendments to Article 27 of the Constitution (1991) and its regulation (1992) were implemented, marking the official completion of the agrarian reform process in Mexico. In order to compensate Mexican producers for the subsidies received by their foreign competitors, increase their operational profit margins and help them establish a foothold in the international market, the Direct Rural Support Programme (PROCAMPO, 1993) and the Marketing Support Programme (founded in 1992 and renamed the Target Income Programme in 2003) were launched. Both of these programmes were placed under the Agricultural Marketing Services and Support Agency (ASERCA)⁷³ of the Secretariat of Agriculture.

The National Agriculture and Rural Development Programme was implemented during the 1994-2000 presidential term. That programme's objectives included: increase in producers' incomes; expansion of agricultural output to outpace population growth; reduction in the agricultural sector's trade deficit; achievement of self-sufficiency in staple foods; narrowing of regional differences in productivity, employment and income; and reduction in rural poverty, together with conservation of natural resources and improved land use (Barrera *et al.*, 2011). The Rural Alliance (1995) was actually a cluster of special-purpose programmes aimed at building farmers' capacity and promoting technological development in order to boost competitiveness of the farm sector; its main component involved outlays for procuring capital goods and the provision of technical assistance by private foundations (Barrera *et al.*, 2011). The Sustainable Rural Development Act of 2001 was enacted to coordinate the work of the various agencies running programmes in rural areas, avoid duplications of effort, eliminate contradictory provisions and lines of work and create synergies between the private and public sectors. In line with this effort, the Special Concerted Programme for Sustainable Rural Development (PEC) was introduced, which consolidated the resources of eight secretariats and the rural sector components of the No. 33 budget line.⁷⁴

⁷⁰ An illustration of this point is provided in "El otro gran tema es, ¿qué estamos evaluando? Ejemplo: 'Número de niñas que terminaron la secundaria', sí se cumplió; 'número de niñas que continúan al nivel medio superior', ahí tenemos un gran problema." [The other big question is: What are we evaluating? For example: the benchmark "Number of girls who completed secondary school" was met; "Number of girls who continued on to higher secondary school" – there we have a real problem]. Interview with Mario Luis Fuentes, *idem*.

⁷¹ Interview with Omar Garfias, *idem*.

⁷² See Figure 9 in the annex ("Forms of political and/or electoral manipulation in *Progres-a-Oportunidades*").

⁷³ *Apoyos y Servicios a la Comercialización Agropecuaria* (ACERCA) was established as a decentralized agency in 1992. In April 2012, its name was changed to the Agricultural Marketing Services and Market Development Agency (*Agencia de Servicios a la Comercialización y Desarrollo de Mercados Agropecuarios*) to loose the word "support" ("apoyo") usually associated with subsidies.

⁷⁴ In 2013, PEC covered the expenditures of 18 administrative accounts (secretariats and other federal government offices) for 10 areas of expenditure and 11 action programmes and their constituent subprogrammes, for a total of over 150 government actions.

In an interview on the subject, the former Secretary of Agriculture, Francisco Mayorga (2009-2012) underscored two important factors: first, coordination among the different agencies serving the production or social sectors; and second, the types of incentives or programmes that are put in place.⁷⁵ The prevailing view in the Secretariat of Agriculture prioritizes production, in general, and production of foodstuffs, in particular. However, in Mayorga's view, this model does not reflect the complexity of today's production chains. He also feels that institutional arrangements have not kept pace with changes in current circumstances; SAGARPA has apparently presented a production-oriented approach to commodity producers but has failed to inculcate a market-oriented approach.

The indicators for forward and backward linkages (agriculture-economy, production-market) are difficult to equate; at the extremes, there are the price received by the farm and the price paid by the consumer, but the revenues of the intermediary wholesalers are not visible, which obscures the transaction costs involved.⁷⁶

Another major challenge concerns the standardization of rural products. Generally, prices represent explicitly or implicitly defined product quality. However, the available information is often very limited and does not serve as a basis for future projections. The boundary between the functions of secretariats of health and secretariats of agriculture is also quite blurred, and the producer is the one who pays the price for this shortfall in capacity and the shortage of funding for effective monitoring.⁷⁷

The rural sector is reliant on government decisions in at least 80 percent of cases. Javier Usabiaga, Secretary of Agriculture from 2000 to 2006, has stated that the sector continues to suffer from a lack of economic organization in the commodities sector and of effective trade unions.⁷⁸ For years, the public policies implemented in the rural sectors have sidelined production incentives for small-scale producers and farmers and directed them instead towards welfare-based support mechanisms that have resulted in low productivity levels for these households and alarming degrees of poverty.

In its early days, ASERCA had a very powerful systems platform for managing PROCAMPO but later on, subsidies were added for coffee and other permanent crops, and the programme ended up as a subsidy distribution mechanism. Its former role in supporting marketing efforts faded, and organized commercial farmers usually ended up realizing an extra profit. At this point, Mayorga believes that policies should be focused on training and perhaps ASERCA should absorb certain parts of the National Markets Integration and Information System (SNIIM)⁷⁹ in order to provide farmers with information on stocks. It would therefore be in a position to help standardize agricultural products, set up networks and deliver information to farmers and consumers.⁸⁰

⁷⁵ Francisco Mayorga, interview for "Coherencia Protección social y Agricultura", 9/VI/2015.

⁷⁶ Idem.

⁷⁷ Op. cit.

⁷⁸ Javier Usabiaga, interview for "Coherencia Protección social y Agricultura", 12/VI/2015.

⁷⁹ The *Sistema Nacional de Información e Integración de Mercado* (SNIIM) is a service provided by the Economy Secretariat to publicize the prices in national and international markets of the main agricultural products.

⁸⁰ Francisco Mayorga, idem.

PROCAMPO was intended to attract investment for production activities by providing liquidity to rural households. It did not, however, succeed in shifting production patterns away from basic cereals or grains and towards other types of crops. The expenditure on farming activities – linked to land ownership and farm production – did not have a strong enough impact to prompt producers to make the transition from maize production to other crops (Winters and Davis, 2009).

Although the state no longer buys up harvests directly, under the Target Income Programme it continues to play a role in the national maize market by providing what amounts to a support price, although only for some producers. This programme is often described as an opaque strategy of selective protectionism, inasmuch as it protects a handful of farmers from having to compete with cheaper imports (Fox and Haight, 2010).

4.3 The Sustainable Rural Development Act and the Special Concerted Programme: purposes and limitations

The Sustainable Rural Development Act was passed in 2001. The stated objective of the Act is to promote the environmentally sound and sustainable development of the country's rural areas and to ensure that the state will promote equity:

“[The] sustained and sustainable improvement of the living conditions of the rural population through the promotion of production and social development activities [...] and the pursuance of the optimum use, conservation and improvement of natural resources in a manner that will [...] raise productivity, profits, competitiveness, income and employment for the rural population.” (Article 4)

The institutional design embodied in this law is such that the federal government maintains centralized control over the formation and distribution of resources but its position changes with regard to its exclusive role in implementation.

Even though this law represents a major innovation in terms of interagency coordination, more than ten years after its passage, the Sustainable Rural Development Act has not proven to be an effective tool for surmounting the institutional inertia that tends to widen the gap between social and production policies. The PEC has functioned more like a cluster of additional requirements and operations rather than providing an integrative line of action to guide public interventions in rural areas. The Sustainable Rural Development Act does not establish any common frame of reference encompassing social, economic and environmental criteria for use in designing and assessing public policy as a whole; instead, it takes an aggregative sectoral approach based on a vision at the national level that is then brought down to the local level.

As noted in an OECD report (2007), even though the Sustainable Rural Development Act is a multisectoral initiative, the fact that SAGARPA plays a central role imprints rural development policy with a primarily agricultural orientation rather than an all-embracing one. In addition, the fact that the leadership role is assumed by a given sector – in the Inter-Secretariat Commission, for example – limits opportunities for eliciting the commitment of counterparts in other sectors. Another element of this logic of aggregation, as opposed to one of convergence, is the proposal to set up nine systems and six national services, which creates

an additional workload and in which an expository stance has prevailed over any effective regulatory or operational function.

The wording of the text in the Act is not conducive to the convergence of public action either. For example, the objectives – which are broken down into the categories of economic development, physical capital, human capital and social capital – and the areas of authority – which are broken down by sector and level of government – are outlined in very general terms. This makes it possible, on the one hand, to use a great deal of flexibility in setting goals but, on the other, to proceed without making any substantive changes in the spheres of action of the various public agencies. These limitations are compounded by the orientation of the text towards *possibilities* – as can clearly be seen in Articles 51, 53, 63, 70, 73 and 74, which use the future tense to describe what “can be done” – rather than towards any *obligation* or social commitment on the part of the state. This makes it practically impossible to enforce the utilization of the planning and decision-making mechanisms provided for in the law.⁸¹ Furthermore, apart from a few exceptions, the design of the corresponding programmes, financing and operating rules is concentrated at the federal level.

The Sustainable Rural Development Act would be an excellent policy instrument if it were actually applied. In the words of Javier Usabiaga, “It is based on the organization of producers, the formation of markets, but most of all on the creation of production units rather than continuing to think about producers as such.”⁸² In general, the labour rights of farming communities are not being upheld, and this is also true of the property rights of the members of *ejidos*, the owners of agricultural plots and the inhabitants of the irregular settlements that are found in practically all rural communities. Thus, according to Usabiaga, SAGARPA should focus exclusively on agriculture or on the food supply, while rural development should be a separate portfolio because, in agriculture, “they do things very well, but in the wrong place”⁸³ because they spend money in situations where there is a political commitment to support a certain product rather than where it is needed.

In discussing the Sustainable Rural Development Act with Francisco Mayorga, it was pointed out that 24 billion pesos was being spent on rural areas but that these funds were being drawn from the budgets of 13 different departments.⁸⁴ Thus, although the sum sounds extremely large, the expenditure was not coordinated and its effect, far from being synergistic, was quite the opposite: one budget allocation cancelled out the effect of another. There are also a series of unspoken understandings between the executive branch and the legislature whereby, for example, “the executive branch sends a budget for rural areas that generally falls short, the legislature ends up supplementing it and then takes credit for it...so a first issue was to understand how Congress sees public policy as applied to the country’s rural areas: as a political issue or as a way of doing what you want to do: reduce poverty, improve natural resource endowments – whatever your list of objectives is.”⁸⁵

⁸¹ Héctor Robles, interview for “Coherencia Protección social y Agricultura”, 11/V/2015.

⁸² Javier Usabiaga, interview for “Coherencia Protección social y Agricultura”, 12/VI/2015.

⁸³ In an interview, the former Secretary Usabiaga referred to this phrase, which he attributed to Senator Armando Ríos Piter.

⁸⁴ Francisco Mayorga, interview for “Coherencia Protección social y Agricultura”, 9/VI/2015.

⁸⁵ Idem.

The first (unpublished) programme document for the PEC (provided in the annex to the Sustainable Rural Development Act) was issued in 2003. One of the problems identified by Héctor Robles was over-funding, which led to delinkage of the various programmes. This had a negligible impact on socio-economic and production conditions in the rural sector, as shown by the fact that, between 2003 and 2013, no improvements of over 4 percent were reported for any of the three dimensions of poverty being measured, even though the budget increased by nearly 170 percent.⁸⁶ Although the programme contains more than 150 different components, very few of them provide coverage in most of the municipalities concerned. At the state level, PEC does not appear to have much of a future because it was devised by the federation rather than the states. It created too many expectations without providing any certainty that they will be fulfilled.

