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PLACED-BASED POLICIES FOR RURAL DEVELOPMENT
THE MICRO-REGIONS STRATEGY, MEXICO (CASE STUDY)

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TABLE OF CONTENTS

INTRODUCTION	5
PART I: THE CONTEXT	6
1.1 Rural Mexico: poverty, marginalisation and opportunities	6
1.2 The limits of traditional rural policy and the emergence of a new approach	9
PART II: WHAT IS THE MICRO-REGIONS STRATEGY	11
2.1 Fundamentals of the strategy	11
2.2 How does it work?	12
2.3 Funding and accountability mechanisms	13
PART III: CRITICAL ISSUES	15
3.1 Designing the strategy	15
3.1.1 Asymmetry of information and knowledge pooling	15
3.1.2 Defining the perimeter of micro-regions: critical mass and externalities	16
3.1.3 Selecting "Rural Hubs": the Strategic Community Centres	17
3.2 The governance of the strategy	17
3.2.1 Inter-ministerial co-ordination: who should do what?	18
3.2.2 Vertical co-ordination: setting targets, incentives and monitoring mechanisms	19
3.2.3 Local co-ordination, administrative capacity and leadership	21
3.2.4 Infra-ministerial co-ordination and management	23
3.3 Moving from the conception phase to the implementation	24
3.3.1 From social assistance to productive projects	24
3.3.3 From participation to partnership	28
ANNEX 1: Federal programmes targeting rural areas	30
BIBLIOGRAPHY	35

Tables

Table 1.	Differential growth in average earning by sector relative to AFF (1990-2000)	8
Table 2.	Indicators of marginalisation and socio-economic profile of micro-regions	12
Table 3.	Evaluating progress, the <i>Banderas Blancas</i> (White Flags)	25
Table 4.	Micro-regions Programmes	30

Figures

Figure 1. Municipal extreme poverty rates in localities with less than 5 000 inhabitants, 2000..... 7
Figure 2. Average earnings of employees by sector relative to agriculture, forestry and fisheries..... 8

Boxes

Box 1. Funding of the Local Development Programme (Micro-regions Programme) 14
Box 2. The use of GIS for territorial diagnosis 16
Box 3. Setting up premium-like devices: the Italian experience..... 20

INTRODUCTION

The work that the OECD Rural Working Party has carried out in the last years has converged towards the acceptance that traditional top-down approaches and sectoral subsidies to rural areas have not given the expected results and that there is a need for place-based policies which can capture the diversity of rural areas and respond timely to their new challenges. Developments in a fast changing international scenario continue to throw into stark relief the necessity to re-think rural development policies. Globalisation, changes in the public financing of the agriculture sector and the emergence of important non-farm niche markets put rural regions in direct competition confronting them with threats and opportunities that require new policy instruments and skills at the national and sub-national level. Changes do not affect only markets and economic actors but question the role of institutions, private actors and the civil society in rural development. Moreover, processes of administrative, political and fiscal decentralisation put more emphasis on the capacity of local actors and renewed horizontal and vertical relations.

Against this background, policy makers increasingly recognise that traditional rural development policies need to be upgraded and, in many cases, phased out and substituted with more appropriate instruments capable to deal with externalities, to valorise local amenities and, in a context of asymmetric information, to make good use of the knowledge shared by different actors. To adapt to such a scenario several countries have begun to design new policies and to introduce innovative forms of vertical and/or horizontal co-ordination.

A particularly interesting and innovative experience is represented by the *Mexican Micro-regions Strategy*. Introduced in 2001, the strategy marks a breakthrough in the traditional top-down, sectoral approach that has long characterised rural development policies in the Country. It adopts a holistic approach to integrate scattered policy initiatives into a comprehensive framework and works for a shift towards a "new rural governance" based on negotiation, consultation and commitment from various government levels and the civil society. With the introduction of the Micro-regions Strategy, the Mexican Government puts a new focus on *places* instead of sectors and on *investments* instead of subsidies. It is relatively early to judge the strategy, however the factors that will be critical for its success or failure are already emerging and are analysed in this paper.

This paper is divided into three sections. **Section 1** provides an overview of policy and governance trends affecting Mexican rural areas. This part highlights the current shift from a purely sectoral towards a place-based approach to rural development. **Section 2** outlines the most defining characteristics of the Micro-regions Strategy, from its functioning to its financing. **Section 3** sets out the most critical issues related to the conception and implementation of the strategy and discusses possible directions for improvement.

