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UNITED MEXICAN STATES

COUNTRY PROGRAMME EVALUATION

EXECUTIVE SUMMARY

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ABBREVIATIONS AND ACRONYMS

CDI	National Commission for the Development of Indigenous Peoples
CPE	Country Programme Evaluation
CONAPO	National Population Council
CONAZA	National Arid Zones Commission
COSOP	Country strategic opportunities paper
FIRCO	Shared Risk Trust
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFI	International financial institution
INI	National Bureau of Indigenous Affairs
INEGI	National Institute for Geographic Statistics and data processing
LAC	Division of Latin America and the Caribbean
MEP 92	Special Programming Mission in 1992
NAFTA	North American Free Trade Treaty
NGO	Non Governmental Organization
NPDIP	National Programme for the Development of Indigenous Populations
OE	Office of Evaluation
OECD	Organization for Economic Co-operation and Development
PIDER	Rural Development Investment Programme
PROGRESA	Health, Education and Food Programme
SAGARPA	Secretariat of Agriculture and Fisheries
SEDESOL	Social Development Secretariat
SHCP	Ministry of Finance
SRE	Ministry of Foreign Affairs
UNOPS	United Nations Office for Project Services

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I. INTRODUCTION¹

1. In consultation with the Mexican authorities, IFAD decided to undertake a country programme evaluation (CPE) of its operations in Mexico from their beginning in the late 1970s. IFAD approved a total of six projects in Mexico between 1980 and 2004. These projects had a total cost of USD 235.7 million, of which approximately USD 114.4 million was provided by IFAD. As of this writing, four of these projects have been fully executed, one is under implementation and one, approved in December 2003, was declared effective in October 2004. Following Honduras and Bolivia, the CPE in Mexico is the third one to be done in the Latin America and Caribbean region.²

2. Among the reasons for selecting Mexico for a CPE are: (a) Mexico's importance in Latin America and in the portfolio of projects financed by IFAD; (b) the extent of rural poverty in the country, especially in indigenous areas; and (c) the utility of potential lessons learned for future operations in Mexico and for the preparation of a new country strategic opportunities paper (COSOP) containing the bases for the future strategy of cooperation between Mexico and IFAD.

3. The CPE was conducted in 2005 using the provisional methodological framework³ established by IFAD's Office of Evaluation in January 2004. A difficulty encountered in this evaluation exercise was the need to analyse a "programme" that covered a very long period of time (25 years) but was concentrated in a very small number of projects, most of which were designed and even completed before the initial attempts to define a strategy for the country.⁴ The evaluation addressed three dimensions: the strategic setting, operational considerations and thematic aspects.⁵

¹ In conducting this IFAD country programme evaluation in Mexico, IFAD's Office of Evaluation received support from a team of six experts: Olivier Lafourcade, agricultural engineer and economist, head of mission; Fabrizio Feliciani, rural development specialist; Omaira Lozano, specialist in gender, organizations and indigenous populations; Carlos Pérez Arrarte, agricultural economist; Eduardo Pérez Haro, economist; and Edson Teofilo, social economist. Paolo Silveri, Senior Evaluation Officer in charge of this evaluation in IFAD's Office of Evaluation, accompanied the mission in Mexico during start-up and closing activities.

² The following short forms are used herein: Oaxaca project = Oaxaca Rural Development Project; Ixtlera Project = Development Project for Marginal Rural Communities in the Ixtlera Region; Puebla Project = Rural Development Project for the Indigenous Communities of the State of Puebla; Yucatan Project = Rural Development Project of the Mayan Communities in the Yucatan Peninsula; Rubber Areas Project = Rural Development Project for Rubber-Producing Regions of Mexico; Micro-Watershed Project = Strengthening Project for the National Micro-Watershed Programme. The present evaluation does not cover the latest IFAD project in Mexico, known as "Eco-tourism Project", which was approved on 18th June 2005.

³ IFAD (2004). Towards a Methodological Framework for Country Programme Evaluations. Office of Evaluation.

⁴ The COSOP for Mexico was approved in 1999. It defines the programmatic framework of IFAD as from that date. It should be noted that only two of the six projects were approved after the definition of the COSOP (see par. 26).

⁵ The strategic dimension consists of evaluating the relevance of the programme's main development objectives and their internal coherence with the national, regional and strategic objectives of IFAD. The operational dimension was intended to give an overview of the progress made in programme execution, seeking to summarize the general status of the programme and examine how it is executed, using the following evaluation criteria: relevance of the project objectives, effectiveness and efficiency. The thematic dimension would take a more detailed look at some specific aspects of the programme with a more thorough

4. The evaluation work was organized as follows: (a) review of relevant documentation; (b) visits to the project areas; and (c) interviews with qualified informants (at all levels) associated with the various elements of IFAD's programme in Mexico over the 25 years of IFAD presence in the country. The mission conducted the field work in Mexico from 29 May to 1 July 2005, which included visits to five of the six project areas. The interviews included representatives of: beneficiaries in the project areas; local communities; federal, state and municipal authorities; international institutions; the private sector; civil society; and other local stakeholders.

II. THE COUNTRY CONTEXT

5. **General trends.** During the 25-year period covered by the evaluation, which spans five different administrations, the country has seen important changes and developments in all areas: politics, economics, society and demographics. Mexico enjoyed sustained economic growth but was hit by a number of financial crises, the most severe one in 1994-1995. Having pursued policies of economic liberalization in both domestic and foreign trade, in the 1990s it joined the Organization for Economic Co-operation and Development (OECD) and signed the North American Free Trade Agreement (NAFTA), accompanied by major shifts in its production structure and foreign trade. As a result, the role of agriculture in the national economy slipped to account for 5% of GDP in 2003 (as compared with 8.1% in 1982).⁶ Mexico has significant institutional capacity for formulating and implementing strategies, policies and programmes in many spheres of economic and social development, although scope remains for enhancing programme and project performance at the micro level.⁷ The move towards political and administrative decentralization began in the early 1990s and continued to gain momentum thereafter. Despite this gradual decentralization under which increasing responsibility was shifted to the subnational level (states, municipios, local communities), Mexico still displays a high degree of centralization at the federal level. In the period 1982-2002, the country's overall population increased from 67 million to 100 million; the rural population rose from 22 million to 26 million but dropped as a percentage of the total population (from 33% to 26%).

6. During the 25-year period, Mexico witnessed a succession of sweeping reforms in the economic and social spheres, largely a mix of measures and programmes aimed at offsetting or recovering from a period of crisis (after 1982 and 1995) and other programmes intended to foster competitiveness and fuel economic growth. On different occasions and with different political motivations and handout-type methodologies, Mexico's administrations sought to reduce poverty levels in the country. This objective took the form of a series of programmes to improve social conditions in rural areas and boost the productive capacity and incomes of low-income producers, essentially through cash transfers and various subsidy mechanisms. From the beginning of the 1990s,

analysis of specific cross-cutting issues. The following thematic areas were selected in view of their special importance in the country programme: (a) public policies for poverty eradication and rural development; (b) institutional aspects; (c) the gender approach and empowerment of women; (d) production and marketing strategies; (e) technical assistance and technology transfer; and (f) regional funds.

⁶ Source: INEGI.