Javier Usabiaga also noted that rural development has three components: society, land and economic activity. Rural development should be handled by the states at the local level because at that level it is possible to see what rural society needs in order to improve its land on an ongoing basis.⁸⁷

Finally, the implementation of public policies to support production has been concentrated in a very small number of states and producers. For example, Sinaloa, Chihuahua, Tamaulipas, Sonora and Jalisco, taken together, account for 9 percent of the country's production units but receive 38.9 percent of the budget for the promotion of competitiveness, 43.6 percent of the funding provided by the *Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero* (FND) and 42.6 percent of the credit supplied by the Trust Funds for Agriculture (FIRA), whereas 16 other states (mostly in the central and southern parts of the country), which account for 42.6 percent of the nation's production units, receive just 26.2, 20.9 and 17.1 percent of that funding, respectively (Robles, 2014).

4.4 Analysis of the main production promotion and social protection programmes

Comparison of Progres/Oportunidades/Prospera and PROCAMPO/ProAgro

As shown in Table 2 in the annex, the main changes that have been made in the *Prospera* (previously named *Progres* and then *Oportunidades*) programme have been methodological modifications designed to broaden its coverage. Initially, *Progres* served rural areas with high marginalization indices, with those indices being checked against socio-economic data for each household and then validated in community town hall meetings. With the advent of *Oportunidades*, coverage was extended to urban areas and a service mechanism was introduced that was based on modules and self-targeting; in theory, this helped to avoid the exclusion of potential beneficiaries that had resulted from application of the earlier strategy for expanding the programme's coverage. Finally, with the advent of *Prospera*, a statistical information module was introduced using data on settlements, basic geostatistical areas (BGAs), neighbourhoods or blocks compiled by the INEGI, SEDESOL or other institutions. This change, together with a strong demand for the programme's benefits, led to the incorporation of a considerable number of households into the programme, which was thus

⁸⁶ Héctor Robles, *idem*.

⁸⁷ Javier Usabiaga, *idem*.

expanded from an initial group of 150 000 households during its first year of implementation to nearly 6.1 million households throughout the country by 2014 (FAO, 2005; *Diario Oficial de la Federación*, 05/09/2014 and 30/12/2014; *Prospera*, no year given).

The types of support services provided under the programme have also changed. While the three basic components of *Progresá* were retained under the *Oportunidades* and *Prospera* programmes (education, health and nutrition), new components (on youth opportunities and assistance for older adults) have also been added. *Prospera*⁸⁸ now contains four lines of action: productive inclusion, labour inclusion, financial inclusion and social inclusion.⁸⁹

For its part, PROCAMPO has shifted its orientation from cash transfers to rural producers, intended to offset the subsidies received by foreign competitors and provide income support for poor rural families, to a strategy aimed at helping to boost the output and productivity of rural economic units by promoting the development of production chains and agricultural clusters and by facilitating investment in physical, human and technological capital, retooling, agricultural inputs, post-harvest management, energy efficiency and the sustainable use of natural resources in partnership with ProAgro (Barrera *et al.*, 2011; FAO, 2011).

Another notable point is that, while the programme's coverage has remained stable at around 2.7 million direct beneficiaries, the maximum subsidy has changed. Under PROCAMPO, a producer could receive a subsidy equivalent to up to 100 000 pesos per unit of production per crop cycle based on the number of hectares involved. Under ProAgro, the upper limit for incentives per production unit per crop cycle is 80 hectares; this applies regardless of whether the producer is an individual or part of a corporate body (*Diario Oficial de la Federación*, 2013 and 2014).

Various studies and assessments⁹⁰ of PROCAMPO and *Oportunidades* have pointed to improvement in the well-being of beneficiary households in terms of consumption, income, a varied diet and improved caloric intake. For example, these programmes are credited with as much as one-third of the reduction in income poverty achieved in rural areas and about 12 percent of the reduction in cases of anaemia among children under two years of age (World Bank, 2010 and 2014). *Oportunidades* has also had an impact in terms of school enrolment, with the probability that a young person will attend secondary school increasing by 33 percent and the enrolment rate in upper secondary school rising by 200 percent. Health status of beneficiaries has improved as well; the use of health-care services has climbed by 35 percent and, as a result, there has been a 20 percent decrease in the number of sick days for children between 0 and 5 years of age in rural areas (World Bank, 2010 and 2014). In addition to these effects, which the programme is explicitly designed to produce, the literature also appears to demonstrate that, contrary to assumptions about the perverse effects of cash transfer programmes on production efforts, these funds have been used to make

⁸⁸ Under the operational rules of *Prospera*, support is provided to young people in order to encourage them to complete upper secondary school. In addition, beneficiary households whose members include an adult over 60 years of age receive 250 pesos per month.

⁸⁹ *Prospera*'s specific objectives include the coordination of the institutional services offered by public programmes and social policy actions, including services relating to the promotion of production, income generation, economic well-being, financial and labour inclusion, education, nutrition and health.

⁹⁰ Including, in particular, studies by Hoddinott and Skoufias (2004), FAO (2005), GEA (2006), Yúnez *et al.* (2007), Winters and Davis (2007), World Bank (2010; 2012), SEDESOL and UCh (2012) and SAGARPA (2012).

productive investments. The literature also seeks to estimate the scale of this phenomenon and the associated conditions, because – although the effects of these programmes vary – certain patterns in consumption and production decision-making can be inferred from the statistical data compiled using the random sampling and quasi-experimental methodologies that have repeatedly been applied in the course of programme evaluations.

Todd *et al.* (2010), for example, explore the relationship between the *Oportunidades* programme and agricultural production.⁹¹ They find that, in general, the programme increased the likelihood that household members would have more nutritious diets based on own production, that they would invest in farm inputs and that they would acquire livestock. Although the results vary, depending on households' degree of access to arable land prior to entry into the programme, the greatest impact in terms of increased own consumption, expansion of land under cultivation and livestock herds was found among households having plots of less than three hectares. This appears to indicate that access to *Prospera* helps households that are subject to food insecurity to cope with exogenous crises such as an increase in food prices, not only by providing them with transfers but also by helping to boost production for own consumption.

Gertler *et al.* (2012) identify a number of considerations underlying decisions by poor households to use cash transfers for investment. First of all, given such households' lack of liquidity and access to credit, these funds enable them to cover the initial costs of embarking on new ventures. Secondly, and perhaps most importantly, because these funds are provided on a regular basis and thus constitute an ongoing, reliable source of income, even the most risk-averse household is willing to invest in activities from which they can derive more benefit. The authors state that, for each peso received under the *Oportunidades* programme, on average these households channel 74 cents to direct consumption and the rest to investment in productive assets; after 18 months in the programme, this raised their incomes by nearly 10 percent. A study by Gertler *et al.* (2012) looked at non-agricultural microenterprises such as carpentry, construction, the sale of handicrafts and making food for sale, in addition to farming and production animals.⁹²

These findings are consistent with the larger argument about the ability of cash transfer programmes to help beneficiary households to cope with a lack of liquidity, make productive investments and generate additional indirect benefits. The rise in demand generated by the increase in income also spurs local production. The first study done in Mexico that demonstrated the multiplier effect of transfer programmes makes mention of PROCAMPO. Using panel data on *ejidos* compiled between 1994 and 1997, Sadoulet *et al.* (2011) show that, three years into the programme, its indirect multiplier effects ranged between 1.5 and 2.6, with

⁹¹ Todd *et al.* (2010) conducted a study under semi-experimental conditions in which they compared a control group with groups that joined the programme between March 1998 and November 1999. Their objective was to explore the impact of the programme on production over an 18-month period, both indirectly – by determining the programme's impact on food production for own consumption – and directly – by observing changes in land use, livestock ownership and farm output. They identified seasonal patterns in this respect, with fruit consumption from own production and investment in farming inputs tending to increase in the autumn and the consumption of vegetables and acquisition of livestock rising in the spring.

⁹² The database used by Gertler *et al.* (2012) included panel data for 506 communities that were surveyed twice per year between 1998 and 2003. They find that the aggregate effect of these investments after 5.5 years raised beneficiary households' consumption levels so substantially that, if projected over a nine-year timespan (the minimum expected duration of the programme), beneficiary households would most likely not revert to pre-programme poverty levels if removed from the programme.

the multipliers reflecting income opportunities that had previously remained unrealized due to liquidity constraints.

The multiplier effects identified by Sadoulet *et al.* (2011) were also uneven. The lower coefficients were found, on the one hand, among households subject to less liquidity constraint (either because they received remittances or their members had attained a higher level of education) and, on the other, among households with less access to farmland or whose members came from indigenous backgrounds, in which case they were attributed to the small number of investment opportunities open to these households. The authors note, however, that complementary initiatives play an important role in increasing the available range of investment opportunities; the multiplier effects that they identified are not effective poverty-reduction tools because households with relatively higher incomes tend to benefit the most. *Oportunidades* and PROCAMPO both provide direct cash transfers, but they operate differently; their modes of targeting, their conditionalities and payments and their objectives are potentially at odds with one another, since *Oportunidades* focuses on investment in consumption and the human capital of children and young people, whereas PROCAMPO promotes agricultural production activities.

According to some estimates, around 20 percent of the *Oportunidades* beneficiary households receive transfers from PROCAMPO, but the combined effect of the two programmes is somewhat mixed. On the one hand, Todd *et al.* (2010) contend that the two programmes are interchangeable in terms of some types of results (grain production and land use, for example). There are also complementarities, since PROCAMPO households tend to use funds received from *Oportunidades* to invest in the diversification of crops and primary activities (fruit production, livestock and farm inputs). On the other hand, the programmes' conditionalities can be at odds with one another; according to Handa *et al.* (2010), the *Oportunidades* beneficiary households that also participate in PROCAMPO tend to miss more of their mandatory medical appointments, especially during periods when farm work is the most demanding and among households with more cropland. When this kind of clash between the objectives of the two programmes occurs, it appears that greater priority is given to farm work than to the promotion of human capital.

Do conditionalities matter? The case of the *Oportunidades* programme

Theoretically, the characteristics of social programme beneficiaries have an influence on the meaningfulness and scale of programme results, while conditionalities are a means of inducing changes in behaviour. In other words, the assumption is that beneficiary selection and programme conditionalities carry either positive or negative weight. Empirical evidence about the *Oportunidades* programme can be used to examine this assumption.

Ever since its inception, *Oportunidades* (*Progresa*) maintained that shared responsibility was central to the achievement of its objectives: “a firm conviction on the part of heads of households as to the programme’s benefits and their active participation are of pivotal importance in ensuring the programme’s effectiveness.” (*Diario Oficial de la Federación*, 2000). The programme focused on ensuring that heads of households persevered in their efforts to promote the advancement of their children. One passage on “informed choice” stated, in part, that: “...the support payments are a time-bound investment in beneficiary families [...]

designed to build their members' capacity so that they will not need to rely on these kinds of benefits on an ongoing basis" (*Diario Oficial de la Federación*, 2000).