PART I: THE CONTEXT

1.1 Rural Mexico: poverty, marginalisation and opportunities

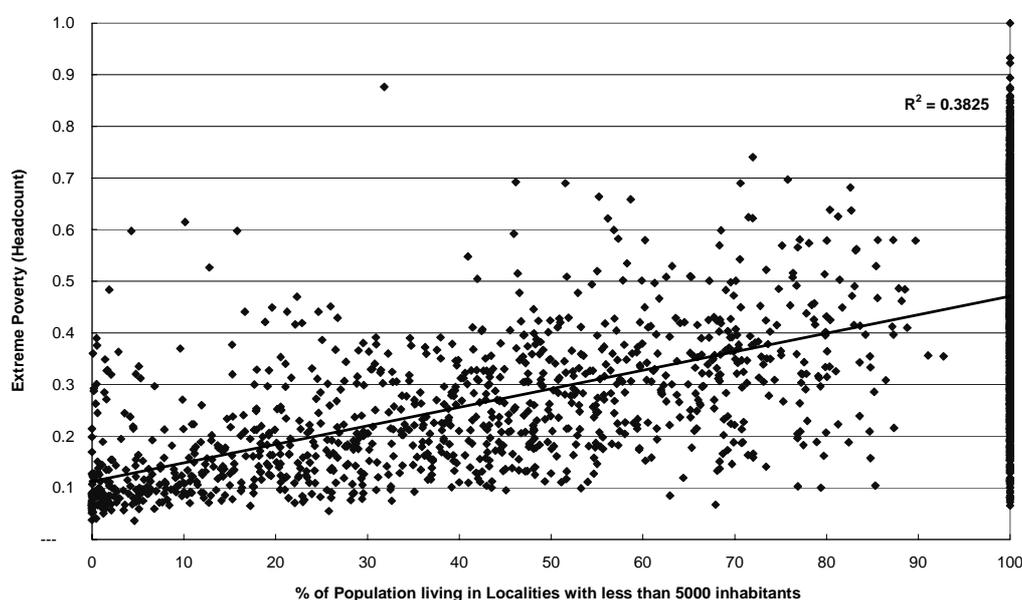
Grouping more than a quarter of the country's population and concentrating a very important part of the poor, Mexico's rural areas represent a key challenge for the growth of the country as a whole. The obstacles posed by marginalisation and dispersion, as well as the existence of substantial untapped potentials, call for a paradigm shift in rural development policies.

Mexico's rural areas are lagging behind. During the 1990s, Mexico registered impressive export-growth performance and sizeable inflows of FDI. Nevertheless, with respect to both individual and regional income, it is still one of the OECD countries where disparities are the highest. The share of population living in poverty has remained high throughout the last decade: the proportion of poor stood at around 53 per cent from 1992-2000, but the absolute number in poverty has increased given growth in national population (from 45.4 to 52.4 million). There are economy-wide indications that the development of rural areas has fallen considerably behind that of urban areas in the 1990s.¹ Rural areas have been less effective in exploiting economic opportunities created by economic liberalisation, which has further marginalised the rural population. In the mid-1990s, the average urban income was almost three times larger than that of rural.

Poverty is strongly linked with territorial marginalisation. The insular nature of sparsely populated rural communities constitutes an important development challenge for Mexico. The country is characterised on the one hand, by a high concentration of population and industry in large cities and on the other hand, a great dispersion of small settlements. A quarter of the Mexican population lives in nearly 200 000 localities, each with less than 2 500 inhabitants. The remoteness of numerous rural communities often translates into conditions of poverty and a substantial lack of access to a wide range of basic public services (as is the case for education, health care, water supply and electricity), as well as to government programmes that cannot reach the remotest areas.

Settlement size has been critical in the local ability to exploit economic opportunities (OECD, 2003a). The 2000 data does provide the picture of the spatial distribution of poverty across settlement types (Figure 1).² A clear relationship between small settlements and poverty is identified (Székely, 1998). Analysis on the average poverty rates by municipal size class as well as on the national share of the poor and extremely poor in each size class demonstrate that extreme poverty in the largest municipalities (greater than 500 000) is still a significant problem, making up more than 10 per cent of the national total of the extremely poor. However, the national share of extreme poverty in municipalities of 100 000 people or less exceeds the national share of population for these size classes confirming the disproportionate share of extremely poor in smaller and rural municipalities.