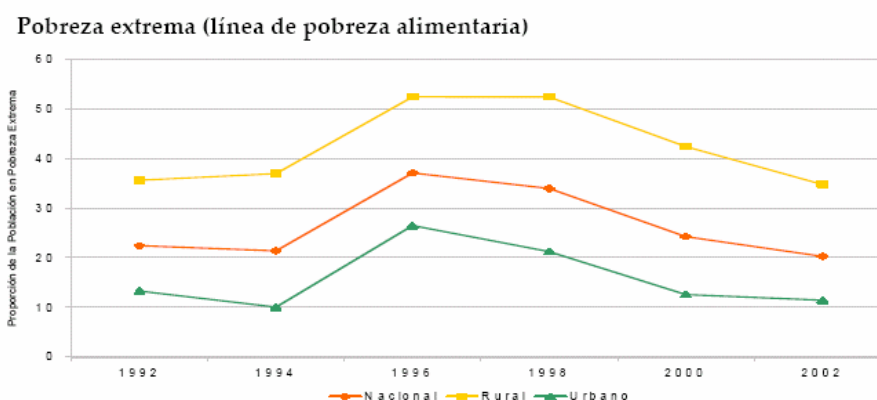
⁷ According to the evaluation of the Inter-American Development Bank's programme, "Mexico's institutions have an extraordinary capacity for formulating and executing important policies and programmes. They can tap financial, technical and human resources greater than those of the Bank; the Bank's contribution to Mexico's development is thus – and will continue to be – marginal." Similarly, the evaluation of the World Bank's programme for the period 1989-2000 indicates in this regard: "In terms of assistance to Mexico, it should be acknowledged that the World Bank essentially plays a support role rather than one of leadership (...) the Government has substantial capacity for designing and executing large-scale programmes and new policies." Despite these observations, it is acknowledged that both institutions have had some influence in the design and implementation of government strategies and programmes in various sectors. This confirms that spaces exist for engaging in fruitful dialogue with the Mexican authorities in the area of development strategies and policies.

successive administrations have stepped up the pace of productive and social change in rural poverty reduction strategies and programmes.

7. **The poverty situation.** After a 10-year period of steady and significant progress in the reduction of poverty – from 1984 to 1994, moderate poverty fell 10%, accompanied by a parallel reduction in extreme poverty – the crisis of 1994-1995 triggered a sharp reversal.⁸ Extreme poverty rose from 21% of the population in 1994 to 37% in 1996; between 1996 and 2002, it dropped by 17 percentage points to 20%, one percentage point below the level prior to the crisis of 1994 – but 10% below the 1984 level. Today, approximately 10% of Mexicans live below the poverty line of USD 1 per day, and 26% live on less than USD 2 a day. In regional terms, the highest incidence of poverty is found in the rural areas of the southern Pacific states (Chiapas, Guerrero and Oaxaca), where some 50% of the population still lives in extreme poverty, followed by the southern Gulf and Caribbean regions, where roughly 35% of the population is extremely poor.⁹

8. Throughout the decade of the 1990s (the period during which IFAD-financed projects were concentrated), the poverty situation was very harsh in Mexico; the tangible improvements observed are very recent and are the result of a generally healthier economy and public and private transfers: despite the stagnation of the general economy, the income of the poor grew thanks to rapid expansion of labour revenue and strong flows of remittances and transfers to those living in extreme poverty in rural areas. Agriculture-related factors per se played a minor role: income derived from farming activities is gradually decreasing; agricultural employment has dropped; and the level of rural wages in 2002 was lower – in real terms – than before the 1995 devaluation. Poverty in Mexico continues to be a very worrisome reality and a looming challenge. Even with the significant progress made in recent years, the levels of poverty in its three dimensions – food security, human capacity and access to assets – are still very high for an intermediate development country like Mexico, which points to serious structural and cyclical problems (see Figures 1 and 2). The population living in poverty has three specific faces: rural, female and indigenous.

Figure 1. Trends in Extreme Poverty, 1992-2002*



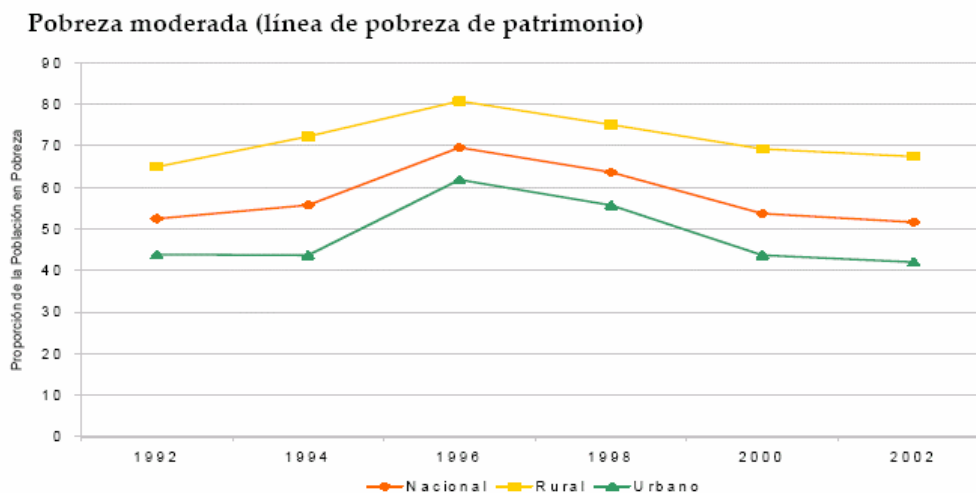
Source: World Bank estimates using the methodology of the Technical Committee for Poverty Measurement.

*[Key for figure: Extreme poverty (food poverty line)
Extremely poor population (percentage): National - Rural - Urban

⁸ Source: INEGI.

⁹ In terms of absolute figures, it is important to note that large groups of individuals living in extreme poverty are found outside these southern regions. For instance, nearly one fourth of all extremely poor Mexicans live in cities situated in the states of central Mexico.

Figure 2. Trends in Moderate Poverty*



Source: World Bank estimates using the methodology of the Technical Committee for Poverty Measurement.

* [Key for figure: Moderate poverty (assets poverty line)
 Poor population (percentage)
 National - Rural - Urban]

9. Successive administrations have shown interest in and concern for indigenous populations for quite some time. The National Bureau of Indian Affairs (Instituto Nacional Indigenista, INI) was created in 1948. In the closing decade of the twentieth century, issues related to indigenous populations were accorded renewed attention by the United Nations, international organizations and the Mexican authorities themselves. Gradually, there has been recognition of the problems caused by exclusion and underdevelopment of these groups, and today spaces have been opened and expanded for discussing and tackling these problems. This has also made it possible to generate information on the situation of indigenous peoples. Although highly reliable statistical data do not yet exist at the national level, extrapolations done by researchers of the INI – the predecessor of the National Commission for the Development of Indigenous Peoples (Comisión Nacional para el Desarrollo de los Pueblos Indígenas, CDI) – and the National Population Council (Consejo Nacional de Población, CONAPO) estimate that between one fourth and one third of poor Mexicans are members of indigenous communities and that indigenous populations represent one third of the poorest of the poor.

10. **Main international financial institutions active in Mexico.** Essentially these are the Inter-American Development Bank (IDB) and the World Bank. The financial contribution from other multilateral cooperation and development agencies (e.g. the European Union, the United Nations) is very small, as is the contribution from bilateral cooperation. In the 1990s, the World Bank carried out a total of 46 projects in Mexico, with financial commitments exceeding USD 11 billion, while the IDB carried out 38 projects with an approximate contribution of USD 9.5 billion. Over the same period, during which IFAD approved four loans for a total of USD 90 million, the IDB approved loans for the rural sector in the amount of USD 1.1 billion and the World Bank for USD 1.466 billion, to which could be added – given the type of population served and issues addressed – part of the health, education and nutrition sector loans approved (USD 1.215 billion). In addition, the World Bank and the IDB have provided technical assistance to numerous public institutions, have conducted

thematic and general studies, have made grant funds available for pilot and research projects, and maintain ongoing dialogue with many agencies and offices of the Federal Government.