For this reason, the programme established a set of conditions that beneficiaries must fulfil. If they failed to do so, their benefits could be suspended:

“Upon joining the programme, households undertake to: enrol any of the members who are under 18 years of age who have not completed their basic education in primary or secondary schools and help them to attend class regularly and to improve their performance; register with the appropriate health-care unit and keep the regular appointments scheduled by the health-care providers in compliance with the Basic Health Services Package; attend the monthly talks on health education offered by the health-care unit; and use the cash transfers to enhance their family's well-being, particularly with regard to the children's diets and educational performance. Failure to fulfil the commitments made regarding school attendance and the use of health-care services will lead to the suspension of the transfers.” (*Diario Oficial de la Federación*, 2000).

Impact assessments have found that the programme has brought about considerable changes in beneficiaries' diets and particularly in the consumption of highly nutritional foods such as fruits, vegetables and animal protein (Hoddinott *et al.*, 2000). *Oportunidades* has also had an impact on investment in human capital in the form of school enrolment and improvements in beneficiaries' health status (Winters and Davis, 2007). In the *Oportunidades* programme, the conditionalities were intended to act as a mechanism for inducing beneficiaries who became better-off to leave the programme on their own accord. In addition, Hoddinott and Skoufias (2004) found what they call a “*pláticas* effect”, which they describe as a change in behaviour induced by the required attendance at health- and nutrition-related lectures (Handa and Davis, 2006).

The most common criticism of conditional cash transfer programmes such as *Oportunidades* (now *Prospera*) is that, in order to avert the intergenerational perpetuation of poverty, they invest in the children of beneficiary households rather than in boosting the productivity of their adult members. On the one hand, human capital accumulation among the children of a household can take years, or even an entire generation, to produce concrete results; on the other hand, since a great deal of the adults' time is required to meet the conditions established by the programme, potential conflicts may arise with regard to labour supply and, hence, the household's ability to generate income.

In other words, this type of programme tends to set aside the possibility of building the human capital or productive capital of adults who are no longer of school age and for whom the accumulation of productive capital in the present is based on their land or non-farm activities. The accumulation of that kind of capital, in both the short and long run, could also help to combat poverty, inasmuch as the productive investment of programme transfers would allow these households to sustain the impact of the cash transfers, which cannot continue indefinitely (Handa and Davis, 2006; Winters and Davis, 2009; Todd, Winters and Hertz, 2010).

It is also useful to consider the administrative workload associated with monitoring compliance with the conditionalities, particularly in countries with fragile institutional structures such as

Mexico. The issue is whether or not these mechanisms are suitable and, if so, which is the best one for monitoring compliance, given the attendant costs, institutional structures and capacities (Handa and Davis, 2006). In reviewing the operational costs of the *Oportunidades* programme, Caldés *et al.* (2004) found that 18 percent of the total cost of the programme (net of transfers) was accounted for by the cost of monitoring compliance with its conditionalities (Handa and Davis, 2006).

Clearly, short-term poverty alleviation and long-term human capital development are the leading issues in the debate about the relevance of conditionalities. Although conditionalities have “locked in” the programme’s desired minimum social floor in some sense, they have not ensured an “effective” pathway out of poverty. The failure to address the needs of the current generation of poor adults demonstrates a clear-cut shortcoming in Mexico’s rural development policies.

According to Handa and Davis (2006), a programme designed to alleviate short-term poverty would remove beneficiaries from the programme if they are no longer poor or would have strict time limits to reduce the risk of dependency. In the long term, however, a programme designed to improve human capital among the poor ought to support families until the human capital cycle is complete, for example through middle school or lower secondary school. Graduation would be automatic and would coincide with the point in time when a child completes the designated cycle.

The impact on production: transfers, subsidies or projects?

The necessary background information for any discussion of PROCAMPO and the Target Income Programme⁹³ includes the fact that, in 1989, the government discontinued the support price system and began to open up the economy to international trade, thereby opening up a gap in the private sector that it was not prepared to fill. In 1991, the government established ASERCA, to assist producers who were encountering difficulties in marketing their harvests and to distribute compensatory payments to grain producers, including subsistence producers (Fox and Haight, 2010).

PROCAMPO was the best-known programme of ASERCA. Its goals were to boost competitiveness, raise rural income levels, modernize marketing systems, encourage producers to switch to higher-value-added crops, bolster economic certainty, provide subsidies to small-scale producers who had not been provided with support prices earlier and promote soil, water and forest conservation (Fox and Haight, 2010). One of the flaws of this programme was the fact that it set more goals for itself than it could realistically attain. ASERCA also administers a complex package of marketing subsidization programmes known as the Target Income Programme, which provides producers with the difference between the price in effect at the start of the production process and the market price. In 1991-2000 this strategy made sense, since it was applied to different states and crops from year to year; however, in later years part of this programme came to be devoted to providing direct payments to large-scale producers to cover the difference between domestic and import prices (Fox and Haight, 2010).

⁹³ See Box 5 in the annex (“Comparison of PROCAMPO and the Target Income Programme”).

The intended purposes of these programmes notwithstanding, Merino (2010) asserts that the evaluations of the Target Income Programme and PROCAMPO do not provide a satisfactory basis for analysing their impact on the income levels and capitalization of the production units covered by these programmes because they are based on beneficiary producers' views⁹⁴ and their findings are not disaggregated by state and municipality.

Although PROCAMPO appears to promote investment in production activities by providing liquidity to rural households, Cerón Monroy (2008) finds that producers have not switched over from basic grains to other crops to an appreciable extent, since, between 1995 and 2005, only 14 percent of the programme beneficiaries changed their land use pattern. That percentage is equivalent to the proportion of producers who have more than five hectares under irrigation. Winters and Davis (2007) also state that farm expenditure linked to land ownership and farm output does not appear to have prompted a significant number of producers to switch over from maize to other crops. This could be attributable to beneficiaries' concerns about the duration of the projects or a desire to continue to receive support from the programme and to be eligible for future programmes.

Most PROCAMPO and Target Income Programme beneficiaries are in the southern part of Mexico, but subsidies have been concentrated in the north.⁹⁵ Merino (2010) contends that this should have boosted the competitiveness, production and productivity of the northwestern states and that the central and southern states should have substantially reduced their poverty levels, but neither of these things has occurred.

Between 2000 and 2009, four states in the north of Mexico (Chihuahua, Sonora, Tamaulipas and Sinaloa) accounted for 72.6 percent of the total amount paid out by the Target Income Programme. And while most of PROCAMPO's beneficiaries are smallholders (86 percent of them have less than five hectares), the programme continues to exclude the "poorest of the poor". According to an analysis conducted by John Scott of the results of a household survey taken by the *Oportunidades* programme in low-income areas in 2004, PROCAMPO only provides coverage to 7 percent of producers who have less than one hectare of land and 19 percent of those who have between one and two hectares.

Robles (2014) contends that, even when measured on a per capita basis, payments in the poorest municipalities tend to be too small to permit the production units to accumulate capital. For example, beneficiaries living in municipalities without indigenous populations receive, on average, 8 323 pesos, whereas those in which there is a high degree of marginalization and those that are classified as "indigenous municipalities"⁹⁶ receive an average of 3 581 and 3 747 pesos, respectively. Welfare-based benefits predominate among the indigenous population (68.3 percent), while benefits designed to promote production represent a much smaller

⁹⁴ Jonathan Fox (2010) says that when surveys are taken as inputs concerning beneficiary satisfaction for government evaluations of PROCAMPO or the Target Income Programme, only persons who are receiving funds are surveyed while other members of the target population are passed over. See Jonathan Fox, 2010. "Siete mitos sobre subsidios agrícolas mexicanos", paper presented at the seminar entitled "Transparencia y rendición de cuentas en los subsidios agrícolas: políticas públicas y modelos de desarrollo rural" [transparency and accountability in relation to Mexican farm subsidies: public policies and rural development models], Mexico: School of Economics, UNAM.

⁹⁵ The Target Income Programme channels 90 percent of the sum that it pays out to the richest 10 percent of producers, while PROCAMPO channels 33 percent of its funds to the top decile, according to John Scott.

⁹⁶ The National Commission for the Development of Indigenous Peoples (CDI) defines municipalities in which 40 percent or more of the population is indigenous as "indigenous municipalities".

percentage than elsewhere (just 23.8 percent); this is not an insignificant issue, since 25.2 percent of all production units are located in those municipalities.

Finally, even though PROCAMPO is the most progressive of the subsidy programmes, it has not managed to achieve its objectives reliably or continuously. Despite the presence of PROCAMPO, the living standards of its beneficiaries have not improved substantially, nor have the inequalities declined in the conditions to which producers are subject. The Target Income Programme has not succeeded in substantially increasing either the competitiveness or the economic performance of rural producers.

What is more, although the state no longer buys up harvests directly, under the Target Income Programme it continues to play a role in the national maize market by providing what amounts to a support price, although only for some producers. Fox and Haight (2010) describe this programme as an opaque strategy of selective protectionism, inasmuch as it protects a handful of farmers from having to compete with cheaper imports. For different reasons, medium- and large-scale producers are generally the ones that have made use of these programmes, taking advantage of the fact that small-scale producers have less information about the procedures and requirements involved in gaining entry to them. Other factors include the prevailing belief among the officials responsible for running these programmes that small-scale producers do not have a sufficient degree of productive potential and the fact that the programmes' design is implicitly biased towards larger production units.

Small-scale financial mechanisms: rural coverage and limitations

In the 1980s, the declining profitability of agricultural activities, combined with inflation, high nominal interest rates (1983-1989) and the cumulative effect of poor management and corruption led to high default rates and portfolios that included a large proportion of non-performing loans. This situation was exacerbated by the widespread financial crisis of 1994-1995, and a wave of bankruptcies of agricultural and fishery businesses that followed in its wake, along with an ever-tightening supply of financing. Today, rural lending systems are heavily reliant on public funding;⁹⁷ the proliferation of regulations and legal provisions has effectively blocked efforts to streamline systems and most financial services exhibit a bias that works to the detriment of small-scale producers. The way in which the rural finance model has changed since 1990 has resulted in a sharp reduction in its coverage; agricultural census results indicate that, whereas 19 percent of all farming and/or forestry production units had access to credit in 1991, only 4 percent had such access as of 2007 (INEGI, 1991; 2007). The tightening of credit in rural areas is linked to the larger problem of a shortfall in the supply of formal financial services, which has bolstered the presence of informal networks of lenders or usurers that provide finance at a very high cost.

Since 1990, according to CONEVAL: “governments [...] have focused on indirect means of promoting and facilitating the sector’s development: rather than offering financial services directly to the public, they have supported and provided incentives for private financial

⁹⁷ The commercial banking system has shown little interest in using its own resources to finance commodity production and few of the institutions in that system have administrative offices that specialize in servicing this segment. As a result, the system generally confines its services to acting as an intermediary for public financial agencies serving the agricultural or rural sector. The strength of this trend is demonstrated by the fact that, as of 2015, agricultural, aquaculture and fishery activities accounted for just 1.9 percent of the private banking sector’s current portfolio (Bank of Mexico, 2015).

institutions to grant loans to the population; in other words, they have operated as second-tier banks.” (CONEVAL, 2012) Two public institutions have been the main players in the provision of formal financial services in rural areas: FIRA – acting as a second-tier banking system – and *Financiera Rural* (FinRural), which operates as a first- and second-tier banking agency and was founded in 2003 following the closure of the Banco Nacional de Crédito Rural (Banrural). These changes, which emphasized putting the sector on a sound financial footing, have not been free of political biases and a certain lack of transparency in the distribution of resources.⁹⁸ A study covering the period 2005-2010 notes that, while the total amount of financing granted by the two institutions rose by 44 percent in real terms, of every 100 pesos allocated, 84 were supplied by FIRA and 16 by FinRural (Meza, 2013).