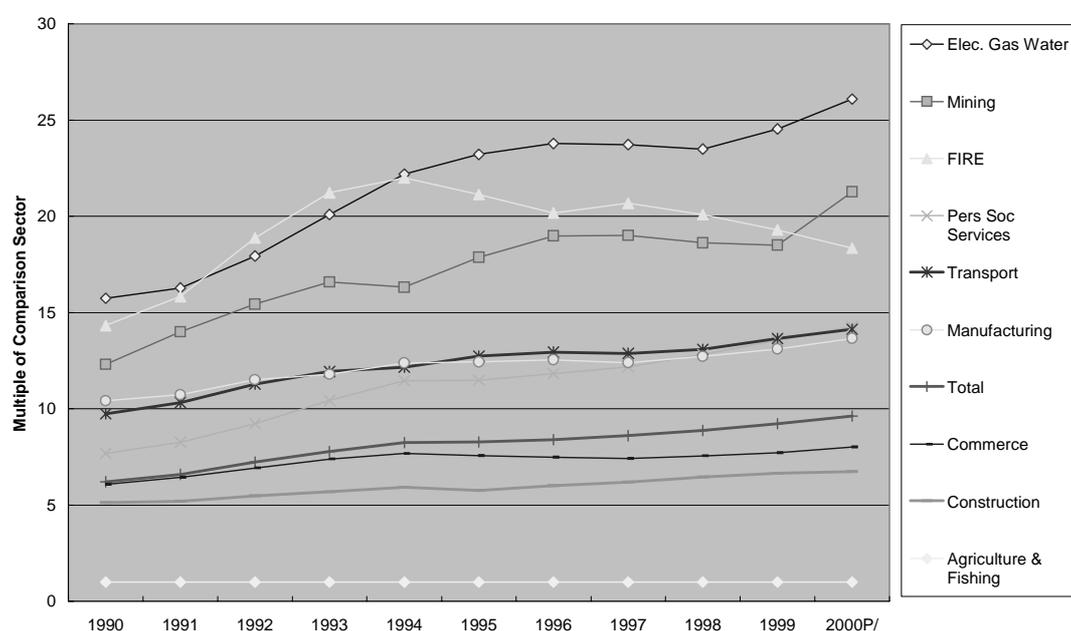
Figure 1. Municipal extreme poverty rates in localities with less than 5 000 inhabitants, 2000



Source: CONAPO estimations, based on INEGI, National Population and Housing Census (2000).

Rural Mexico is no longer synonymous with agriculture. Even though agriculture represents a fundamental resource in a context of poverty, most rural households in Mexico now derive a large portion of their income from non-farm employment. While the opportunities for economic development are thus more and more linked with these non-farm activities, the sharp difference in the average earnings of workers across sectors exemplifies the difficulties facing the rural population that cannot manage to access activities other than agriculture (OECD, 2003a). Normalising average earnings in each sector to the average earnings in agriculture, fishery and forestry (AFF) during the last decade brings economic dualism in Mexico into sharp relief (Figure 2).³ Economy-wide average earnings were nearly ten times that of AFF by 2000 and the highest paid sectors generally enjoyed the fastest rates of earnings growth (Table 1). The increasing dependency of farm households on the non-farm economy is a general trend affecting many OECD countries. Several recent OECD reports have highlighted the potential of an integrated rural development policy to facilitate agriculture adjustment by stimulating a broader range of non-farm activities (OECD, 1995; see also OECD, 2003b).

Figure 2. Average earnings of employees by sector relative to agriculture, forestry and fisheries



Source: INEGI, Calculations OECD.

Table 1. Differential growth in average earning by sector relative to agriculture, fishing and forestry (1990-2000)

	Earnings growth relative to agriculture, fisheries, and forestry
Total	0.548
Agriculture, fisheries, and forestry	0.000
Mining	0.729
Manufacturing	0.311
Construction	0.315
Electricity, gas, water	0.657
Commerce	0.319
Transportation	0.451
Finance, insurance, real estate	0.280
Personal and social services	0.855

Source: INEGI, calculations OECD.