III. STRATEGIC DIMENSION

11. **At the country level.** Since the late 1970s, Mexico's administrations have constantly formulated strategies and policies to address the dual challenge of economic growth and improved social conditions, especially for rural areas. The approach has typically followed one of two avenues – a social approach or a productive approach – with a view to fostering some degree of capitalization among farmers, including small-scale producers. The former includes such programmes as *Solidaridad* in the late 1980s, followed by the Health, Education and Food Programme (PROGRESA) in the late 1990s, and the *Oportunidades* programme today. Under the latter heading are programmes such as *Alianza para el Campo* (Rural Partnership). Recent programmes such as PROCAMPO embody a methodology designed to match income support with social needs. Traditionally, the Government's intervention methodology under both types of programmes has been of the handout type (i.e. direct welfare) entailing direct cash transfers with an important subsidy element. In many instances, this has led people to become highly dependent on the Government and, to a certain degree, has impeded efforts and initiatives to develop a "self-help" mentality among many programme beneficiaries.

12. The focus on the poorest of the rural poor has sharpened considerably in recent years, and attention to indigenous populations has also evolved over time. Today, social programmes such as *Oportunidades* focus almost exclusively on the very poor; programmes like *Alianza para el Campo*, on the other hand, do not target small producers exclusively. From an approach that was almost exclusively production-oriented and of a welfare-type for small producers 25 years ago, the strategic framework has evolved into a much more development-oriented view in recent years, with an approach to the social, organizational and human dimensions of the problem that extends beyond agricultural production to include other issues, dimensions and programmes directly targeted at reducing extreme poverty. Still, despite the advances posted in the area of strategy and programme concept and design, institutional capacity for implementing them continues to vary significantly.

13. Since 2001, the Government has been engaged in a concerted effort to provide a more formal and long-term framework for its rural and social development strategies. The Rural Sustainable Development Act (2001), the Social Development Act (2003) and the National Programme for the Development of Indigenous Populations (2001) bear witness to the authorities' will to create a stable legal framework for the country's poverty reduction and rural development activities to benefit especially the most underprivileged populations and, in particular, indigenous populations. It is not yet clear to what extent this legal framework is reflected in institutional and operational changes. Nevertheless, it is worth noting that the Government's efforts over the past few years have culminated in the formulation and implementation of a poverty reduction and social development strategy known as CONTIGO, which is at once a conceptual framework and a set of programmes (including those mentioned here) geared especially towards poverty reduction under the aegis of the Social Affairs Cabinet. It is rare to find such a well-developed and coherent approach for planning and for assessing poverty as part of official policy.

14. **Within IFAD.** IFAD's mandate and mission have evolved significantly since its establishment in 1977, keeping pace with shifting paradigms and strategies for development assistance. Although IFAD's initial focus was the rural sector with special emphasis on food production and agricultural development, its mission has broadened over time to include new focuses such as empowerment of the poor, the role of markets, non-farm employment and income, decentralization and governance. In 1992 a special programming mission made an initial attempt to orient IFAD's action along strategic lines. This was a very valuable, very high-quality initiative that served as a strategic framework for IFAD in the following years – including for the preparation of two projects – and laid the foundations

for crucial strategic dialogue with the Mexican authorities. Nevertheless, the first time a specific IFAD strategy was formalized for Mexico was the 1999 COSOP. The regional strategy adopted in 2002 provides further strategic elements for IFAD in its work in Latin America and the Caribbean.

15. In Mexico, IFAD has sought at all times to accommodate the country's strategic exigencies as well as its own, in line with the circumstances and changing panoramas on both sides. The objectives of the COSOP and other IFAD strategy papers are generally relevant to the country situation and national policies, and the general strategic thrusts pursued by IFAD since its establishment are reflected in the country programme, in particular: serve the rural poor, promote food security and empower women in a rural development framework that transcends strictly agro-productive considerations. Similarly, some of the approaches and strategic objectives that IFAD has defined for the Latin America and Caribbean region are embodied in the country programme: support for native communities and ethnic minorities; mainstreaming of gender issues in all actions and support for eliminating gender inequalities; and microenterprise development. However, although the COSOP proposes areas of focus for IFAD activities congruent with the priorities and strategies of the Mexican Government, as a strategic and programming document it presents certain limitations. There is no evidence of substantive dialogue having been pursued in the areas identified by the COSOP as priority for policy dialogue: (a) trends in the agricultural sector, especially subsistence agriculture; (b) reducing rural poverty by boosting production and incomes; and (c) rural financing. Nor has any evidence been found of participation by Mexican institutions or other institutions (e.g. NGOs) and other international partners (World Bank, IDB) in the formulation of the COSOP, which at the time (both in Mexico and in the other countries) was viewed more as an internal programming document of IFAD for identifying and steering future projects – and in this sense it has had its utility. The COSOP did not establish a results framework or quantitative objectives, and did not identify criteria for measuring programme progress in different areas (e.g. improvement of portfolio quality) or for measuring impact (e.g. in terms of reducing rural poverty): this significantly impeded evaluation of the impact of the Fund's strategy in the country. Lastly, the COSOP does not offer a clear vision of how IFAD intends to position itself and work with the main rural development partners in Mexico, including other international organizations (World Bank, IDB United Nations). The only concrete example of partnership with other donors continues to be the Oaxaca project (which predates the COSOP), with the World Bank.

16. **Policy dialogue.** With the exception of the special programming mission in 1992, IFAD's role in national policy dialogue – both on rural development and on poverty reduction – was minimal during the period under consideration, being limited to exchanges within the context of the projects. In addition, there is evidence that the contacts and relationships between IFAD and the Mexican authorities responsible for the design and implementation of these policies often did not reach the desired level. This was due, in part, to the notable lack of a continuous IFAD presence in the country; the Mexican authorities did not always accord the importance or priority to IFAD activities that IFAD might have liked. Nevertheless, insofar as it was limited to the projects, the dialogue on various topics very relevant to local and subregional development was not unappreciable. A number of valuable contributions from IFAD were made at the micro level, especially during the project design phase, on specific aspects of development strategy (for instance, the attention to technical assistance targeted to women, indigenous issues). This shows that spaces exist for very productive exchanges with the Mexican authorities on specific aspects of rural development and rural poverty reduction. Mexican interlocutors exist and are willing to engage in this type of dialogue. Regrettably, neither the COSOP nor the individual projects offered such spaces and were unable to mobilize the interlocutors in a sufficiently effective way to tap all the opportunities and maximize IFAD's contribution. Nevertheless, the general relationship between IFAD and Mexico has improved considerably in recent years.

IV. OPERATIONAL DIMENSION: THE PROJECTS

17. The small number of projects (six), the fact that they were carried out over a long period of time (25 years), the comparatively low volume of financing (USD 115 million), the geographical dispersion of the projects, the distinct nature of each project, and the numerous institutional, strategic and programmatic changes at the national and project level together make evaluation of the projects within the framework of the IFAD programme in Mexico a daunting challenge. The size of the IFAD programme pales in comparison with the country's own programmes and the programmes of the other two major IFIs (World Bank and IDB). IFAD's small portfolio size underscores the critical importance of IFAD playing a truly catalytic role in its activities in Mexico, rather than expecting a significant direct impact in terms of poverty reduction.

