

Document: EB 2020/129/R.13/Add.1
Agenda: 7(b)(ii)(a)
Date: 23 March 2020
Distribution: Public
Original: English

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Investing in rural people

Comments of the Independent Office of Evaluation of IFAD on the Country Strategic Opportunities Programme for the United Mexican States

Note to Executive Board representatives

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Executive Board — 129th Session
Rome, 20-21 April 2020

For: Review

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I. General comments

1. In 2019, the Independent Office of Evaluation of IFAD (IOE) completed a country strategy and programme evaluation (CSPE) in Mexico, covering the period 2007-2018. The CSPE provided recommendations for the new country strategic opportunities programme (COSOP). In accordance with established practice, the agreement at completion point for the CSPE, signed in December 2019, is attached as an appendix to the new COSOP for the period 2020-2025.
2. **Key findings and recommendations from the CSPE.** The CSPE found that the programme in Mexico had supported poor communities and groups who had not been reached by other rural development and poverty reduction programmes. In addition, the programme had showed that engaging in productive activities can be compatible with improving natural resource management.
3. However, the loan portfolio performance and results were constrained by:
 - (i) weaknesses in the project design; (ii) implementation delays due to changes in rural development strategies and policies, with insufficient adjustments to project design and implementation to respond to such changes; and (iii) a lack of effective approaches to financial services and market access for primary producers and their organizations.
4. Moreover, the absence of IFAD representation in Mexico with decision-making authority limited opportunities for dialogue with the Government and for interaction with international organizations.
5. The CSPE made the following recommendations:
 - (i) adjust geographical and agro-ecological targeting in the country through more accurate poverty mapping;
 - (ii) improve the technical quality of design, particularly in relation to: (a) training and technical guidance for primary producers and their organizations; (b) financing for rural microenterprises; and (c) access to markets and linkages to value chains;
 - (iii) improve monitoring and capitalization of lessons learned;
 - (iv) better integrate loan and grant activities;
 - (v) strengthen IFAD's capacity to support the programme and interact with key partners in Mexico; and
 - (vi) encourage a more proactive role on the part of Mexican public agencies in assessing project design quality and making adequate budget allocations for project implementation.
6. IOE commends the preparation of the agreement at completion point. It shows strong ownership by the Government and IFAD in following up on recommendations and presents a convincing outline of the way forward.
7. This new COSOP for Mexico integrates the lessons learned from implementation of the previous country programme and aligns IFAD-Mexico collaboration with national policies and the IFAD Strategic Framework 2016-2025. The COSOP acknowledges that IFAD's financial resources in Mexico represent a small portion of public spending and comply with the rule of non-additionality, whereby all projects are funded from the government budget. For this reason, IFAD's work needs to be

of very high quality and serve specific needs that cannot be met by existing government programmes or other donor-funded initiatives.

8. The new COSOP defines, more clearly than the previous ones: (i) geographic priorities, based on the poverty characteristics of the population; and (ii) the categories used for socio-economic targeting (e.g. rural indigenous peoples, women, youth and populations of Afro-Mexican descent).

II. Specific comments

9. The three strategic objectives (SOs) of the COSOP¹ are relevant to rural poverty reduction in Mexico.
10. Malnutrition (referred to in the first objective) is a persistent problem in marginalized rural areas. Projects that successfully support diversification of income sources, such as the IFAD-funded Community-based Forestry Development Project in the Southern States (Campeche, Chiapas and Oaxaca), can also contribute to improvements in diet quality, as shown in the CSPE.
11. The second objective of strengthening the impact of the Government's priority programmes may seem ambitious, given the limited size of IFAD's resources. The COSOP appropriately underscores the importance of scaling up successful experiences from the IFAD portfolio. This will require regular consultation with the implementing agencies.
12. The third objective refers to climate change adaptation. In the past, several projects promoted activities – such as reforestation and sustainable water management – that were consistent with climate change adaptation. However, these activities did not follow a specific framework or plan. Having a specific strategic objective on climate change may help bring more coherence in these initiatives.
13. Section D of the report (paragraphs 39 and 40) presents several scenarios for IFAD's interventions in Mexico. This is a reasonable course of action, given that the Government still needs to formulate a more detailed request for project financing. Although the scenarios are different, they all envisage linkages with national programmes. They share common traits such as financial and economic inclusion, market access, natural resource management and resilience to climate change, which are relevant to the COSOP objectives.
14. Paragraph 41 refers to the envisaged support to private sector investments. This is an entirely new area of intervention. It is clear that IFAD will need to build relationships with partners that have experience with private sector support approaches in Mexico.
15. The COSOP (paragraph 23) mentions the importance of the Rural Productive Inclusion Project (PROINPRO) in supporting the integration of social protection programmes with inclusiveness in economic production. The CSPE made a distinction between this project's contribution to poverty dialogue (significant) and its performance in terms of disbursement of funds and delivery of services (rated as weak). Overall, merging social protection and economic inclusion is an appealing concept in Mexico. However, the appropriate instruments and approaches to put the concept into action are still to be established. Two major challenges for PROINPRO were: (i) the absence of a specific project management unit; and (ii) its reliance on other public programmes over whose resources it had no control. These institutional issues will need to be addressed before conducting any further work in this area.

¹ SO1: Contribute to improving food and nutrition security; SO2: strengthen the impact and sustainability of the Government's priority programmes; and SO3: contribute to strengthening climate change mitigation and adaptation.

16. The COSOP calls for IFAD to support the Mexico country programme through its Panama hub and strengthen its country presence in Mexico (paragraph 57). Given the challenges faced by the Mexico programme and the need to collaborate with multiple national institutions, international financial agencies and civil society organizations, it will be an arduous task to provide support from the Panama hub. In the medium to long term, the option of establishing an IFAD office in Mexico deserves consideration.

III. Final remarks

17. IOE appreciates the efforts made to address the recommendations of the CSPE and remains available for any input, as required.