The development potential and untapped resources of the country's rural regions is relevant. The territorial divide, reflected in the superior economic performance of some parts of the country with respect to lagging rural areas, contrasts, in many respects, with the rich natural and cultural endowments of many such regions. This is most clearly the case for water resources, forest cover, bio-diversity and archaeological sites. These endowments possess great potential for economic development, for example in areas such as tourism or biotechnology. The country ranks eighth in the world regarding tourist inflows and

has approximately 2 million jobs in the sector. However, most of the natural and cultural resources remain unused or underused potential. Tourist destinations have mostly developed into highly localised mass resort tourism, capable of spreading only few economic benefits to surrounding areas and often posing threats to the environment (see OECD, 2003a). Notwithstanding recent actions to increase the number of protected areas, natural resources remain threatened by the depletion and degradation of the environment. On the one hand, poverty in rural areas has promoted a direct dependence on natural resources and environmental degradation through unsustainable practices such as parcel burning and illegal exploitation of wooded areas. On the other hand, urban populations and large resort centres have highly contributed to water, land and air pollution.

Realising and exploiting the potentials for rural development related to Mexico's natural and cultural resources is crucial and requires a paradigm shift in public policy away from a sectoral approach focused on agriculture and social assistance towards an integrated place-based policy for rural development.

1.2 The limits of traditional rural policy and the emergence of a new approach

In Mexico, despite the need to address relevant development opportunities and challenges, an appropriate governance framework and a comprehensive territorial development strategy has been lacking for decades. During most of its modern history, the country has been characterised by a highly centralised political system, in which decision making was largely held at the federal level. There was lack of continuity of many government programmes, and economic strategies were mostly comprised of centrally managed, sector-specific policies with only unintended territorial effects (OECD, 1998). Social development programmes implemented during the 1970s, 1980s and 1990s, like the COPLAMAR⁴ and the *Programa Nacional de Solidaridad*, tried to target the most disadvantaged rural populations. However, despite representing interesting experiences these programmes failed to produce the expected results because of their strong top-down rationale and subsequent low levels of local participation (OECD, 1996).⁵

Even though the country remains considerably centralised in various aspects and by international comparison,⁶ changes began in the second half of the 1990s and actions have been taken in recent years to better distribute responsibilities and resources across levels of government. The present federal administration (2000-2006) committed to bring regional development to the forefront of the public policy agenda and is giving greater weight to place-based policies *vis-à-vis* the traditional sectoral perspective. This is exemplified by the incorporation of a regional-oriented approach into the National Development Plan. Moreover, the National Programme for Urban Development and Territorial Planning, 2001-2006 (PNDU-OT) of the Ministry of Social Development (SEDESOL) puts emphasis on the need to evaluate and support the potential of each territory and, in the context of increased federalism, to foster the implementation of strategic projects with an integrated approach in regions, metropolitan areas and cities.

The guiding principle in government programmes for rural development and poverty alleviation is progressively shifting from assistance towards actions that allow for the accumulation of human capital and provide opportunities for local development. This approach has actually been adopted in *Contigo*, the current government's multi-sectoral social development strategy. However, consolidating a shift in rural governance and developing place-based rural development policies in Mexico faces some specific difficulties. Today, the key problems of dispersion and marginalisation in Mexico need to be tackled in a context where traditional subsidies and bad governance have long prevailed. On the one hand, subsidies have created a culture of dependence. On the other hand, centralism, lack of strategic focus and low transparency have led to little vertical and horizontal co-ordination in rural development policies. Rural problems have been traditionally addressed with a sectoral approach as a part of broader federal and state programmes, with little consultation of local actors. Political support for rural policy has fallen to farm organisations or large agriculture commodity groups.

The fragmented initiatives that have traditionally characterised Mexican rural development policy, including farm subsidies, scattered infrastructure investments, income safety nets and a multiplicity of pilot programmes, do not seem to meet the needs nor to be able to exploit the potentials of rural Mexico. In order to overcome the structural disadvantages of Mexico's rural regions, at least two key policy objectives need to be pursued: 1) the adoption of an integrated territorial perspective; and 2) the design of an appropriate governance framework capable, in the context of decentralisation, of vertically and horizontally integrating the knowledge available at different government levels in the design, implementation and monitoring of a new rural development strategy.