18. In almost all cases, major efforts were evidenced – by the Federal Government, by IFAD and by the cooperating institution – to align project objectives, strategies and mechanisms to the context existing at the time of design, and to the strategic frameworks established at the time by the country and by IFAD. Consequently, the relevance of the projects' objectives with respect to the country's and IFAD's strategies is satisfactory. However, the strategic and programming "fit" could also be improved in the future.

19. **Project impact.** The six projects that received funding from IFAD over the 25-year period have supported the efforts of successive administrations to reduce poverty in rural areas. Concrete evidence exists but is limited, showing advances and positive outcomes in specific project contexts that were also of a limited scope. Progress was noted among various groups of beneficiaries, in terms of food security and income of beneficiary families; stronger human capital; gender relations; focus on indigenous groups; and beneficiary organization and participation. In differing measures for each project, advances were observed in improved physical infrastructure to the direct benefit of rural poor populations: water supply for human consumption and agricultural activities, road infrastructure and other services. The 25 years of implementation saw a gradual assumption of ownership – by the public authorities and institutions involved in these IFAD projects, especially at the state and municipal level – of the approaches and practices proposed in the projects. Nevertheless, it is almost impossible to quantify accurately the impact that the projects had in terms of poverty reduction in their respective areas. In sum, the projects have been relevant, inasmuch as they have helped to improve significantly the situation of various groups of beneficiaries, although there are notable discrepancies between intentions and achievements.

20. **Project design.** The design of the projects in IFAD's portfolio in Mexico was strongly influenced by the conceptual and institutional framework of the programmes under which the projects were carried out (e.g. PIDER, Micro-Watershed project, Rubber Areas project, etc.), and the leeway for any external agency to modify the conceptual design frameworks of the projects was very limited. The mission noted considerable diversity in the intensity of the projects' achievements and impacts. The results obtained under the various components fall far short of the objectives set in the respective designs, a finding closely linked to the human and financial resources allocated to them. Despite efforts to align the projects' specific objectives with the strategic frameworks, the project portfolio shows shortcomings in design and/or efficiency of execution. In terms both of intent and operating modalities, all the projects brought innovation to the national programmes in which they were framed. However, as the normative framework of these national programmes was more or less firm, the level of innovation under each project varied considerably. For instance, IFAD's first projects in Mexico (Oaxaca, Ixtlera) pursued some innovative approaches – some of which were reflected subsequently in the strategic frameworks of the country and even of the Fund – while the projects formulated more recently (Rubber Areas, Micro-Watersheds) contain less innovation. The explanation may lie in the fact that the institutional framework of the national programme for rubber-producing areas or micro-watersheds, for example, does not lend itself as easily to adjustments and innovation by an external

agency as does a programme such as PIDER or the Ixtlera project. Worth noting also is the fact that some weak features of the earlier projects were not remedied in the more recent projects, e.g. monitoring and evaluation. Also, implementation problems at times curtailed or impeded the impact of some essentially innovative measures, e.g. in the case of the regional funds.

21. **The concept of target population and beneficiaries.** Project preparation sought to appropriately identify first the rural population and then the target population, on the basis of which the project activities and scope were decided, and to identify the prospective beneficiaries of the projects. However, the criteria used for selecting target populations (critical for determining the direct beneficiaries of project actions) were neither clear nor satisfactory. For instance, there is not a clear enough distinction among who would be the beneficiaries of the various project components (e.g. productive activities, social activities, infrastructure, etc.) and, in almost all cases, the group of direct beneficiaries was generally small in relation to the poor population living the project area, leaving it unclear how and why these beneficiaries were selected. As mentioned earlier, IFAD's country programme has gradually been enhancing its focus on indigenous populations. Still to be answered clearly, however, is the question of differentiation of treatment by project activities between the indigenous and non-indigenous population.

22. **Project performance.** All the projects have secured specific advances and have had some degree of success in different sectors, different aspects and different producer groups, and this is an important experience base from which to draw some very valid lessons. There is evidence of advances, albeit limited, in productive aspects such as the promotion of improved technologies (permanent crops such as coffee and citrus fruits, livestock-raising). Overall, however, the achievements do not mirror the intentions set forth in the formulation documents, either because the objectives were overly ambitious or because of problems with execution. Specifically, the components to provide credit financing for production did not work. The components for productive diversification are the ones that presented the greatest implementation problems and lowest levels of effectiveness and efficiency. On the other hand, the components for infrastructure and social sectors are those that showed the best outcomes, in terms both of impact and sustainability. In particular, even in areas where the productive results are not especially evident, the contributions of the technical assistance and training provided by the projects are considered of the highest importance by the producers themselves.

23. **Impact on rural poverty.** This impact cannot be assessed quantitatively because of the lack of indicators during formulation and the lack of a monitoring system during implementation. However, it can be estimated by assessing the immediate impact on beneficiaries. The relative size of the group receiving direct benefits vis-à-vis the entire target population in the project area is, in general, very limited, and even more so in relation to the poor population overall; consequently, the impact on rural poverty is marginal. With regard to social capital, the closed projects' impact on rural poverty was almost negligible, limited most often to strengthening the organization of direct project beneficiaries. In the final analysis, the economic and institutional sustainability of the immediate achievements is marginal and does not point to processes of replication that could generate lasting changes for direct beneficiaries.

24. The efficiency of the projects in the portfolio cannot be determined in cost-benefit terms for the targets, outcomes and achievements attained because of the lack of detailed information on the results and the investments and costs by component, subcomponent, action and year of execution (see par. 43).

25. The following table summarizes the ratings of the projects assessed by the mission. The portfolio's relevance was found to be good, i.e. project objectives reflected satisfactorily the strategic frameworks of IFAD and the Government. Portfolio performance was viewed as solid in terms of implementation effectiveness of the projects. However, bearing in mind that the results evaluated for

projects still under way are only partial, it is noted that the impact of completed projects is variable and moderately satisfactory, in terms both of increased assets and human capital and of new opportunities created for campesinos and women. Lastly, serious doubts persist as to the sustainability of the impact of the completed projects.¹⁰

Summary of Ratings of Evaluated Projects

	Ixtlera	Puebla	Yucatan	Rubber Areas	Micro-Watershed	Total
Relevance	5	5	5	5	6	5
Effectiveness	4	4	4	n.e.	n.a.	4
Impact	4	3	3	n.a.	n.a.	3
Sustainability	3	2	2	n.a.	n.a.	2

Key: 6 = very satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory; 1 = very unsatisfactory; n.e. = not evaluable; n.a. = not applicable.

26. **Innovation.** The basic challenge for the evaluation was differentiating individual projects from the programmes they fell under. In some cases, the programme may have contained innovative elements, which complicated identifying the potential specific contribution of a given project. At the same time, a project may have contained very innovative elements within an otherwise “normal” programme. Taken as a whole, the projects in the IFAD portfolio all fall around the mean. For instance, the Puebla and Yucatan projects contain positive innovative elements in the areas of grass-roots organization, working methodology with indigenous populations, etc. Similarly, the Rubber Areas project displays innovative technical elements in the production area. Generally speaking, efforts were made to innovate in project design based on the 1992 special programming mission and on the cumulative experience of earlier projects. However, the 1999 COSOP did not propose any such innovative elements for the more recent projects. In sum, IFAD had a moderately satisfactory impact on the introduction of innovations through its projects, although the results in terms of replicability and dissemination of experience have been much less evident.