Over the past decade, FIRA has been the most active institution in terms of the expansion of its credit supply and the number of borrowers. In 2004-2011, the average annual rate of increase in the number of producers served by the institution was 13.35 percent and the average growth rate in loan volume amounted to 7.5 percent (Meza, 2013). FIRA offers second-tier financing and loan guarantees with a view to “expanding funding flows via private rural financial intermediaries and providing enhanced organizational support and backstopping for small-scale producers’ ventures via training and technical assistance” (CONEVAL, 2012:42). As a second-tier banking institution, FIRA works through financial intermediaries whose regional expertise and infrastructure enable them to achieve greater penetration. However, because FIRA focuses on providing financing for value chains (production, marketing and ancillary activities), its operations are concentrated in the western, northeastern and northern parts of the country, as this is where Mexico’s intensive production system are located (Esquivel, 2008).

FinRural is the country’s second-largest rural lender. Its objective is to “contribute to the recovery of higher living standards in rural areas by supplying financing, advisory services and training for rural producers” (CONEVAL, 2012). This institution has expanded its operations to a lesser degree than its counterpart because its interest rates, operating costs and risk premiums are generally higher (Meza, 2013). It channels more of its credit through non-bank financial intermediaries but, like FIRA, the bulk of its funds go to northern states such as Tamaulipas, Chihuahua, Durango, Sonora, Coahuila and Sinaloa (Meza, 2013).

Both FIRA and FinRural tend to discount financing credit agreements (86 percent) and, to a lesser extent, equipment-operating credit agreements (14 percent). This can be interpreted in two ways: as a sign of reluctance on the part of producers to apply for long-term loans, probably as an after-effect of the chronic indebtedness problems of the 1990s, or as a result of competition for the diminished (non-reimbursable) subsidies provided by public programmes (de la Vega *et al.*, 2013). There is evidence that complementarities may exist between equipment-operating credit agreements and infrastructure and equipment subsidies for production units. However, because of the absence of comprehensive designs and coordination, “nonreimbursable transfer programmes tend to be short-run initiatives, and state

⁹⁸ In step with the opening of the market and the liberalization of trade, Mexico’s rural finance model has transitioned from one based on credit granted on the basis of political/electoral considerations using controlled, subsidized interest rates to a state banking system with four main features: (1) greater autonomy but without reference to considerations of social inclusion; (2) administrative approaches that allow for no more than a low-risk portfolio; (3) insistence on profitability; and (4) oversight by the monetary authorities (de la Vega *et al.*, 2013).

finance institutions and programmes that offer microcredits compete with one another, reduce the possibility of achieving their individual targets and erode the potential for giving shape to a complete, inclusive financial system” (CONEVAL, 2012).

Microfinance is a relatively more recent phenomenon in Mexico than in other Latin American countries. The first forays into the use of community-based savings and loans were made by the Catholic Church and did not entail significant government involvement. This began to change in 1991, when amendments were introduced that allowed savings and loan institutions to act as regulated financial intermediaries. Since then, a constant series of regulatory changes has given rise to a huge range of different legal provisions and unending difficulties for regulators trying to exercise effective control over the system.

The two main laws governing this segment are the People’s Savings and Loan Act of 2001 and the 2006 amendments to the Credit Organizations and Auxiliary Activities Act. Both have had strong impacts that have directed events in opposite directions. The former was introduced in order to protect local savers and, to that end, it established obligations regarding the regulation and the deposit insurance requirements of savings and loans. The adoption of these measures has been a slow process, which is why many organizations have chosen to adopt the model associated with the 2006 amendments. The thrust of these amendments was to deregulate the market by promoting financial institutions that do not take in deposits from the public but instead operate solely as lenders and are therefore not regulated (ProDesarrollo, 2013).⁹⁹ This has given rise to continuing problems; high administrative and regulatory costs are passed on to users in the prevailing interest rates and there is a lack of connection between savings and lending, which is also a problem for FIRA and FinRural.

While some microfinance institutions have experienced substantial growth and some innovative financial networks have proven to be viable and profitable while linking credits with savings in poor areas, on balance, the successes are overshadowed by what remains to be done.¹⁰⁰ In the words of one specialist in the subject: “This is a scattered, heterogeneous, disorderly sector that requires a generally applicable, easily enforceable legal framework that can offer the sector clarity and certainty” (Esquivel, 2008). The pivotal constraint is the fact that the interest rates of microfinance institutions tend to be much higher than those of conventional banks, mainly because of the higher administrative costs and risks involved in lending to low-income clients (Esquivel, 2008; Meza, 2013). As a result, the degree of financial inclusion remains limited, especially in rural areas. According to the results of the National Financial Inclusion Survey of 2012, in towns with fewer than 15 000 inhabitants, only 22 percent of adult respondents say they are using at least one formal-sector savings product and only 17 percent say they are users of a formal credit mechanism (INEGI, 2012).

⁹⁹ The People’s Savings and Credit Act (2011) prompted some civil society associations to gradually move to the Sociedad Financiera Popular [People’s Financial Association] (SOFIPO) or to the Sociedad Cooperativa de Ahorro y Préstamos Social [Social Savings and Loan Cooperative] (SCAPS). Since 2006, the number of bodies that have set up operations as multi-purpose financial associations, which are unregulated financial intermediaries, has risen exponentially.

¹⁰⁰ See Box 6 in the annex (“Rural finance partnership models: the case of the rural microbank system (SMB-Rural)”).

5. Main lessons and findings

The prevailing theory of change regarding rural areas and their role in overall development in Mexico (1940-1970) was entirely in line with the production promotion policies that were being implemented in rural areas. By virtue of their absence, social protection policies can be said to have been reactive in nature, as it was not until the 1970s that any active social policy was put in place, but even then it was chiefly focused on indigenous peoples as part of the overall effort to put an end to social marginalization. Since the 1990s and up until the present day, the same theory of change has served as a basis for the clear dissociation of social protection policies from production development policies. The former are intended to administer poverty reduction efforts, while the latter are aimed at spurring business development in certain regions and products based on market demand. The first lesson to be drawn is that, without directly calling into question the theory of change that underlies the country's development efforts at any given point in time, even in the context of different development paths (i.e. state intervention in a closed economy or an open economy governed by market forces), the result has invariably been the subordination of some policies to others, the delinkage of policy objectives and the fragmentation of policy implementation.¹⁰¹

Precisely because of the predominance of this theory of change, a two-dimensional form of path dependency arises almost automatically. On the one hand, there is the dependency of the institutions associated with the path taken by the Secretariat of Agriculture (under various names during its decades-long history), which has invariably been based on a “productivist” approach.¹⁰² On the other, the creation of the Secretariat of Social Development came at a time when it was thought that people who had lost their jobs as a result of structural reforms would be out of work only briefly, until market forces provided other economic activities and forms of employment. This assumption was not necessarily wrong, but market dynamics were such that they opened up a huge informal sector, which included some illegal activities such as drug trafficking.

The other dimension of path dependency is related to the conjunction of formal rules, informal standards and law enforcement mechanisms.¹⁰³ A particularly important factor – and not only because of the proclivity for corruption, which is by no means found solely in rural areas or in Mexico – is the role of informal standards or rules (which is rarely included in the analysis of public policy impacts)¹⁰⁴ in the application of laws, programmes and projects. The existence of a culture of bureaucracy is a decisive factor in the lack of coherence between

¹⁰¹ As noted by Rolando Cordera on several occasions, the subordination of social protection policy to production development policy is the reflection of a stabilizing development-oriented coalition whereas the opposite has been the result of a stagnated type of stabilizing coalition.

¹⁰² The term refers to an approach that distinguishes between farmers with production potential and those who lack that potential. The way in which that distinction is drawn may seem objective or subjective, ideologically based or apparently neutral, depending on whether it is defined by a “devotion to the land” or by the market or other forces. The responses are not very significant, since the question is not well formulated. The right question is not who has potential in the rural environment and who does not, but rather under what political, economic and social conditions market regulations or interventions can leverage the production potential of a given area.

¹⁰³ To avoid simplistic or deterministic interpretations of the concept of path dependency, Douglass North introduced in his book entitled *Understanding the Process of Economic Change* (2005) the expression “human scaffolds” to refer to the apparatus composed of physical capital and human capital when linked to institutions that are created on the basis of certain belief systems. A great deal of emphasis has been placed on the interaction between a given belief system and the prevailing institutional framework (North, 2005).

¹⁰⁴ The views of Elinor Ostrom (2005) regarding informal rules are particularly interesting.

rural social policy and rural production policy (in all the various dimensions dealt with in this study).¹⁰⁵ This culture is perpetuated in the government agencies that are responsible for actions in these two areas; it is transmitted via the office and field staff responsible for policy implementation and it is re-created in the interactions between public and private agents.

The main findings of this study have been corroborated in the course of workshops held in the State of Puebla,¹⁰⁶ in a rural area of extreme poverty – the Sierra Negra – that dealt with a number of different phenomena analysed in this study: migration, the multiple economic activities conducted by rural households and the lack of institutional coordination and coherence. Three different types of inertia constitute the main obstacle to sustained progress in the eradication of rural poverty. The first is *institutional inertia*, which reproduces the division of responsibilities for social protection policy (administration of poverty reduction efforts) and production development policies (which, regardless of political rhetoric, are ultimately a means of supporting the farmers and agribusinesses that are most able to influence the government offices that design and execute programmes and projects). The second type is the *inertia of government agents* (from senior officials down to field advocacy workers) who are governed by these rules of the game but who generally accept this division of labour and, due to inertia, fail to find ways of linking different programmes and projects. The third type of inertia is the *inertia of programme beneficiaries*, who also accept this division of labour and see themselves simply as the recipients of small sums paid out by generally fragmented government programmes.

How long have these different forms of inertia been at work? This study's findings indicate that, although clientelism and the use of public resources for electoral purposes have been common features of rural government programmes for a long time, the disaggregation of demands and the fragmentation of social actors have been the outgrowth of a battery of policies designed in the 1990s. These policies were based on the assumption that the actions of any type of social organization would distort the operation of the market. Margaret Thatcher's famous dictum, "There is no such thing as society. There are individual men and women, and there are families", was translated into disdain for – if not an outright effort to undermine – trade unions and autonomous communities, while the sphere of action of official corporate structures was confined to marginal negotiations between the government and the most senior union managers. Most of the organizations associated with the government party accepted this new – eminently unionist – role in exchange for maintaining the economic and political privileges enjoyed by their leaders.¹⁰⁷ But the greatest change in this direction came with the emphasis placed, in both social programmes and production development programmes, on an operational scheme that revolved around cash transfers, individual lists of beneficiaries (with no consideration whatsoever being given to the organizational ties between them and their communities of origin) and the encouragement of non-governmental organizations (NGOs) to fill the functional gaps that were left in the wake of the government's withdrawal from those spheres of activity. In the case of production development programmes, two other factors ended up playing a decisive role in the fragmentation and debilitation of the social fabric.