The Micro-regions Strategy represents an attempt to follow this logic. While adopting an integrated approach to rural development, it works for a shift towards a renewed rural governance based on negotiation, consultation and commitment from various levels of government and the civil society. With the introduction of the Micro-regions Strategy, the Mexican Government recognises the importance of the two principles that are likely to guide any push towards a new rural policy: a focus on *places* instead of sectors and a focus on *investments* instead of subsidies. It is relatively early to judge the strategy's effectiveness, however the factors that will be critical for its success or failure are already emerging.

PART II: WHAT IS THE MICRO-REGIONS STRATEGY

2.1 Fundamentals of the strategy

The Micro-regions (MR) Strategy is not a programme, neither a Ministry Dependency nor a public agency. It consists of a set of horizontal and vertical contracts to serve two purposes: 1) *to co-ordinate public policy* for the least developed rural areas; and 2) *to promote bottom-up participation* from targeted communities.

The strategy, named *National Strategy for the Micro-regions*⁷ was officially presented in February 2001 as an effort to break the pervading tendency of “sectorialisation” between ministries or between the state and the federal levels and to avoid the duplicity of public investments addressed to lagging rural regions.⁸ The strategy partially draws from previous experience and from tools developed during past administrations. Its rationale is to foster a place-based policy by identifying functional regions, and facilitate mechanisms to induce endogenous development through the creation of “micro-poles of development”, labelled as *Strategic Community Centres*⁹ (CEC by its Spanish acronym). The CECs, identified with spatial, social and economic criteria, select a particular community that is relatively well endowed in terms of connectivity and relations with surrounding localities. The objective is to create at the local level a pole to receive local demands from the community leaders, to deliver services, and to co-ordinate public investments, assuming that in the long-run the gradual development of these “poles” will contribute to containing the pattern of rural dispersion and promoting economic activity.

The strategy’s main normative instrument is the *Principles for Inter-ministerial Cooperation and Coordination*¹⁰ signed by 12 Ministries¹¹ in May 2001. The co-operation principles identified 250 rural micro-regions of very high and high marginalisation as its targets (see Table 2). 13 more micro-regions were added to the initial 250 in order to include all the municipalities where at least 40 per cent of the population spoke an indigenous language. Thus, the strategy targets 263 areas of application spread across 1 334 municipalities in 31 different states. These 263 micro-regions contain more than 99 000 localities, and host a population close to 20 million.

The Micro-regions Strategy has relatively consolidated during the past two years. In 2002 the President of Mexico defined the Strategy as the main “vehicle of transformation of the territory and its people”, and as the “vector of the process of development and in the medium and the long run through in which decisions and actions are involved, under a local perspective as responses to problems and local objectives” (Presidencia, 2002).

Table 2. Indicators of marginalisation and socio-economic profile of micro-regions

	Micro-regions	National
Total population	19.9	97.4
Share of population over 15 years of age that is illiterate	23.2%	9.5%
Share of population over 15 years of age that did not completed primary education	51.9%	28.5%
Share of population that lives in houses without sewerage and separate sanitary room (?)	27.5%	9.9%
Share of population that lives in houses without access to electricity	15.4%	4.8%
Share of population without access to water facilities	30.3%	11.2%
Share of population that lives in a condition of crowding	62.1%	45.9%
Share of population that lives in houses with ground floor	41.5%	14.8%
Number and share of municipalities that expel population	515 38.7%	765 31.3%
Total EAP (millions)	5.7	33.7
Share of Total EAP that has incomes of less than two minimum wages	76.4%	51.0%
Share of Total EAP that works in the primary sector	49.7%	15.2%
Share of Total EAP that works in the tertiary sector	29.1%	53.6%

Source: SEDESOL (2003).

2.2 How does it work?

The Micro-regions Strategy relies on a multi-tier co-ordination mechanism, designed to take into account the opportunities coming from a fast changing scenario characterised by the current process of decentralisation of responsibilities and resources and the availability of information and communication technologies that are opening new venues for horizontal and vertical intergovernmental communication processes.