27. **Project management.** Over time, the paradigm and practices in project management in Mexico have evolved, reflecting the thinking and practice in other parts of the world. From the idea of a strong, independent project unit under the initial projects, the shift has been gradually towards an idea of project management more directly overseen by institutional bodies of the respective agencies, e.g. the Shared Risk Trust (FIRCO) and National Arid Zones Commission (CONAZA) in the Secretariat of Agriculture and Fisheries, or the National Commission for the Development of Indigenous Peoples (CDI; formerly, the National Bureau of Indigenous Affairs [INI], when this was part of the Social Development Secretariat). This shift is a healthy one, especially since the concept of independent project unit has been the subject of growing debate in view of the risk posed by creating an institutional administrative system parallel to the regular system. Moreover, it creates a host of complications at the end of the project implementation period (especially in a context of budgetary “non-additionality”). The situation is further compounded by the fact that all the projects receiving external financing form part of existing programmes that are very large and have their own management and administrative structures. It is not surprising, then, that Mexico encounters difficulties in establishing new specific structures for projects with external financing. In the IFAD country programme in Mexico, evidence is not very conclusive that IFAD has made all the necessary effort to adjust its proposed project management arrangements to the local administrative and institutional context. On the Mexican side, there has been a failure to fully tap the presence of an

¹⁰ The CDI pointed out that the concept of sustainability was not explicitly stated at the time of project preparation and design.

external institution to promote new administrative or management mechanisms as would have been desired. The net result is that there may be contradictions or ambiguities between the rules and regulations of an IFAD-financed project and those of the specific programme in which the project is inserted (e.g. Rubber Areas project).

28. **Monitoring and evaluation.** Despite IFAD's interest and institutional commitment to this area, the IFAD programme as a whole shows weaknesses under this heading, essentially because of institutional shortcomings of the projects. IFAD itself has conducted completion or interim evaluations for a number of projects (Ixtlera, Yucatan), and several thematic academic studies have been conducted that are both respectable and valid. Generally, however, the documentation on project performance and impact is very scant, cost-benefit considerations are rarely taken into account, physical and financing monitoring is weak and sometimes ambiguous, and the concepts of outcomes and results-based programming are non-existent. As a result, it is virtually impossible to quantify the impact of the projects, especially with regard to poverty reduction. This regrettable situation can be attributed to the insufficient allocation of human and budgetary resources to this area and the scarce attention accorded by IFAD and the Mexican authorities to this matter during the project implementation period.

V. THEMATIC DIMENSION

29. **Public policy.** Public policy formulation in Mexico is very concentrated at the highest levels of government with very few institutions being involved. Accordingly, any policy dialogue conducted with sector institutions at lower levels has no chance of bearing any fruit. Against such a backdrop, IFAD's direct and formal involvement in public policy formulation at the federal level has been marginal (based on the indirect and informal contributions made through specific projects).

30. Decentralization is a process that started to take form some 15 years ago and has many implications for the operation of the public administration in Mexico in all aspects, in the formulation, design and monitoring of policies, development strategies and implementation modalities. There has been a growing – and ever more necessary – process of consultation, participation and collaboration among all levels of government; and any external financing agency needs to fully internalize this new phenomenon. When any new projects or the new COSOP is formulated, it will be fundamental for IFAD to pursue consultations and cooperation with all the decentralized levels of government, the private sector and civil society.

31. The most relevant government policy for any foreign financial institution invited to participate in financing the Government's development programmes is that of non-additionality of external resources. This means that all external financing provided in the form of a loan is not in addition to the executing agency's budget in projects that receive all their annual budgetary allocation from the national budget. This condition is of special relevance to project formulation and implementation, since it determines the type and modality of the relationship between the contributing IFI and the Government's executing agencies. In particular, it places in a very unique perspective the recurring matter of lack of counterpart resources, when in fact it is a matter of insufficiency of the budgetary allocation as a whole. As a result, and owing to the fact that there is no financial incentive for executing agencies to work with an international institution, other incentives must be identified to mobilize the interest and collaboration of executing agencies. In the case of IFAD, such incentives are essentially in the form of technical assistance (especially when a technical presence is assured in areas where no other kind of similar service is provided) or the indirect benefit of bringing to Mexico experiences from elsewhere in the world. It is on such added value that IFAD should focus its efforts when preparing its new strategy for the country.

32. Another continuing source of concern for Mexico is the matter of corruption. In this regard, it is worth noting that: (a) significant progress has been made in the fight against corruption, thanks

essentially to the process of democratization under way in recent years, which has led to demands for and the practice of greater transparency in the country's political and economic affairs; and (b) the Government has taken important steps in this direction, including in the legal sphere. Thanks to the efficient project implementation support and supervision provided by the United Nations Office for Project Services (UNOPS), no irregularities have been observed in the legal, financial and physical performance of the IFAD projects.

33. **Institutional considerations.** During the period analysed, a number of different intervention modalities and forms of organization were adopted, involving various institutions of the Government. The institutional framework and role of each institution have changed significantly over time, from the central role played by the Programming and Budget Ministry in the 1970s and 1980s to the pre-eminence of the Finance Ministry today. The sources of financing are mainly public funds earmarked for rural development under programmes of SAGARPA, SEDESOL, INI/CDI, FIRCO, state programmes, etc. All resources depend on institutional budget-preparation mechanisms in which the Finance Ministry has a pivotal role. The relationships between the Finance Ministry and other sector bodies are prone to change during times of crisis, shifts in priorities, etc. The forms of organization for implementation have also evolved, from a relatively independent implementing unit to implementation that is integrated into a public service programme or institution. IFAD's programme has constantly sought to promote the strengthening of grass-roots organizations, from the strategic positions set forth in the 1992 document to the 1999 COSOP. The Ixtlera, Puebla and Yucatan projects have made honest and productive efforts in this direction. Recently, the approach and some opportunities have been noted at the level of the federal, state and municipal governments that hold promise in terms of bringing about more effective participation by the population and beneficiaries.

34. **Gender focus and empowerment of women.** This is probably one of the programme's most positive, evident and lasting achievements. Virtually absent from the first project (Oaxaca) 25 years ago, gender issues have taken on increasing importance in project designs. Of all the strategic elements recommended in the 1992 document and the 1999 COSOP, this is the one that was most consistent and sustained over time. Strengthening of grass-roots organizations, promotion of social capital, broader attention to gender issues, and specific proposals for improving the situation of women, especially in their productive and economic tasks, have been very positive features in the evolution of IFAD's action in the country. Even so, discrepancies have been observed between designs and plans, on the one hand, and actual achievements, on the other, with notable differences from one project to the next.