¹⁰⁵ See the first part of this study.

¹⁰⁶ Between 5 and 7 August 2015, the authors of this study took part in visits, meetings and workshops in eight different communities in the Sierra Negra region of the State of Puebla in central Mexico.

¹⁰⁷ Others chose to break away from the government during the first term of a non-PRI Administration, however, and some of them even founded a political party of their own, the most outstanding example being the powerful National Education Workers Union.

The first was the creation of technical bureaus, generally staffed by retired civil servants, to conduct projects on behalf of the government and, presumably, the beneficiaries. The second was the establishment of a hugely complicated set of rules and procedures for applying for and securing funding from the various programmes (the so-called “operating rules”), which has been the main mechanism for capturing rents and a major vehicle for corruption.

The fragmentation that has been a central feature of interaction with rural areas in Mexico points up the need for a thorough-going reform of the state and its institutions and of society as a whole, along with its multiple forms of expression and representation. The point of departure should be a transition away from regressive compensatory policies and towards a policy designed to supply public goods. It would seem that the ultimate goal is “articulation” – the linkage of public policies, stakeholders, regions, agencies, expertise and political will.

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Annex

Interviews

Alejandro Encinas (5/V/2015)	Research Professor at the Universidad Agrícola Chapingo, former Secretary for Social Development for the federal government, former Head of Government for the federal government, former Senator for the PRD party, currently independent Senator
Alfonso Cebreros (5/V/2015)	Director of Government Relations for the Maseca Group, the world's largest maize consortium
Cassio Luisseli (4/VI/2015)	General Coordinator for the Mexican Food System (1980-1982), specialist and consultant for ECLAC and IICA, diplomat
Enrique González Tiburcio (1/VII/2015)	Coordinator for the Secretary of Social Development (2012-2015)
Enrique Provencio (15/V/2015)	Environmental specialist attached to the Office of the Secretary of Social Development of the Federal District (2006-2007), Environmental and Land Use Advocate for the Federal District (2002-2006), President of the National Institute of Ecology (1997-2000)
Fernando Cortés (5/V/2015)	Research Professor in the Programme for Development Studies (PUED), UNAM and academic expert to National Council for the Evaluation of Social Development Policy (CONEVAL) (2006-2012)
Francisco Guerrero Anaya (10/VI/2015)	Instructor in politics and public administration, specialist in rural development strategies, training and organization
Francisco Mayorga (9/VI/2015)	Former Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food (2009-2012), agribusiness entrepreneur, member of PAN
Héctor Robles Berlanga (11/V/2015)	NGO-Rural Subsidies, Professor at the Universidad Autónoma Metropolitana, former Director for Research of the Agrarian Advocacy Bureau
Jaime de la Mora (15/VI/2015)	Secretary for Economics and Finance of the National Farmworkers Confederation (CNC)
Jaime Morales (9/VI/2015)	Ph.D. in agro-ecology, Research Professor at the Western Technological Institute for Higher Studies (ITESO, <i>Instituto Tecnológico de Estudios Superiores de Occidente</i>), Jalisco
Javier Usabiaga (12/VI/2015)	Former Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food (2000-2006), entrepreneur in the produce industry in Guanajuato, Secretary for Agriculture at the state government level, member of PAN
John Scott (12/V/2015)	Scholar with the Centre for Economic Studies and Research (CIDE), Academic expert to the National Council for the Evaluation of Social Development Policy (CONEVAL)
Mario Luis Fuentes (11/V/2015)	UNAM Board of Governors, Programme for Development Studies (PUED), former Director of the Mexican Social Security Institute and the DIF System for Childcare

Max Correa (14/V/2015)	Leader of farmworkers in Cardenas Campesino Central
Omar Garfias (7/V/2015)	Technical Secretary for the Inter-Secretariat Crusade against Hunger
Pedro Magaña Guerrero (11/VI/2015)	Leader of farmworkers in the State of Guanajuato, Deputy in the Federal Chamber of Deputies (1997-2000), technical adviser to social and governmental organizations
Rodrigo Díez de Sollano (10/VI/2015)	Secretary for Rural Development of the Government of the State of Jalisco, Director-General of the Shared Risk Fund (FIRCO).

Figure 1. Coherence among policy objectives, policy tools and target populations

Coherence between policy objectives	Different measures adopted for the resolution of a single problem, whose complexity and multidimensionality make it necessary to have recourse to various policy domains.	For example: Rural poverty versus agricultural productivity; food security versus generation of foreign exchange.
Coherence between policy tools	Degree of complementarity of policy tools used to address a given aspect of a social problem.	For example: Sequencing of interventions; transfers and subsidies; conditionalities and messages; participation mechanisms and decentralization.
Coherence between target populations	Targeting strategies, including the avoidance of overlaps whereby the same person could participate in two programmes but does not belong to the target populations of two policies that address the same issues.	For example: Avoiding targeting errors; using rent-capturing technologies; determining whether a consolidated directory of all beneficiaries is desirable or useful.

Source: Cejudo and Michel, 2016

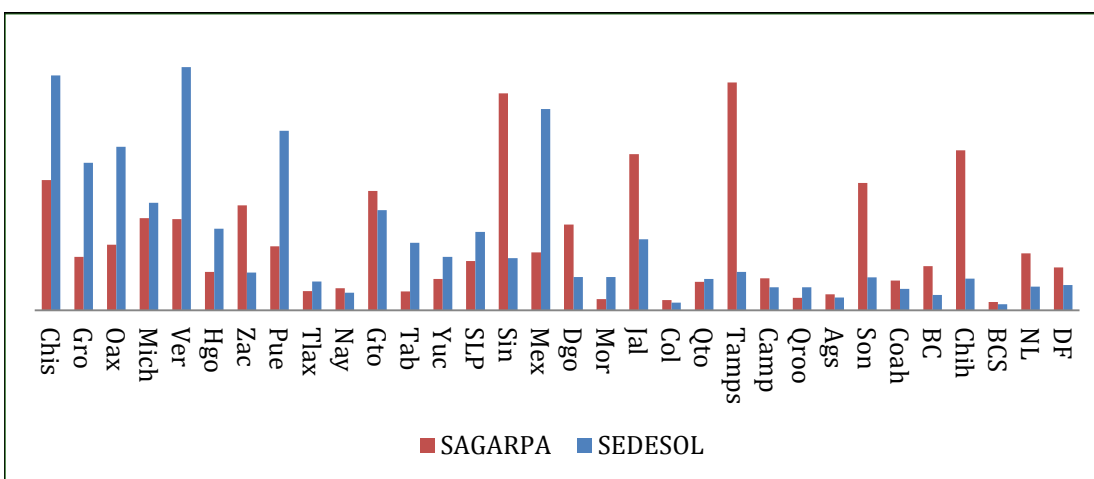
Figure 2. Changes in the Progresa/Oportunidades/Prospera and PROCAMPO/ProAgro programmes

Programme	Purpose	Coverage and targeting
<p><i>Progresa</i> (1997-2001)</p>	<p>Provide support to families living in extreme poverty in order to build their members' capacity for achieving higher levels of well-being and providing them with more opportunities to do so [...] by means of actions that help to improve their living conditions by providing them with greater opportunities to access education, health services and higher nutritional levels.</p>	<ul style="list-style-type: none"> • Criteria used for selection of locations: (1) level of marginalization, with priority being given to the selection and servicing of areas with the highest levels of marginalization, which is associated with a large percentage of households whose members are living in extreme poverty; and (2) comparison of geographic and statistical data in order to pinpoint areas in which the most severely marginalized settlements are found in terms of both the number of settlements and their population density with a view to identifying geographic clusters of communities which can derive the greatest benefit from the programme. • Three targeting stages: (1) geographic: identification of the most severely marginalized settlements and verification of access to basic education and health services; (2) beneficiary families: identification based on residence in the selected settlements and socioeconomic information on each household; (3) community validation: presentation of the list of selected families at a town hall meeting to gather the community's views for use in screening-out or screening-in beneficiaries. • Coverage: initially, activities were carried out in 12 483 municipalities in 14 states, for an approximate coverage of 150 000 households. In 2001 the programme was run in 26.67 percent of the country's 68 282 towns, in 2 166 municipalities of the 31 states. Approximate coverage by the end of 2001 was 3.2 million households (14.4 million people).
<p><i>Prospera</i> (2014-present)</p>	<p>Help to strengthen the fulfilment of social rights that help to build the capacity of poor people by adopting measures focusing on nutrition, health and education and on access to other dimensions of well-being in order to break down the intergenerational cycle of poverty.</p> <p>Interrelate and coordinate the institutional services offered by social policy actions and programmes, including those dealing with the promotion of production, income generation, economic well-being, financial and labour inclusion, nutrition and health, for people living in extreme poverty within the framework of schemes based on shared responsibility.</p>	<ul style="list-style-type: none"> • Targeting: priority is placed on: (1) the most underprivileged areas based on the social indices employed by CONEVAL; (2) settlements with the highest CONAPO marginalization indices; (3) statistical data on settlements, BGAs, neighbourhoods or blocks compiled by INEGI, SEDESOL or other institutions; and (4) strong demand for the programme's benefits. Finally, once the various settlements have been classified, socioeconomic information is used to select beneficiaries; their participation in the programme is contingent upon the accessibility and service capacity of health-care facilities and schools. • Coverage: settlements in which health-care facilities and schools are accessible and have the necessary service capacity. As of 2014, the programme covered 6.1 million families residing in 116 025 settlements in 2 456 municipalities. • Four lines of action: productive inclusion, labour inclusion, financial inclusion and social inclusion.

Programme	Purpose	Coverage and targeting
PROCAMPO (1994-2014)	<p>Transfer resources to support income generation by rural producers. The support provided should not be contingent upon the use or results of any factor of production; transfers are to be scaled (per hectare or portion thereof) to the size of the eligible plot registered in the programme directory and granted to producers who meet the requirements set out in the corresponding regulations and who request these benefits. These transfers will also contribute to the effort to combat poverty by providing income support to poor families in rural areas.</p>	<ul style="list-style-type: none"> • Targeting: producers (physical persons or corporate bodies) who own, rent or lease and legally cultivate an eligible plot that is registered in the PROCAMPO directory and that have been receiving subsidies. • Maximum surface area: subsidy equivalent to up to 100 000 pesos per unit of production per crop cycle based on the number of hectares involved. • Coverage: stable since 1995 at an average of 2.7 million direct beneficiaries (a maximum of 3.3 million beneficiaries in 1994 and a minimum of 2.3 million beneficiaries in 2006). • Breakdown, by size of plot for the different crop cycles: nearly 78.1 percent of the beneficiaries on the programme register were farmers with less than 5 ha, 18 percent were farmers with between 5 and 18 ha, and just 3.9 percent were farmers with over 50 ha. • Breakdown by mode of support: traditional – 80.8 percent of the beneficiaries; capital investment – 19 percent of the beneficiaries listed in the programme register.
ProAgro (2014-present)	<p>Help to boost the production and productivity of rural agricultural economic units by providing incentives for the formation of production (system-product) chains, development of agricultural clusters, investment in physical, human and technological capital, retooling, agricultural inputs, post-harvest management, energy efficiency and sustainable resource use.</p>	<ul style="list-style-type: none"> • Coverage: nationwide in the 31 states and the Federal District. Priority is placed on the municipalities and settlements covered by the National Anti-Hunger System (SINHAMBRE) and settlements with mid-range, high and very high indices of marginalization according to the CONAPO classification. • Targeting: all agricultural producers (physical persons or corporate bodies) who are working plots that are duly registered in the ProAgro Production Directory who have received subsidies designed to boost productivity from PROCAMPO during any of the last two crop cycles and who meet the other requirements of this component... • Breakdown of beneficiaries by stratum: production for own consumption, with unirrigated plots of up to 5 ha and irrigated plots of up to 0.2 ha; transitional production, with unirrigated plots of between 5 and 20 ha and irrigated plots of between 0.2 and 5 ha; and commercial production, with unirrigated plots of over 20 ha and irrigated plots of over 5 ha. • The upper limit for incentives per production unit per crop cycle: 80 ha, regardless of whether the producer is an individual or part of a corporate body.