At the federal level, political co-ordination among different ministries is enforced through the Inter-sectoral Committee for Micro-regions, which meets two times a year with the participation of the Ministers and is chaired by the Chief of the Executive. At this level, the guidelines of the strategy are discussed and agreed upon. Co-ordination at the federal level is complemented by the role of the pertinent Vice-Ministers that meet at least four times a year in a Normative Working Group to agree upon the projects to be approved. The agenda of the meeting is rotated every six months among the Vice-Ministers. A Technical Committee and an Operative Working Group, where the Director Generals in charge of the strategy meet every month, complements the Normative Working Group. The overall operative co-ordination of the process and of the strategy is the responsibility of a General Co-ordinator within SEDESOL's Vice-Ministry of Social and Human Development.

At the state level, an intermediate or "approval" tier is represented by the *Sub-Committee for the Attention of Regions of High Priority* (SARP), mainly known in the different states as the COPLADE.¹² The COPLADE is a wide-ranging state development council chaired by the State Governor. At this level, the Unique Programme of Regional Sustainable Development (UPRSD) is drafted and negotiated to constitute the general investment framework for each micro-region. Within the COPLADE structure there is a *mesa* (discussion group) for the micro-regions. The co-ordinator of each *Mesa para las Microrregiones* is the State Delegate of SEDESOL. Bottom-up demands from the *Councils for Regional Sustainable Development* (CRDS) are received here either through the SEDESOL representative or through the elected representatives of the CRDS.

At the local level, co-ordination takes place in each Strategic Community Centre (CEC) through the periodical reunion of the Council of Regional Sustainable Development (CRSD), known in the states as COPLADEMUN or as the Committee for Municipal Development. In the cases where the micro-region boundaries exceed the municipal administrative ones – which is often the case – a new figure, the “Micro-

regional Committee”, is formed by bringing together each municipality’s COPLADEMUN. The aim of this local tier is to articulate a partnership where communal organizations are represented. In different communities it is assumed that interests are not the same, therefore partnerships to find a common ground of interest may articulate through narrow components, where agreement exists: *e.g.* commodity producers.¹³ Through these communitarian assemblies local demands are discussed and given a priority. With the help of the functionaries of SEDESOL, these demands are given the forms of projects and transmitted to the State COPLADE.

If the projects fall within the established criteria and the budget is available in the represented ministries, then the demand is approved and included in the Programme for Regional Investments. The state level is increasingly participating through bi-lateral negotiations that determine the actual amount of the respective financial participation of the different government levels in the projects. If the concerned ministry is not willing to cover the complete cost and the community does not have the resources to provide the remaining cost, then the compensatory mechanism of the *Micro-regions “Programme”* enters into effect.

2.3 Funding and accountability mechanisms

Within the MR Strategy, there are three complementary ways to obtain funding for the projects set forward at the Community Assembly and approved at the COPLADEMUN. The first funding sources available are the budgets of the 68 sectoral programmes that operate under the Micro-regions Strategy. These resources are complemented by federal transfers – conditional grants or the so-called *participaciones* – under the “Ramo 33” that constitute the main sources of funds for municipal governments. Finally, there are *ad hoc* financing mechanisms administered by SEDESOL, the most important of which is the Micro-regions Programme (LDP, or Local Development Programme).¹⁴

The total amount of funds available under the Micro-regions Strategy represents USD 3.3 billion; 76 per cent comes from the budget of federal ministries, 23 per cent from municipal resources (through transfers, grants, or local resources) and the remaining 1 per cent is provided by the states. Within the federal ministries the largest contributors are the Ministry of Social Development (SEDESOL) with USD 800 million (or 24 per cent of total funding), the Ministry of Agriculture with USD 730 million (22 per cent) and the Ministry of Education with USD 700 million (21 per cent) (SEDESOL, 2003).

As regards the Micro-regions Programme, it is by no means the principal component of the SEDESOL annual budget.¹⁵ However, it plays an important role within the strategy. The LDP is a compensatory mechanism to the Micro-regions Strategy introduced in March 2002. The Micro-Regions Programme has its own budget and is the exclusive responsibility of SEDESOL. In 2002, the LDP accounted for 1 per cent of total funding and its resources are expected to increase during the exercise 2003 (see Box 1). The Local Development Programme has two main purposes: to provide incentives for local investment and to build capacity at the local level.