35. **Grass-roots organizations, participation, human capital, social fabric and empowerment.** The intervention strategy of IFAD projects in Mexico with regard to grass-roots organizations, empowerment and participation has progressed slowly. As from the design stage, an attempt is made to acknowledge organizations at the local level and view them as a platform for providing access to the services offered under the projects. IFAD's strategic framework and the strategy of Mexico for the period 2001-2006 are closely linked, since at all times they acknowledge the leading role of these organizations and the responsibility of the respective bodies to promote human development and serve as triggers of economic growth. On an operational level, shortcomings have been noted with regard to the expectations for these organizations' development, since the starting premise is often that these organizations are a means for the projects and not an element of development in and of themselves. Project efforts have focused on productive organizations, and even the regional funds are made up of this kind of "groups", with preferences being placed above the community. In the light of the experience of the projects in the IFAD programme in Mexico, areas can be identified for heightening the effectiveness of the overall process as from the design stage, with operating arrangements and methodologies for differentiated attention to each type of organization to be served, strengthening their action in the following areas as a minimum: (i) institutional capacity, organizational structure and functioning; (ii) management capacity; and (iii) financial and service capacity, to ensure that the organizations will be sustainable after project closing.

36. **Production and marketing strategies.** Overall, the technical proposals are consistent with the thrusts of the various strategy papers, especially the IFAD strategic document of 1992, which recommends enhancing traditional crops and diversifying towards crops having higher added value for farmers. One of the most consistent achievements has been the maintenance and improvement of the self-consumption system under the projects. There are also some specific experiences of diversification in various regions. However, considerable differences are noted from one project to another in terms of the robustness and validity of the technical proposals that are expected to yield improvements in production, productivity and incomes. In virtually none of the projects is marketing addressed per se. Marketing has not been a successful element of IFAD projects in Mexico, bearing in mind the production-oriented bias of the organization and of national policies and the problems inherent in this heading. In particular, a number of considerations appear not to have been taken into due account in the design and implementation phases, such as: impact of the external setting, e.g. greater economic liberalization, NAFTA, and the dismantling of government agencies that intervened in the marketing of traditional products (CONASUPO, the Coffee Institute, etc.); the outlook for and limitations of marketing; the weak cost-benefit analyses conducted as part of the technical proposals; and the impact of production and consumption subsidies.

37. **Technical assistance and technology transfer.** This is a key element of all IFAD-financed projects and has evolved over time. Initially (Oaxaca), it took the form of traditional, extension-type services provided by government employees with government financing. In the 1970s, questions were raised about the cost and inefficiency of such a system, and the financial crises of the 1980s led to its total phasing out. As a result, small producers and the poor lost this assistance altogether, while larger-scale farmers still had the possibility of private assistance. Gradually and more recently, including in several of the projects in the IFAD programme, new systems were formulated for delivering private technical assistance services to small producers and the poor, but using public resources. Regardless of the system, there was an acknowledgement of the need for training at all levels, especially for the target population, and all the projects placed special emphasis on this topic. In some projects (Puebla, Yucatan), the technical assistance proposal is validated by the complaints received from the populations when the technical assistance is discontinued at project completion. In all cases, shortcomings are observed in the relationship between technical assistance and the scope of research, specifically agricultural research.

38. **Financing mechanisms: the regional funds.** The projects included credit components for financing the technical proposals and other activities, but the conditions, modalities and purposes of those components were very ambiguous. None of the credit components has been implemented satisfactorily, and several had to be cancelled because they could not be implemented as originally designed. In most cases, the mechanisms recommended lay outside the institutional systems in place in the country, and they did not have clear credit policies and rules. The different subsidy regimes, in turn, overlapped with the credit components, creating situations of ambiguity. The regional funds set up under several projects (Yucatan, Puebla) have a number of operational advantages, in particular as elements for fostering social capital. The funds have been a factor in campesino organization and empowerment, providing a setting in which campesinos were trained and received practice in group decision-making to manage financial and technical assistance resources and gain access to government resources made available by different agencies. However, their operational and financial viability and sustainability have not been ascertained.

VI. IFAD'S PARTNERS

39. **Mexican Government and public agencies.** Mention has already been made of the high degree of capacity, competence and professionalism of Mexican institutions at the highest federal and state levels, especially in the tasks of strategy and programme formulation. The situation in the operational sphere is much more diversified, displaying considerable divergence in competence and

commitment by employees from one institution or hierarchical level to the next, at both the centralized and decentralized levels. The administration's strengths in its programming and design tasks are not always reflected in implementation. In addition, the complexity of the institutional and bureaucratic workings of government institutions (in both financial and administrative processing) does not facilitate participation by foreign institutions. The challenge for the Government lies in the fact that all projects with foreign participation (IFAD, World Bank, IDB) are part of very long, ambitious programmes, often nationwide in scope.¹¹ The Government does not deem it appropriate to establish special institutional mechanisms, e.g. creating a new management unit for a small project to meet the requirements of one or the other international agency for a set period, when it already has an institutional framework that suits its needs for a large-scale programme in which the small project is framed. Furthermore, institutional weaknesses at the national level are often linked to the very uneven capacity at the decentralized level (subnational) and to certain shortcomings in implementation. In any event, in the opinion of the CPE mission, the Government has largely operated in a coherent and consistent manner with respect to the IFAD programme both in the strategic and policy frameworks of the programmes in which the IFAD-financed projects were located, and in the institutional frameworks for the same. Even so, some doubts persist as to the relative importance being attached to IFAD, especially in the general dialogue on national strategies and policies that are relevant to IFAD. IFAD has little visibility and is insufficiently acknowledged at some high levels of Government, where important decisions are taken on rural development and poverty reduction strategy.

40. **Cooperating institutions.** IFAD has only two cooperating institutions in its projects in Mexico: the World Bank (for the first project, Oaxaca-Chatina) and UNOPS. The experience with the World Bank was part of a strategy whereunder IFAD was very active during both the project's design phase and its implementation phase. Clearly, this experience was positive, essentially because the constant presence of IFAD alongside the World Bank throughout all phases of implementation fostered learning by both institutions, reorientation and adjustments to the project as necessary. UNOPS has played a generally positive role in all the other projects, with a high degree of commitment and professionalism in discharging its mandate with respect to project implementation. However, IFAD was noticeably absent during much of the implementation period, and even UNOPS had to play a proactive, important and overall positive role in the reformulation of several projects, a role that, strictly speaking, was not part of its original mandate. The question arises as to whether IFAD should perhaps play a more proactive role during the implementation phase.

41. **Civil society.** Mention was made earlier of the proactive, positive role of the projects vis-à-vis grass-roots organizations. Without a doubt, IFAD has played an important role of promotion and activation in the specific approach adopted in this sphere at the project design level. Traditionally, NGOs have had a very low profile in Mexico, owing to historical reticence of the government authorities. More recently, the opening up of politics coupled with economic and social changes in the country have led to a much clearer setting for civil society. In the context of the IFAD projects in Mexico, action to strengthen grass-roots organizations has been very positive, while collaboration with NGOs and civil society overall has been much more limited. Nevertheless, the phenomenon of greater opening of the Government holds out good prospects for the future.

42. **IFAD.** Over the period analysed, the performance of IFAD has been partially satisfactory, to the extent that it has contributed to a number of specific achievements (see paragraph 19), but it has not realized its full potential. The limited outcomes are obviously not entirely attributable to the institution. The nature of the problems to be solved in rural areas, the circumstances of economic and social development in Mexico, and the complexity of the institutional administrative setting in the

¹¹ For example, the *Alianza para el Campo* programme, which includes the Rubber Areas programme (with IFAD participation of USD 25 million for a period of five years, i.e. USD 5 million per year) has an **annual** budget of USD 1.1 **billion**.

country all make this a formidable task. At the same time, however, the IFAD programme in Mexico has suffered consequences from institutional decisions taken in Rome that were not always suited to Mexico's reality, e.g. insufficient presence of IFAD in the country, certain administrative practices, resource constraints, that kept it from performing its role as efficiently and effectively as might have been wished.