Source: Prepared by Obed Méndez on the basis of the *Diario Oficial de la Federación* (25/07/1994, 15/03/2000, 23/04/2010, 18/12/2013, 12/02/2013, 28/12/2014 and 30/12/2014).

Figure 3. Comparison of the SAGARPA and SEDESOL budgets, by state, listed in order of their human development indices



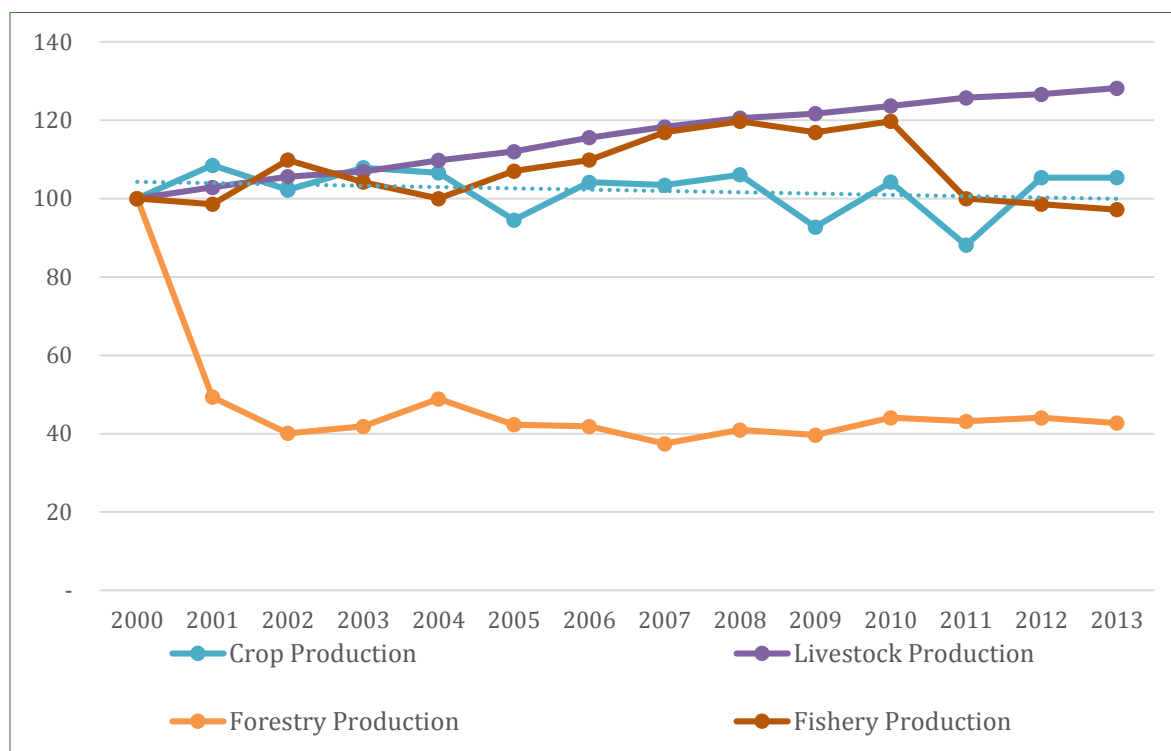
Source: Héctor Robles (2013a).

Figure 4. Income distribution in rural areas, 2006-2014

Percentages					
Type of income	Years				
	2006	2008	2010	2012	2014
Transfers	12.5	12.5	14.4	16.0	19.8
Property income	11.3	6.0	4.5	5.2	0.9
Income from independent labour	11.0	16.0	11.3	12.7	18.0
Wages for persons with employment contracts	62.2	62.3	66.4	62.6	55.9
Other labour income	3.0	3.2	3.4	3.5	5.1
Total	100	100	100	100	100

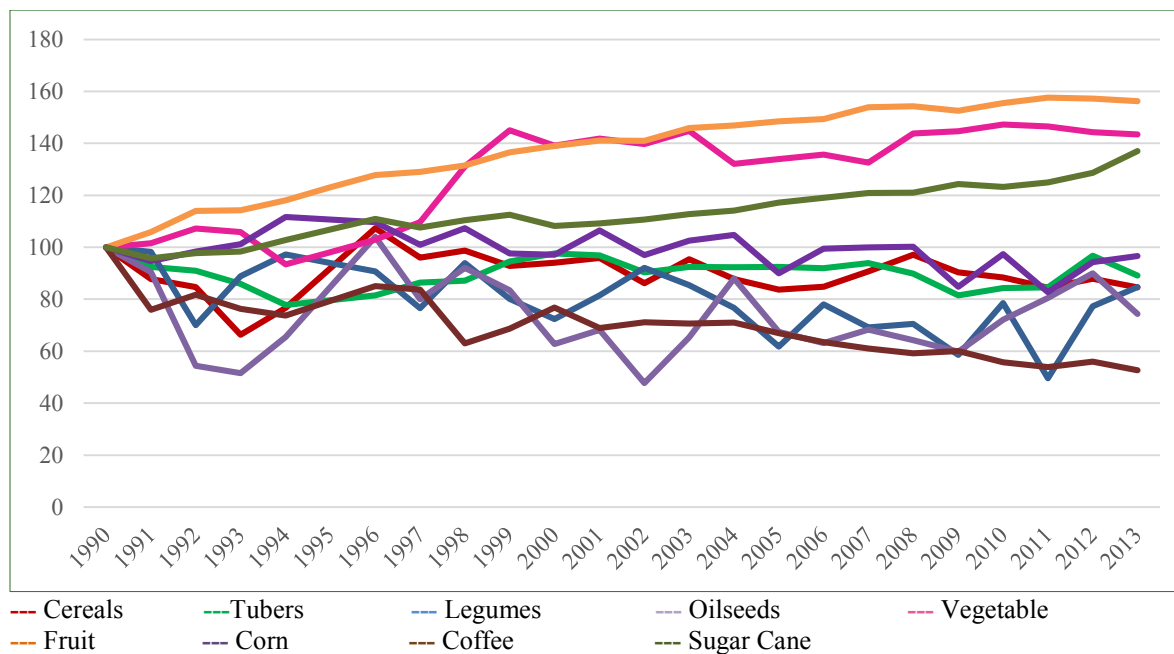
Source: Prepared by the authors on the basis of data from ENIGH for 2006, 2008, 2010, 2012 and 2014.

Figure 5. Crop, livestock, forestry and fishery production: growth rates, 2000-2013



Source: Prepared by the authors on the basis of data from FAO, Division of Statistics, and SIAP.
 ----Trend (crop production)

Figure 6. Agricultural structure: growth indices, 1990-2013



Source: Prepared by the authors on the basis of data from FAO, Division of Statistics, and SIAP

Figure 7. Mexico: Productivity of selected economic sectors, 2012

Variable	Sector of economic activity (millions of pesos)				
	Total economy	Agriculture	Mining	Construction	Manufacturing
(A) Value added (MDP)	15 106 359	479 097	1 324 455	1 271 604	2 655 504
(B) Jobs	42 196 343	7 092 498	293 910	5 846 025	5 472 497
(A/B) Productivity per employed person	358 002	67 550	4 506 330	217 516	485 245
(C) Total wages	4 216 575	81 767	70 090	513 563	553 095
(C/B) Wages per employed person	99 928	11 529	238 473	87 848	101 068

Source: On the basis of INEGI input/output matrix, 2012.

Figure 8. Unmet needs of the population, by place of residence (percentage of the population)

Levels	2010		2012		2014	
	Rural	Urban	Rural	Urban	Rural	Urban
Shortfall in level of education	33.9	16.7	32.4	15.3	31.5	14.8
Unmet health-care needs	31.4	28.6	20.6	21.8	17.3	18.4
Lack of access to social security coverage	81.9	54.3	81.5	55.1	80.0	52.0
Shortfall in housing quality and space	29.1	11.0	23.4	10.6	22.1	9.4
Lack of access to basic housing services	63.3	10.7	57.3	10.3	57.9	10.2
Shortfall in nutrition	33.6	22.2	30.9	21.0	32.1	20.7

Source: Prepared by the authors on the basis of CONEVAL estimates (2014).

Figure 9. Forms of political and/or electoral manipulation in Progreso-Oportunidades

Political cycles	Manoeuvres to create benefits or favourable economic conditions for groups of the electorate shortly before elections as a way of gaining their vote.	Possible (e.g. the introduction of subsidies for older adults, political marketing or increases in benefits).
Party-based allocation	Geographic distribution of public spending in such a way as to maximize the possibility of retaining the support of a given area or group in the elections or of winning over a district or opposition group.	Possible, but only during periods when the programme is being expanded.
Political clientage	A relationship between the government or party and members of the electorate based on the exchange of some type of reward for their votes, in some cases combined with the possibility of “punishing” or excluding “disloyal” voters.	Unlikely at the central government level but attempts to do so may be made by local delegates or intermediaries.

Source: Adapted from UNDP (2007).

Box 1. The evolving legal framework for policy-making, 1995-2012

	Context	Policy process	Rural production promotion	Social policy	Federalism
1995	Economic crisis	The Programme for the Modernization of the Government Service for 1995-2000 furthered the government's decentralization and administrative deconcentration, the professionalization and promotion of ethical conduct of civil servants and the measurement and assessment of public management functions.	In 1993-1994, ASERCA began to implement PROCAMPO as a flagship programme that would gradually be expanded as time went on. It also launched the Rural Alliance Programme (1995-2007) as a budgetary umbrella for a range of different producer support programmes that included a federalized operational component. The states and municipalities are responsible for operating the Alliance programmes.		Since the 1980s, the administrative deconcentration of basic education; since 1992, the decentralization of operational and administrative functions. In 1995, decentralization of health-care services for the uninsured population. In both sectors, the federal authorities retain their legislative and regulatory functions.
1997	PRI loses its majority in the Chamber of Deputies			Transition from the pilot programme to <i>Progresa</i> , covering 300 000 families in 6 344 settlements in 20 states.	
1998					Amendments to the Fiscal Coordination Act of 1998. Clearer rules governing the distribution of conditional funds to state governments and the transfer of control over federal programmes to municipal governments along with additional programmes (funding) that boost the total amount of transfers to states and municipalities.
2000	Vicente Fox wins the presidential election; Congress is divided	<i>Agenda de Buen Gobierno</i> [Good Government Agenda]: an honest, transparent, professional, quality, digital government that regulates better and costs less.		Closure of CONASUPO (universal subsidization of tortillas)	
2001	Recession		Sustainable Rural Development Act of 2001. The federal government maintains its centralized control over the formation and distribution of resources, but revises its stance on participation in implementation. The Sustainable Rural Development Act highlights the importance of interagency coordination based on the convergence of sectors and levels of government. The Special Concerted Programme, under which rural budget lines are grouped, is established.	Change of the programme's name from <i>Progresa</i> to <i>Oportunidades</i> ; coverage increases to 4.2 million families.	

