

# Supporting design of a national programme as a policy solution for reducing rural poverty

## Mexico



Investing in rural people

Country-level policy engagement aims to support the development and implementation of national policies that shape the economic opportunities for poor rural people. These case studies illustrate that by utilizing innovative mechanisms for policy engagement, large impacts are achievable with limited resources.

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### Issues

Mexico is an upper-middle-income country with numerous policy initiatives aimed at addressing poverty and improving the well-being of both rural and urban populations. However, the country suffers from low productivity, low levels of GDP growth, and persistent poverty. Poverty is especially high in rural regions: in 2012, as much as 61 per cent of the rural population was categorized as poor (compared with 45 per cent of the total population) after little change over the past two decades. While the government has a long history of successful social programmes in the form of conditional cash transfers (particularly the *Oportunidades* programme, which became *Prospera* in September 2014), policies aimed at increasing rural productivity and broader rural development have had mixed success. As a result, in 2013, the government began a process of policy dialogue, sponsored by an IFAD grant (Knowledge for Change in Rural Poverty and Development) and aiming to find solutions to the lack of policy coordination between social and productive development policies, and the minimal social and economic impacts of policies to support development of the smallholder sector. A large proportion of poor rural people are beneficiaries of conditional cash transfer programmes such as *Prospera*, and are also a target of development policies focused on productivity. It is therefore a good strategy to link productive and social policies to achieve what the government refers to as the “democratization of productivity”.

### Actions

In January 2014, the Ministry of Finance and the Ministry of Social Development requested technical assistance from IFAD to support the design process for a policy framework that combines social and productive development programmes, using the *Prospera* conditional cash transfer programme as the basis for improving and scaling up policies for promoting economic productivity. IFAD engaged in a strategic alliance with the Latin American Center for Rural Development (RIMISP), to support efforts to combine social and productive policy.

The overall objective was to enhance the quality, effectiveness and impact of public policies and national budgets aimed at reducing poverty in rural territories, where there is a large presence of small-scale family farming. This is consistent with IFAD’s country strategic opportunities programme (COSOP) for Mexico, which aims to contribute to improvements in the efficiency of public spending, and emphasizes the importance of engaging in country-level policy processes; it is also harmonized with government priorities.

### Summary

**IMI funding:** US\$80,000

**Implementing partner:** Latin American Center for Rural Development (RIMISP)

**Key objectives:** To assist the Government of Mexico in designing a new programme that will play a role in coordinating social and economic development policies and components of agricultural development policies aimed at small-scale family farming.

**Lessons and successes:** The grant has been very successful: a pilot programme for the new policy designed by grant recipients is being rolled out with strong buy-in from the government. The pilot has an expected 10,000 beneficiaries and a budget of US\$35 million over three years. A new IFAD grant and loan programme aim to support implementation beyond the pilot.

To achieve this objective, the IMI financing was used to create a pilot project, which would allow the government to test both the overall idea and specific mechanisms for implementing the policy framework. The grant financed a series of activities including: (i) analysis to identify areas where the programme should be piloted; (ii) design of a scaling up strategy to be utilized between 2015 and 2018; (iii) design of an operational guidebook for implementing and scaling up the programme; and (iv) design of a learning, monitoring and evaluation system.

IFAD and RIMISP mobilized a team of national technical experts to work on these tasks, thereby contributing directly to development of the new policy framework by the Ministry of Finance and the Ministry of Social Development. Discussions at a series of meetings with high-ranking members of the government ensured that this policy proposal enjoyed strong buy-in from the government. The proposal was approved by the Congress of Mexico as part of the 2015 federal budget, with a budget of US\$34.5 million for the first three-year pilot phase. The pilot, which is currently being rolled out, will reach 10,000 beneficiaries and has been named *Territorios Productivos*. The intention is to scale up the pilot, eventually to reach 400,000 people at a cost of US\$600 million per year.

## Lessons learned

As already mentioned, the small amount of financing from IMI came at a critical time in the policy cycle, when the government was developing a new idea – which had itself emerged from policy dialogue originally sponsored by an IFAD grant – and was seeking ways of putting this idea into action. The IMI financing allowed IFAD and RIMISP to translate an ambitious policy idea into reality by making it implementation-ready. Based on the three metrics of success set by the initial grant proposal – that the Ministry of Social Development would include the programme in its 2015 budget submission, that this submission would be approved by Congress, and that implementation of the pilot would begin in 2015 – the project has been a huge success. It has received a good deal of attention in the national press.

The project has also been successful beyond these three metrics. The pilot programme has become the basis for a new loan programme, the Rural Inclusive Production Project currently being designed by IFAD. As the project concept note states: “The goal of the project is to contribute to the effective implementation of the government’s Strategy for Productive Inclusion, and to reduce poverty among the rural population”; several objectives are explicitly linked to improving the functionality of the policy idea.

Successful contributions to rural development in middle-income countries require support for transformative policy initiatives such as this one. This calls for establishing a dedicated partnership with the government, and committing to long-term support. The case also shows the utility of using all the tools at IFAD’s disposal – including grants, loans, country-level policy engagement, and knowledge management systems – to maximize the impact of our work in countries like Mexico.



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