43. With regard to **process management** by IFAD, unfortunately the efficiency of the portfolio's management could not be evaluated owing to the lack of access to internal IFAD data on the costs of formulation, monitoring, supervision, evaluation and analytical work. This is regrettable because it impedes assessing the comparative use made of IFAD's administrative resources and making any relevant recommendations on how to enhance effectiveness.¹² That being said, a number of problems were observed in IFAD processes:

- (a) IFAD's interaction with national stakeholders has been limited to a very small universe of federal, state and local institutions; campesino and women's organizations; and a few other elements of civil society, with very varying – and sometimes sporadic – degrees of interaction.
- (b) IFAD's interaction with the other main international organizations present in the country – most of which maintain a staff presence in Mexico (World Bank, IDB, United Nations) – is discontinuous.
- (c) The IFAD specialists who spend the most time in the country are consultants hired on a one-off basis to conduct formulations and evaluations, and are incapable of providing the same continuity and credibility as an IFAD employee.
- (d) In comparison with other IFIs, the processing of all the projects examined is extraordinarily long in all aspects: formulation time, need for reformulation before project start-up and during implementation, time elapsed between approval and start-up of operations. Of course, these delays are not ascribable solely to IFAD, but they point to areas of administrative processing within IFAD and within the Government that merit renewed attention.
- (e) Despite the valuable and productive efforts of the cooperating institution (UNOPS in five of the six projects), project monitoring and evaluation was not satisfactory.

44. **Coordination and harmonization.** Traditionally, very few partners within the Mexican Government have been involved in the designing and implementation of development programmes. The Government has a clear vision and vast experience in distributing tasks and responsibilities among external, multilateral and bilateral participants, so there is no formal harmonization mechanism for the contribution of external partners. At the same time, although informal mechanisms exist for communication and coordination between the World Bank and IDB, IFAD lacks a mechanism for systematic consultations with these two organizations, and relations with them are conducted at a very informal level, with no opportunity for comparing strategies in an effort to identify possible areas of complementarity among the various programmes.

45. **HIV/AIDS.** Although the incidence of HIV/AIDS is relatively low in Mexico compared with other countries of Latin America, it is on the rise and is of concern to the Mexican authorities. The

¹² In the meantime, the evaluation mission has received data from IFAD Operations while this report was being finalized. This information will be analysed and reflected in the analytical findings of the evaluation report (main text).

main focus of the increase is found in the country's northern states. Awareness campaigns and a number of specific measures have been launched in recent years.¹³ However, the phenomenon does not seem to be affecting rural populations as much as the highly vulnerable urban populations. For these reasons, IFAD has not been involved in the design or implementation of the Government's programmes in this sphere.

VII. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

46. **Overall, the IFAD programme in Mexico has presented widely contrasting features over its 25-year history.** With specific regard to individual projects, and in the light of the positive outcomes and accumulation of very valid experience, weaknesses are noted in IFAD's choices and forms of intervention, which have limited its impact on poverty reduction in Mexico. Without minimizing the importance and validity of the advances made by many beneficiaries in the context of the projects, serious doubts remain as to the sustainability of the project activities, especially income-generating activities for poor producers.

47. To a great extent, there is considerable congruence between the strategic objectives and positions of IFAD and the Mexican Government with respect to poverty reduction and rural development policy. The weak points of IFAD's programme in Mexico lie mainly in design and operationalization: insufficient financial resources allocated to achieve stated objectives, overly extensive project areas, beneficiaries only served in part, low density of interventions, design issues (e.g. credit components), operational problems of counterpart institutions, staff selection, changes in management, budget execution, among others. Although their strategies are compatible in these areas, IFAD and the Government have different understandings in this regard.

48. Mexico possesses significant institutional capacity for formulating and implementing its macroeconomic and poverty-reduction strategies and to design and implement the respective programmes and projects. At times, however, this capacity contrasts with the implementation problems of programmes and projects at the micro level. While it is always desirable to pursue and foster dialogue with the Government on policy and strategy for poverty reduction and rural development, it should be recognized that external contributions to such processes are generally not decisive in government decisions and their influence is more of an indirect nature. That being said, spaces abound where dialogue can be launched, fostered and maintained with the Mexican authorities on rural development and poverty reduction issues. This dialogue could be based on elements of a micro nature, i.e. grounded in lessons from the field, the context of specific operations or regions, or clearly identified target populations. IFAD has not always fully tapped its opportunities in the past, but has good prospects for the future if it takes into due account the lessons learned from its experience.

49. Mexico is currently in the implementation phase of a wide variety of programmes and projects aimed at reducing poverty in the country, including in rural areas. Several of these programmes may be subject to problems or shortcomings, both in design and in operating aspects. However, with the current administration having 18 months left in office, no major changes in existing policy or strategies are foreseen. This means that the scope for action to influence these policies in the short term is virtually non-existent. Bearing in mind that the new administration will formally begin work in early December 2006, and that there will be a learning period of several months before operations are proceeding with full efficiency, it will probably be two years until any major changes could occur in economic policy and strategies. However, given the relative success of a number of the

¹³ Source: CONASIDA (2004).

programmes (*Oportunidades*, *Alianza para el Campo*, PROCAMPO, programmes of CDI, etc.), the outlook is promising that some of these programmes, and the strategies that guide them, may have continuity in the next administration. The formulation of a new strategy for IFAD in Mexico should be framed within this context.

50. **There is ambiguity within the Government as to what IFAD is and what it wants to do with IFAD.** This ambiguity is not a recent phenomenon and has made for a very complicated relationship between the Government and IFAD. The Ministry of Foreign Affairs is the official interlocutor with IFAD (and is the home institution of Mexico's representative on the IFAD Executive Board in Rome). However, that ministry has limited technical and financial capacity, although it enjoys political and diplomatic credibility. The Finance Ministry holds financial power and is responsible for coordinating the contracting of external financing, but in this regard IFAD is almost negligible because its financial contribution is so small. Sector institutions have very different visions, depending on their level of responsibility. The non-additionality of IFAD funds for these sector institutions lessens their interest in working with IFAD. In fact, the true additionality occurs in a non-financial way at the micro level, i.e. during the implementation phase, where the majority of operators appreciate IFAD's contribution in terms of technical assistance, work methodology in the field, etc. Given the very disparate degrees of interest and familiarity with IFAD at the various levels – federal, state and municipal – the challenge is to spark and more effectively foster institutional interest at those levels with respect to IFAD's comparative advantages. Regrettably, the Mexican Government does not today have any internal institutional mechanism for coordinating, reconciling and harmonizing the positions of all its institutions vis-à-vis IFAD, and IFAD's dialogue with these institutions is conducted at too low a level. In fact, IFAD lacks a "champion" at the national level. This ambiguity with respect to IFAD is further compounded by IFAD's sporadic and insufficient presence in the country.