	Context	Policy process	Rural production promotion	Social policy	Federalism
2002		The Federal Transparency and Information Access Act of 2002 curbs poor public administration by providing the right to obtain information on government activities.			The Foundation of the National Conference of Governors (CONAGO) (2002) brings together governors from all political parties in an effort to defend their sphere of activity from federal government interference and to strengthen their bargaining position. It meets with considerable success in relation to tax matters.
2003	Economic recovery and high oil prices		Decontrol of the prices of rice, wheat, barley, safflower and soybean within NAFTA. The mobilization of rural organizations culminates in the National Agreement for the Countryside. The agricultural development model comes under sharp criticism for its high degree of regressiveness.		
2005				The Social Development Act of 2005 authorized the creation of the National Social Policy Evaluation Council (CONEVAL), tasked with measuring poverty and coordinating social programmes under the direction of a council of experts.	
2006	Felipe Calderón wins the presidential election	The Federal Budget and Treasury Responsibility Act of 2006 is passed to balance and oversee government expenditure. It provides for tools for the measurement of government management, the use of indicators in combination with logical frameworks and provisions for the creation of a results-based evaluation system.			
2008	Worldwide recession	The Performance Evaluation System comes on line as of 2008. This mechanism is designed to link planning, programming, budgeting, monitoring, budget execution and public policy evaluation.	In 2008 the NAFTA moratorium on the liberalization of grading in maize, beans and powdered milk comes to an end. PROCAMPO continues without substantive modifications.		
2012	Peña Nieto wins the presidential election			The Crusade against Hunger is launched as part of a “new generation” of social policies based on social and human rights.	

Source: Prepared by the authors on the basis of Méndez (2010) and Yúnez-Naude (2010).

Box 2. Baseline analyses and policies in three national development plans, 2001-2018

	National Development Plan 2001-2006	National Development Plan 2007-2012	National Development Plan 2013-2018
Baseline social analysis	<p>The series of economic crises that have erupted over the past 25 years have considerably eroded the purchasing power of the vast majority of the economically active population. The real value of accumulated savings decreased considerably and was strongly affected by the loss of wealth for many Mexicans. Job losses steepened, as did the closure of companies and family businesses. The high cost of small business loans curbed entrepreneurship. As a result, the number of Mexicans living in poverty or extreme poverty rose, as chronically poor, geographically isolated and education-deprived communities (such as many indigenous communities) were hit by the effects of increased poverty driven by the radical contraction in the incomes and assets of other social groups.</p>	<p>The slowing of economic growth in the country has been reflected in insufficient job creation in the formal sector and in virtually flat growth in real wages. This situation has blocked any sustained increase in household income and this, in turn, has had a decisive impact in terms of the perpetuation and depth of poverty in Mexico. Unless real wages and employment (the drivers of the population's income levels) rise, poverty cannot be reduced to any substantial degree in the medium or long term.</p>	<p>Social development should be the top priority for an increasingly inclusive Mexico. There are a series of factors that trap many Mexicans in vicious cycles that leave them with very few opportunities for advancement. In all, 46.2 percent of the population live in poverty and 10.4 percent live in extreme poverty. The indicators for income inequality, human rights violations, discrimination and limited access to services and to decent housing leave no room for complacency. This state of affairs is not only unacceptable from the standpoint of social justice, but also constitutes a major obstacle to the country's productivity and economic growth.</p>
Social policy	<p><i>Emancipation: the objective of social policy</i></p> <p>The objective of social policy is to break down the vicious cycle of poverty that exists throughout the country and, in particular, in the more remote indigenous communities. In order to do so, sustained economic growth needs to be coupled with investment in social and human development. Accordingly, the second core component of social and human development policy is equity in the programmes pursued under this policy and equality of opportunity.</p> <p>In order to narrow the inequalities that have the greatest impact on the population, the criteria to be used in allocating public resources will be focused on promoting and fostering an improvement in the living standards of the most vulnerable groups and individuals – indigenous</p>	<p><i>Equality of opportunity</i></p> <p>In striving to provide equality of opportunity, in addition to serving the poor sectors of the population, programmes and actions will be introduced to enable every Mexican to broaden his or her capacities and attain a fuller, more integrated form of development.</p> <p>Guiding principles: Focus resources on the programmes that have shown themselves to be the most effective; use evaluation and follow-up systems to monitor and improve programmes on an ongoing basis; promote coordination of the actions of different federal government agencies and bodies, as well as those of the different levels of government; place priority on actions designed to build people's capacity to overcome poverty, not only in the short run, but also in the medium and</p>	<p>The goal is an inclusive Mexico that guarantees the effective exercise of the social rights of all Mexicans, that goes beyond welfare-based approaches and connects human capital with the opportunities offered by the economy within the framework of a new form of social productivity that narrows inequalities and promotes the broadest possible range of social participation in public policy as a factor of cohesiveness and civic action. The aim is to build an integrated society in which there is equity, social cohesion and equality of opportunity and to guarantee the effective exercise of the social rights of the entire population.</p> <p>The most effective means of ending the cycle of welfare-based policies and overcoming poverty is by using public programmes to build productive opportunities. To that end, the</p>

	National Development Plan 2001-2006	National Development Plan 2007-2012	National Development Plan 2013-2018
	peoples, children and older adults, persons with disabilities – while also taking into account the needs of other, larger sectors of the population – such as women and young people – without losing sight of the need to implement certain programmes of a general scope as well.	long runs, by attacking the causes of the problem rather than simply its immediate effects; link up the different programmes appropriately to create synergies between complementary programmes and avoid duplication of effort.	Government of Mexico will step up actions that will enable disadvantaged Mexicans to invest their resources, initiative, talents and enterprising spirit. In the hands of society, these resources are a wellspring for the democratization of productivity and the creation of wealth for the benefit of those Mexicans who stand in greatest need of it.
Rural production baseline analysis	In the countryside, lack of capital, lack of familiarity with suitable practices and technologies for improving production and lack of techniques for rationalizing resources have hindered efforts to attain comprehensive rural development. Despite the progress made in regularizing land titles, this situation has been exacerbated by the fact that legal reforms have not afforded the legal certainty required in order to pave the way for the necessary investment to drive economic growth and social and human development in rural areas.	The agricultural and fishery sector is a strategic priority for the country’s development because, in addition to putting food on Mexican families’ tables and providing raw materials for Mexican manufacturing and processing industries, its strong export drive has made it into an important source of foreign exchange. Yet the agricultural and fishery sector generally continues to be the sector with the lowest level of productivity (equal to just one-fourth of the level of manufacturing and less than one-fifth of the level of the services sector). Because of the existence of rural poverty and the number of families who continue to engage in primary production, the sector continues to require support so that it can boost its productivity and attain greater sustainability.	The countryside is a strategic sector because of its potential for reducing poverty and driving regional development. As it moves into the twenty-first century, the farm sector will have many opportunities to grow stronger. A strategy needs to be pursued that will give the countryside and the agrifood sector a “new face” by focusing on productivity, profitability and competitiveness, together with inclusiveness and sustainable natural resource management.
Rural production promotion policy	The development of the agricultural and fishery sector is essential in order to increase the well-being of large sectors of the population. In order for this sector to make a substantially greater contribution to the country’s development, it needs to be incorporated into larger value chains that will make it possible to expand investment, increase job creation and raise wages. An integrated strategy is needed that will provide for a suitable supply of credit from a solid, well-organized, rural financial sector that is firmly embedded in the Mexican countryside and for the formation of value chains that will make it possible to take full advantage of business	The aim is to raise the levels of asset and human development of Mexicans living in rural and coastal areas and to bring together and optimize programmes and resources that will increase opportunities for gaining access to services in rural areas and for reducing poverty (the Special Concerted Programme). The government resources being channeled into the promotion of rural development represent an unparalleled effort, and it is therefore necessary to use them more effectively to promote the development of rural society. To that end, the various programmes run by agencies and offices	Existing programmes need to be evaluated and reviewed in order to pave the way for agrifood promotion policy to transition from subsidies to incentives for productivity gains while ensuring its inclusiveness in relation to the target population and backing it up with a clear, straightforward, regulatory framework and operating rules. The capitalization of the sector should be reinforced. In order to boost productivity in rural areas, the organization and scale of production of smallholdings need to be improved while increasing the availability of credit and lowering its cost. Technological development and

	National Development Plan 2001-2006	National Development Plan 2007-2012	National Development Plan 2013-2018
	opportunities and maximize the benefits for all concerned. New expertise and advanced technologies will be used to ensure that Mexican agricultural products meet the strictest international certification and quality standards.	that are active in rural areas need to be organized in a more rational and efficient manner. Efforts need to be devoted to facilitating the diversification of economic activities in rural areas so that resources can be used to full advantage and promoting non-agricultural activities that can create jobs, boost income and improve the living standards of the rural population.	innovation must be promoted along with a more balanced form of regional development. Modern economic promotional methods will also be used to build an agriculture and fishery production sector that can ensure the country's food security. This will entail galvanizing the sector by investing in the development of physical and human capital. In addition, steps need to be taken to promote partnership models that take advantage of economies of scale and that generate value added, as well as providing agrifood activities with greater certainty through the use of risk management mechanisms.
Linkage of public action	Creation of three inter-secretariat committees for social and human development, for growth with quality and for order and respect to perform functions dealing with planning, coordination, collaboration, support and promotion. Consistency of the policies and programmes of the various agencies and offices will be promoted in order to ensure that the actions of the various units of the federal government are synergistic and avoid duplication of effort. The priorities, visions, goals and strategies of the secretariats and other units of each committee will be clearly defined. The best way to focus efforts is to know exactly what result is desired, what tools are needed to produce that result and how much time it will take to do so.	<p>The aim is to support the efforts of the poorest segments of the population to raise their incomes and improve their quality of life by promoting and backstopping their productive ventures.</p> <p>The start-up and operation of productive ventures of families and community groups will be supported with advisory services and microfinance programmes in both rural and urban areas. Priority will be given to promoting development in the municipalities where the population is the most marginalized by targeting resources and coordinating the efforts of the federal government with those of the other levels of government.</p> <p>A coordinated plan will be in place for each municipality that will take into account its particular characteristics and needs. The plan will establish clear-cut goals to be reached over a three-year period in all areas: social infrastructure, economic infrastructure, communications, health, education and training, housing and basic services, financing for productive ventures, retooling and the salvaging and preservation of traditions and other cultural traits.</p>	<p>In order for the people of Mexico to be able to exercise their social rights fully, some major challenges relating to the way that social policy is viewed and implemented will need to be overcome. For example, the programme design, management, implementation and monitoring processes have each been performed separately, and this has sometimes given rise to duplication and a lack of coordination between the different levels of government.</p> <p>There are currently 273 federal programmes and actions relating to social rights and 2 391 such programmes at the state level. Yet there is no consolidated list of beneficiaries, and there is no clear, strategic alignment of social policies.</p> <p>The interagency linkages needed to ensure the achievement of shared or complementary social development objectives are clearly missing.</p>

Source: Prepared by the authors on the basis of the *Diario Oficial de la Federación* (30/05/2001, 31/05/2007 and 20/05/2013).