Regarding its first function, even though it seeks an involvement of local private or public actors, the LDP can cover up to 50 per cent of the resources necessary to finance a project that falls within the ten pre-established criteria that can help to consolidate a Strategic Community Centre. However, within the limits of MXN 2 000 000 (USD 190 000) a technical committee (*Comité Único de Validación Central*) has the capacity to approve a larger amount or proportion for specific projects (SEDESOL, 2003). The candidate projects to be financed by the LDP programme are submitted to the Approval Committee at the General Coordination of Micro-regions. This Committee is appointed by the Under-secretary of Social and Human Development and is charged with the technical evaluation of the projects. During 2002, 2 139 projects were approved. According to the Ministry’s data, 62 per cent of the projects fall within the

area of physical capital development, 10 per cent on capability enhancement projects and the remaining 28 per cent on opportunity development.

The second function of the Local Development Programme is to enhance local capacity. As several examples in other OECD countries show, the introduction of innovative approaches to rural development (*i.e.* the EU LEADER experience) and involvement of rural communities in the development of local development projects needs to be accompanied by appropriate technical support. At this aim, the LDP finances a network of so-called “residents”, agents independent from the COPLADEMUN, responsible for fostering involvement of local actors, spreading knowledge of best practices, and performing follow-up activities of the application of the strategy at the local-level. In 2003, there were approximately 650 such “residents” deployed in the micro-regions.

Another federal initiative that goes in the same vein as the LDP is the “3x1” Programme, administered by SEDESOL with the support of the Foreign Affairs Ministry (SRE). This programme aims at matching remittances from Mexican immigrants for infrastructure investments in their communities of origin. The funding of a “3x1” project divides as follows: 25 per cent of resources are provided by migrant organisations, 50 per cent by state and municipal governments, and the last 25 per cent by federal resources.¹⁶ In a context of tight budgetary limits, the role that such resources could play within micro-regions is particularly relevant, given the fact that 8.3 million Mexicans currently live in the United States (close to 130 000 of which belong to indigenous communities), and that 1.2 million of Mexican households regularly receive remittances from the United States. In 2002, remittances amounted to USD 10 billion, and during the first half of 2003 cumulated USD 6.1 billion. The yearly amount of remittances represents nearly 90 per cent of oil export revenues and 72 per cent of net foreign direct investment flows (see OECD, forthcoming).

An innovative element in the funding of the Micro-regions Strategy is represented by the use of local accountancy mechanisms, the *Councils of Social Accountancy*, to “control and survey” the implementation of the projects within the CECs. The legal framework is not very detailed as to the organisational form these councils should have and leaves a wide space for bottom-up initiatives.¹⁷ A representative example is provided by the State of Yucatán’s law of development planning, which defines that the schemes for social participation will be those that have proven previously successful in linking national and state development planning.¹⁸ Regardless of their internal organisation, Councils of Social Accountancy have two characteristics: they are separated from the COPLADEMUN and they report directly to the Public Function Ministry (*Secretaría de la Función Pública*).¹⁹ This latter institution is responsible for providing the elected members of the Councils of Social Accountancy with technical support through periodical workshops.

Box 1. Funding of the Local Development Programme (Micro-regions Programme)

During the 2002 fiscal year the following programmes were implemented separately: 1) Micro-regions Programme; 2) Regions in Areas of High and Very High Marginalisation and Predominantly Indigenous Character; and 3) Juridical Identity Programme. After 2003 fiscal year, these programmes have been merged into the Local Development Programme with the purpose of taking advantage of economies of scale and complementarities of resources.

Overall, during the 2002 exercise, the detailed programmes accounted for MXN 334.4 million divided as follows (millions and number of projects implemented): Micro-regions Programme (MXN 220 and 2 163 projects), Regions in Areas of High and Very High Marginalisation and Predominantly Indigenous Character (MXN 101.6 and 1 315 projects), and Juridical Identity Programme (MXN 12.8 and 188 Attention Centres). For the current fiscal exercise (2003) the Local Development Programme (Micro-regions) has a budget of MXN 405 million to service 263 micro-regions composed of 1 334 municipalities in 31 federal states. Up to August (2003) 69.5 per cent of total budget had been finance projects that had benefited 870 000 persons. Authorities expect to conclude the year having implemented 2 250 projects benefiting 1.3 million persons.

Source : Presidencia (2002).

