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Investing in rural people in **Mexico**

Mexico is the second-largest economy in Latin America. Despite being a large, upper-middle-income country, Mexico continues to have high rural poverty levels and wide social and economic disparities. While only about 21 per cent of the population lives in rural areas, they represent roughly two thirds of the extremely poor.

Disparities are more marked in rural areas, where 61 per cent of the indigenous population is extremely poor, compared with only 19 per cent of the non-indigenous rural population. Although at least 6.7 million Mexicans speak one of the country's 89 indigenous languages, indigenous peoples are poorer than the non-indigenous population.

Mexico's agriculture sector is facing increasing vulnerabilities and a degraded natural resource base. Rural people are constrained by limited human and social assets, inadequate production-related investments and value-adding infrastructure, scarce financial resources and services, weak public-sector technical assistance and poor access to markets. These constraints result in low productivity, depressed consumption and incomes, and poverty.

A key factor in the sector's performance is a lack of smallholder access to financing. Although Mexico has various national development banks, access to rural finance remains a challenge. Recent government data indicate that fewer than three of every 10,000 poor rural households have access to credit.



Mexico is a middle- to high-income country with the **second-largest economy** in Latin America and the Caribbean

Crops that are key to the smallholder economy, such as coffee and seasonal white corn, are frequently exposed to shocks such as climate-related events or market imperfections. The country also faces vulnerability to climate-related disasters exacerbated by inappropriate agricultural practices.

Eradicating rural poverty in Mexico

In 2015, approximately 21 per cent of the population lived in rural areas of the country. According to the National Council for Evaluation of Social Development Policy (CONEVAL), in Mexico the poverty indicator is multidimensional, including income level, access to food, quality and access to housing, access to basic services, educational lag, access to health, access to social rights and access to social security.

The CONEVAL 2016 record indicates that 43.6 per cent of the population (53.4 million) lived in poverty, an improvement compared to 46.3 per cent in 2014. The percentage of the population living in poverty declined, however, the index is higher than in 2012 (53.3 million) and 2014 (52.8 million). Extreme poverty shows a significant improvement, dropping from 9.5 per cent in 2014 (11.4 million) to 7.6 per cent (9.4 million) in 2016.

In rural contexts, poverty reaches 40.8 per cent and extreme poverty reaches 17.4 per cent. In Mexico, there are more than 5.3 million rural economic units, of which 3.9 million (representing 72.6 per cent of the total) are characterized by subsistence or limited market links, organizational problems, lack of access to finance and net income of less than 17 thousand pesos (approximately US\$ 919).

In 2016, 36.4 per cent of the women lived in conditions of poverty and 7.7 per cent in extreme poverty. Specifically in the case of indigenous women, the same trend was observed but more acute, 40.1 per cent living in poverty and 45.0 per cent in conditions of extreme poverty.

IFAD's strategy in Mexico

According to the RB-COSOP 2014-2018 for Mexico, IFAD's strategy gives priority to climate change – with special emphasis on adaptation strategies for smallholders – and to activities that support economic opportunities for indigenous peoples, rural young people, and poor rural households headed by women.

In its efforts to reduce poverty, IFAD addresses the slow productivity growth in agriculture and the smallholder and farmer (campesino) sector, the slow progress on reducing rural poverty and food insecurity among rural households, and the regressive public spending on agriculture and poor quality of the fraction invested in smallholders and campesinos.

Key activities include:

- Helping smallholders and campesinos significantly increase their productivity by strengthening their assets, organizational and other capacities, and increasing their access to goods and services markets, and to public services; and
- Contributing to the Government's efforts to make public spending on smallholders and campesinos more efficient and equitable, particularly with regard to coordination, design, service quality and relevance, impact and sustainability over time, beneficiaries' organizational capacity, social participation and transparency, and synergies with social policy.

Ongoing operations

Semi-arid region Development Project (PRODESZA)

The project is implemented through the National Forestry Commission (CONAFOR) in municipalities of 13 federal entities – three from the Mixteca region (Guerrero, Puebla and Oaxaca) and 10 from the semi-arid North region (Baja California, Baja California Sur, Chihuahua, Coahuila, Durango, Hidalgo, Nuevo Leon, San Luis Potosi, Sonora and Zacatecas).

The project's objective is to increase the income and employment of the indigenous and rural population in the semi-arid areas of the North and Mixteca regions by strengthening the social fabric through their organization for rural businesses in the forest regions. The project is aimed at low-income indigenous and rural populations in the municipalities identified in semi-arid zones of the North and Mixteca regions, which are members of: (i) ejidos and communities; (ii) participatory groups of common interest (ejidatarios/comuneros, avecindados, young, women and people without land rights); (iii) smallholders; and (iv) associations of producers: groups legally constituted as companies of rural production, cooperative societies, corporations dedicated to agriculture, forestry and extraction activities, among others.

The project activities seek to build and strengthen organizations for the economic purposes of beneficiaries; improve the capacities of leaders of organizations and groups of common interest, women and youth, for social and business management; improve sustainable production through the rehabilitation of natural resources, water harvesting and the adoption of new technologies; and develop value chains that make it possible to achieve the project's greatest impact for rural microenterprises. The project benefits 20,000 households.

Rural Productive Inclusion Project (PROINPRO)

The Rural Productive Inclusion Project aims to combine social protection programmes with the productive inclusion initiative and is currently implemented in 26 municipalities of the Mexican states of Guerrero, Hidalgo and Zacatecas. Approximately 12,800 families are expected to benefit from this intervention. The project facilitates the access of PROSPERA beneficiaries – the country's largest conditional cash transfer program – to other Government programmes, allowing them to develop their own productive initiatives, thus ensuring a stable source of income and enabling them to improve their living conditions.

A key factor in the agricultural sector's performance is a **lack of access by smallholders to financing**



The project's objective is to contribute to the Government's national strategy to reduce rural poverty. It will do so by promoting:

- **Productive inclusion:** It will help beneficiaries to have access to the Government's existing productive programs and use the investments efficiently to increase the quantity and improve the quality of their products, enabling them to access markets. Local promoters will help the beneficiaries identify profitable productive activities and facilitate their access to technical assistance.
- **Institutional strengthening:** The project will strengthen PROSPERA's institutional capacity to fight rural poverty through the implementation of the national strategy for productive inclusion. It will contribute to develop new institutional skills through training, research, analysis and knowledge management activities.
- **Financial inclusion:** The project will promote financial literacy of the beneficiaries and facilitate access of the beneficiary groups to existing rural financial services.



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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$18.5 billion in grants and low-interest loans to projects that have reached about 464 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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