Box 3. Municipal Sustainable Rural Development Councils

One of the most fully documented examples of the advances made in bringing social government and civil society into the rural development decision-making process, as well as of the limitations involved in such efforts, is provided by the Municipal Sustainable Rural Development Councils and the handover of responsibility for some areas of the operation of the Rural Alliance–Rural Development Subprogramme (1996-2007) of SAGARPA. These councils form part of the institutional scaffolding provided for in the Sustainable Rural Development Act, which is designed to convert the vertically hierarchical structure characteristic of post-revolutionary Mexico into a collaborative governance model (Caire, 2009).

To date, these councils have served as implementation units for a single SAGARPA Rural Alliance programme, in which the rules of the game have been defined at the federal level and the councils perform a purely consultative function. However, for the performance of even this very limited form of participation in sustainable rural development policy, the municipalities are required to work through 19 different processes, which involve the completion of 30 decision-making procedures and 71 routine procedures, in addition to six separate actions to establish their authorized involvement as active participants in the policy's implementation (Merino and Macedo, 2006).

This extreme regulatory complexity has perverse effects. On the basis of externally established regulations and standards, the aim is to ensure that local government will adapt its routines to fit the policy, whereas what usually happens is just the opposite: the municipalities adapt the policy to fit their organizational routines. In short, what occurs is a simplification of the policy *in situ* (Merino and Macedo, 2006). In addition, federal or state programmes often set up their own sectoral committees or councils, which heightens the tendency to engage in isolated, scattered actions.

The Municipal Sustainable Rural Development Councils are also faced with a number of stumbling blocks as they try to fulfil the programme requirements, including resource constraints and shortages of technical staff, infrastructure and institutional formats capable of meeting the growing demand. In institutionally fragile and politically vulnerable municipalities, these councils become forums for legitimizing decisions that are aligned with the interests of the most influential actors (Quiñonez, 2010). In municipalities with stronger institutional frameworks, such as those studied by Caire (2009), the results seem to be mixed; although there is still some confusion as to what the Councils *should* and *can* do, deliberative processes have begun to emerge, along with mutual recognition by their members of internal and external rules of the game and greater clarity and transparency in allocation criteria and decisions.

Box 4. Transfers to support production and human rights: two views

Levy (2006) argues that conditional cash transfer programmes are based on the creation of appropriate incentives in the here and now to foster the accumulation of human capital by poor families so that younger generations will have the opportunity to generate higher incomes of their own. *Oportunidades*, according to Levy, “is a broader, more effective and more efficient cash transfer programme than the previous policy package used for the same purpose. Its conditionality is designed to augment beneficiary families’ human capital by capitalizing upon the basic complementarities among nutrition, health and education as a means of putting a stop to the intergenerational transmission of poverty.”

Oportunidades is a time-bound programme because it provides “cash transfers linked to investment in human capital today so that people can generate higher incomes of their own tomorrow”.

This means that “since it is a programme that targets a specific group rather than being an actual strategy, it will not reduce poverty in and of itself. To do that, other initiatives are needed to give shape to a coherent strategy for engendering an environment marked by sustained economic growth” (Levy and Rodríguez, 2005, cited in Levy, 2007). Another fundamental defining characteristic is that, although the programme tracks the segment of the life cycle in poor families that runs from the care of expectant mothers to the completion of secondary school by their children, it does not deal with the creation of productive jobs. Instead, it enhances poor workers’ potential for finding better jobs, since it postpones the age at which they enter the labour market by providing scholarships that will allow them to complete their secondary education. This “second stage” is not covered by the programme and will instead depend on the effectiveness of economic and social policies in generating sufficient resources, creating more productive jobs and enhancing the country’s competitiveness (Levy, 2007).

Oportunidades (Levy goes on to say) will be successful if, once the human capital of poor families has been reinforced, the economic activities in which the workers find employment are more productive. Little by little, the *Oportunidades* transfers will be needed by fewer and fewer families until, ideally, they cease to be needed at all (Levy, 2007). On the other hand, the document “Política Social de Nueva Generación” (SEDESOL, 2013) describes social policy as the tool that will enable individuals to be in better physical shape and have more skills that will enable them to find productive jobs. It contends that sharp social inequalities cannot be surmounted solely by cash transfer programmes or by social programmes that make goods and services more accessible to poor sectors of the population. It acknowledges that social policies have reduced undernutrition, raised levels of education and augmented people’s productive capacities, but it also maintains that the only way to eradicate poverty is to galvanize rural areas by creating more and better jobs, providing opportunities for self-employment and setting up small and medium-sized agribusiness industries. The point of departure for the line of reasoning expounded in “Política Social de Nueva Generación” is that “the social and human rights enshrined in the Constitution [...] revolve around citizens as agents of change and as the leading figures in bringing their own organizational skills and active participation to bear in order to further their own advancement”. The guiding principles for this policy should ideally be: (1) eradication of the culture of clientage and bureaucratic inertia; (2) decentralization as a means of optimizing realization of the potentials of each region; and (3) a commitment on the part of the citizenry to taking part in the management of the state and in the defence of civil, economic, political and social rights. On this point, in an interview conducted for this study, Enrique González Tiburcio drew attention to three fundamental aspects: (1) reintroduction of a human-rights-based approach; (2) reintroduction of a production-oriented approach; and (3) recognition of the importance of the local dimension and of taking energetic action to promote social participation. This philosophy informs the redesign of the *Oportunidades* programme to incorporate a series of changes that will enhance productive inclusion, provide guarantees that people’s opinions will be heard, make room for a greater role for young people and ensure that they will figure as a prime focus in the programme’s redesign.

Box 5. Comparison of PROCAMPO and the Target Income Programme

PROCAMPO	Target Income Programme
<ul style="list-style-type: none"> - Transfers resources to support rural producers' incomes. Contributes to the effort to combat poverty by raising the incomes of poor rural families. - Support provided is not contingent upon the use or results of any factor of production; transfers are scaled (per hectare or portion thereof) to the size of the eligible plot registered in the programme directory. - In 2009 it was established that the maximum surface area to be subsidized would be the equivalent of up to 100 000 pesos per unit of production per crop cycle based on the number of hectares involved¹⁰⁸. - Starting in the spring of 2001, it was decided that the per-hectare support payments for plots of less than one hectare would be rounded up. 	<ul style="list-style-type: none"> - Grants direct support to agricultural producers experiencing problems or ending up with surpluses of market-eligible products. - Payments are based on the difference between the target price used for production decisions and the market price.
<ul style="list-style-type: none"> - Initially support was provided to producers of maize, beans, wheat, sorghum, soybean, cotton, cardamom and feed barley. - In 1995-1996, the programme was opened up to all lawful crops and to livestock and forestry activities, as well as to duly approved environmental projects. 	<ul style="list-style-type: none"> - As of 2002, coverage included the majority of seeds and cereals. - In 2014, the list of eligible products was updated: bread wheat, durum wheat, rice, feather cotton, maize, sorghum, cardamom, canola, soybean and sunflower.
<ul style="list-style-type: none"> -Producers by stratum: production for own consumption, with unirrigated plots of up to 5 ha and irrigated plots of up to 0.2 ha; transitional production, with unirrigated plots of between 5 and 20 ha and irrigated plots of between 0.2 and 5 ha; and commercial production, with unirrigated plots of over 20 ha and irrigated plots of over 5 ha. 	<ul style="list-style-type: none"> - Producers (physical persons or corporate bodies) or organizations that market eligible products that meet the criteria established by SAGARPA.
<ul style="list-style-type: none"> - Traditional: 80.8 percent of the beneficiaries. - Capital investment: 19 percent of the beneficiaries. Incentives are provided through the supply of credit to be paid off by the payments furnished by the programme. All applications must be based on a primary or industrial production project. <p>Has the greatest coverage in terms of total participants (67.1 percent of the target population).</p>	<p>The established sum per tonne is paid to each and every one of the producers in the state or region concerned, regardless of the sale price received by an individual producer.</p> <p>For the most part, coverage of the various market support programmes run by ASERCA, including the Target Income Programme, is less than 1 percent of all producers.</p>

Source: Prepared by Obed Méndez on the basis of www.aserca.gob.mx.

¹⁰⁸Under the SAGARPA programme operating rules (2014), the upper limit in ProAgro for incentives per production unit per crop cycle is 80 hectares, regardless of whether the producer is an individual or part of a corporate body.

Box 6. Rural finance partnership models: the case of the rural microbank system (SMB-Rural)

The existing constraints in terms of financing-scheme access and coverage notwithstanding, there are cases which, although few in number, illustrate the potential offered by alternative models for spurring development initiatives on the part of poor rural households. One such case is the Rural Microbank System (SMB-Rural) sponsored by the Mexican Association of Social-Sector Credit Unions (AMUCSS).

AMUCSS is a not-for-profit civil society organization that was founded in the early 1980s. Since then, it has operated as a network of rural financial institutions specializing in training services, microcredit, savings, microinsurance, remittances and financial education. It is an outstanding example of an organization with a strong capacity for innovation and for adapting viable savings, credit and insurance models for marginalized population groups in an environment marked by changeable markets and regulatory frameworks. One of its foremost initiatives is SMB-Rural, which is run by AMUCSS and four other civil society organizations and serves both individuals and local organizations in marginalized areas in the states of Hidalgo (Zihualtme Network), Puebla (FinRural Network), Oaxaca (FinCoax Network) and Chiapas (SMB-Chiapas Network). This system was able to grow thanks to the experimental initiatives carried out by AMUCSS in the 1990s to demonstrate the viability and profitability of linking credit and saving in poor areas such as the Huasteca region of the State of Hidalgo, Chiapas or the Northern Sierra of Puebla (AMUCSS, 2013).

As of November 2012, SMB-Rural had a well-established training centre, 35 branch offices, two supervisory federations, 137 employees, nearly 32 000 members (60 percent of whom were women), 23 900 savings accounts representing a total of 67.9 million pesos and 11 480 loans amounting to nearly 67 million pesos (AMUCSS, 2013). SMB-Rural's growth is driven by the various types of local savings accounts that it offers; funds can be withdrawn from these accounts at any time, and various investment options are offered. The microbanks use this capital to provide joint, individual and farm loans. They also offer such other services as money transfers, "micro" life insurance policies, check cashing (*cheques de maestros*, PROCAMPO checks and other subsidies) and utility (electricity, telephone, etc.) payments.

Part of SMB-Rural's success can be attributed to its transition from a production-centred approach that focused on signing up agricultural producers as members (primarily during the 1980s) to an approach that emphasizes regional financial development, the inclusion of rural families as fully empowered citizens and food security (Cruz, 2015). The other pivotal element has been the combination of local participation and professional operations: on the one hand, the decision-making structure is based on clearly defined rights and obligations of members and small-scale organizations that are heavily involved in the local community; on the other, a consistent financial policy is in place, along with accounting services, internal control systems, a management information system, a unified brand, credit procedures, collections systems and a human resource management module.

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FAO, together with its partners, is generating evidence on the impacts of coordinated agricultural and social protection interventions and is using this to provide related policy, programming and capacity development support to governments and other actors.



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