51. **IFAD has a number of comparative advantages and can play an important role in poverty reduction in rural Mexico.** First, those who know and appreciate IFAD, especially at the field level, acknowledge a cardinal value of the institution: "IFAD goes where none of the others do." In other words, IFAD projects an image of being an institution that takes an interest in people and areas that others are not interested in. This is a formidable acknowledgement of IFAD's moral credibility in the field of rural poverty reduction. IFAD also has clear comparative advantages that are recognized by all who have had contact with its actions in the country: (a) delivery of direct technical assistance and advice in numerous spheres, especially those directly linked with the micro level, e.g. producers and communities; (b) an objective, outsider' view to various technical, institutional, administrative and organizational problems; (c) sharing of lessons and a linkage with international experience; (d) promotion of coordination among government offices and agencies that do not necessarily communicate effectively among themselves; (e) insistence on technical criteria and standards for resource allocation; (f) introduction of greater discipline in project implementation; (g) capacity to promote and pilot innovation; and (h) facilitation of access to decision-making levels in the Mexican Government. At the same time, however, IFAD lacks comparative advantages at the macro or strategic level in the area of national-level policy formulation, but it can contribute to this with specific experiences.

52. As a current phenomenon, rural poverty in Mexico is cause for great concern and poses a considerable challenge. In the light of the features of this phenomenon and of IFAD's mandate, there is clear justification for IFAD to maintain its interest in and commitment to contributing to the reduction of poverty in rural areas of Mexico. Justification would also appear to exist for the Government to seek a contribution from IFAD, which offers clear comparative advantages in this regard.

B. Recommendations

For IFAD and the Government of Mexico

53. **IFAD and the Government of Mexico should carefully analyse their relationship and decide on its future.** The Government needs to reach a conclusion as to what type of relationship it wants, what it expects of IFAD, and what role IFAD can play in the Government's policy and strategy for rural development, specifically in its rural poverty reduction strategy. IFAD, on the other hand, needs to decide what it can, should and wishes to do in Mexico.

54. **IFAD and the Government should establish, pursue and maintain dialogue at a higher level and in a more continuous fashion** than in the past. On the Government's side, this dialogue should involve high-level officials of both line agencies and "cross-cutting" institutions, e.g. the Finance Ministry and the Office of the President.

55. **IFAD and the Government should reach a clearer understanding on the modus operandi of the IFAD programme (within the country's strategic and operational framework).** A more detailed definition is needed of the criteria for IFAD intervention within national programmes, as well as clearer definition of the geographical areas of intervention (for instance, focus on smaller, more clearly delimited areas or limit activity to a single state for any given project).

For IFAD

56. **IFAD should review its strategic framework in Mexico in conjunction with the preparation of a new COSOP.** IFAD, the country, and other national development partners need a strategy paper that sets forth the principles, priorities, objectives and operational thrusts of IFAD action in Mexico. A new COSOP should be viewed as an open, transparent document that presents for all partners (including the Government) IFAD's position vis-à-vis Mexico. The paper should be the result of a process of consultation with these partners. The COSOP could be prepared before the end of the present administration, in which case it would need to be revised shortly after the new administration takes office. In any event, IFAD needs to have a mechanism for regularly updating its strategic framework in Mexico within which it wishes and is able to operate in the country; this could even take the form of a short strategy position paper to avoid repeating every two years the effort of preparing a full COSOP. In the current situation, the COSOP should reaffirm IFAD's basic priorities in terms of target populations (rural residents, women, members of indigenous groups), the non-limitation to agricultural production activities, the strengthening of social and human capital, the focus on gender issues and women's empowerment, and the participation by beneficiaries in all project phases, etc. IFAD should give additional attention to the issue of financing activities at the project level, but needs also to define its objective at the "meta-project" level (i.e. policy dialogue, coordination with donors and other in-country partners, knowledge-sharing, etc.).

57. **IFAD should categorically establish its exclusive focus on rural poor populations in indigenous areas.** There is no advantage to be had in IFAD dispersing its efforts by attempting to tackle all the problems of rural poverty in Mexico. It would be more worthwhile for it to concentrate its efforts on a population that comprises a very large part of the vulnerable poor population in Mexico, where it already has amassed considerable knowledge and experience. Within this target population (i.e. rural indigenous poor populations), IFAD should place a very special focus on issues of gender and women's empowerment (but not to the exclusion of other vulnerable indigenous populations: young people, the elderly, etc.). Pursuit of this strategy would be facilitated by adopting a area-based approach, which would prevent the dispersion of efforts, help to focus the institutional and management attention of projects, and increase the probability of positive impact.

58. **IFAD should review/fine-tune its operating framework** in terms of criteria, procedures and parameters in the area of project design and preparation and should seek to harmonize these points with Mexico's framework and those of other IFIs. In particular, IFAD should be more directly involved in all phases of the project cycle, from identification to supervision. Above all, IFAD should strengthen its own capacity to better manage the promotion of innovation within a project context, and replication and scaling up on the basis of the positive lessons learned. In this regard, much more emphasis should be placed on the part of monitoring and evaluation geared towards measuring impact and on issues of sustainability. To this end, IFAD should also adjust its technical cadre by increasing its human resources, among other actions. In this new context, the relationship and distribution of responsibilities between IFAD and the cooperating institution should be revisited as well.

59. **IFAD should ensure a country presence in Mexico that is more continuous, visible and effective.** This should include various functions, such as participation in debate on a variety of development issues (without expecting to take a proactive role in the formulation of national and sector policies) or a proactive role in the monitoring of all phases of design and implementation of the IFAD programme in the country, including dialogue on policies and alliances with other development partners in the country.

60. **IFAD should forge alliances with other international development agencies, such as IFIs.** Given its limited capacity to conduct extensive analytical work to support its efforts to formulate strategies and operations, IFAD could draw much more effectively on what it is being done with support from other institutions, such as the World Bank, the IDB and the United Nations. It could also benefit from more intense dialogue with the technical staff and managers of these institutions. In addition, IFAD should seek out partnerships with other institutions (both national and international, public and private) that promote innovative methodologies and practices in the sphere of rural development and poverty reduction. The strategy for achieving this result should be defined in the new COSOP.

EVALUATION OF THE IFAD COUNTRY PROGRAMME IN MEXICO

Table 1. IFAD Portfolio in Mexico: Key Dates

Project	Approval	Loan signing	Closing (scheduled)	Closing (actual)
Oaxaca	06/05/1980	09/06/1980	31/12/1985	31/12/1988
Ixtlera	03/10/1990	19/12/1990	31/03/1997	31/03/2001
Puebla	15/04/1992	03/09/1992	31/12/1997	30/06/2001
Yucatan	07/12/1995	05/07/1996	31/12/2001	30/06/2005
Rubber Areas	03/05/2000	15/11/2000	30/06/2010	n.a.
Micro-Watersheds	17/12/2003	02/10/2004	31/12/2011	n.a.
Ecotourism	18/06/2005	n.a.	30/06/2011	n.a.

Table 2. IFAD Portfolio in Mexico: Loan Disbursements

Project	Total Cost (USD million)	Loan Amount (USD million)	Amount Disbursed
Oaxaca	57.2	22.0	79%
Ixtlera	42.2	30.0	92%
Puebla	25.0	12.0	87%
Yucatan	17.2	10.4	100%
Rubber Areas	55.0	25.0	25%
Micro-Watersheds	28.0	15.0	0%
TOTAL	235.7	114.4	64.8%

Table 3. Poverty in Mexico, by Category and Number of Households (percentage)

	2000	2002	2004
National			
Food	18.6	15.8	13.7
Capacities	25.3	21.8	19.8
Assets	45.9	43.0	39.6
Rural			
Food	34.1	28.5	22.3
Capacities	41.4	36.6	29.4
Assets	60.7	57.2	48.8
Urban			
Food	9.8	8.5	8.7
Capacities	16.2	13.3	14.2
Assets	37.4	34.9	34.2

Source: National Committee on Poverty Measurement, INEGI, 2005.