PART III: CRITICAL ISSUES

3.1 Designing the strategy

The conception of a place-based policy is complex and requires multi-sectoral skills and the appropriate use of both central and local knowledge. In the initial phase of the process that led to the design of the Micro-regions Strategy, Mexican policy makers have been called to understand and evaluate the challenges of the country's most backward rural areas in order to agree on overall and specific strategy objectives. Problems in this initial stage are related to questions of co-ordination and participation. At the level of policy conception, efforts to solve them have included the set-up of formal mechanisms (such as councils of ministers and ad-hoc advisory and co-coordinative agencies at the Federal level), as well as more informal forms of co-ordination and forums for discussion. In this phase, some critical issues arise and are related to: 1) the challenges posed by asymmetry of information; 2) the definition of target areas and of their characteristics; 3) the identification of the "strategic" development poles.

3.1.1 Asymmetry of information and knowledge pooling

Place-based policies are strongly "knowledge-based". Knowledge pooling is key to understanding territorial dynamics and to devising an appropriate policy response. The assumption behind such recognition is that in a context of asymmetric information, central governments can exploit the knowledge base of local actors by involving them in the policy process, using incentives to encourage truthful revelation of preferences and costs. Despite the top-down nature of the strategy's design process, a particular effort has been made to collect all necessary information and knowledge dispersed across and within levels of government. The task has been made particularly difficult due to the fact that, as common, most of this knowledge is "tacit" and/or owned by non-governmental actors. This means that it cannot be acquired formally but mostly through informal interaction between and within levels of government and the targeted citizenship.

Further developing effective mechanisms for "knowledge pooling" represents a major challenge for the Micro-regions Strategy, not only to refine its design but also to allow appropriate monitoring and evaluation of its efficacy. To this aim, the introduction of incentives to favour the revelation of truthful information and preferences should be given serious consideration. Strengthening the knowledge base will also help create the necessary conditions to make citizens understand the objectives of the policy and build consensus.

Useful lessons regarding the use of incentives to favour participation and knowledgepooling in the design and implementation of territorial development policies come from several OECD countries. One example is the experience of Canada's *Communities Futures Development Corporation*, which was set up to offer rural communities advisory, developmental and financial services related to business and economic development. Several *Negotiated Planning* instruments in Italy demonstrate similar objectives, as well as strong incentive mechanisms. Another innovative approach to pool information through incentives is the "Action 3" initiative for networking within the *EU-LEADER Programme* which is not only for networking among Local Action Groups but also across administrations and organisations.

3.1.2 Defining the perimeter of micro-regions: critical mass and externalities

Many rural areas across OECD countries suffer from problems due to their low-density character, which makes it difficult to provide public goods and to exploit economic potentials. Unexploited economies of scale closely relate to the notion of critical mass, meaning the minimal combination of human capital, social capital, infrastructures, and natural or human-created amenities needed to trigger a development process. A problem frequently encountered in sparsely populated OECD rural areas is that administrative boundaries, existing fiscal schemes for transfers to local governments and legal instruments often do not correspond to the “functional” boundaries that may contain the necessary elements to attain a critical level of resources.

Moving away from an administrative-based towards a place-based approach, the Mexican Government has introduced the concept of micro-regions. The identification of the strategy’s beneficiaries was based on the Marginalisation Index²⁰ developed by the National Council of Population.²¹ According to the index, municipalities were classified into five groups: Very High, High, Medium, Low and Very Low Marginalisation. The Micro-regions Strategy focuses on the municipalities of “Very High and High Marginalisation”.²² The exact boundaries of the resulting 263 micro-regions (that may group from 1 to 25 municipalities) are then defined considering the territory’s geographic proximity, ethnic and cultural identity and geo-economic characteristics.

The main criterion to define these areas is therefore statistical. Thus, the current configuration of the target areas should be considered provisional and will have to be verified once the strategy has been in place long enough to provide feedback on the actual territorial development dynamics taking place in each area, thereby supplying useful elements for a better definition of their functional borders. In some cases, for instance, it might be necessary to expand the areas of a micro-region to include municipalities or small settlements that will fall under the same area of influence, in order to internalise cross-border externalities. Moreover, it might be appropriate to reconsider these areas keeping in mind possible overlapping and synergies with the *distritos rurales*, the target areas as defined by the Ministry of Agriculture (SAGARPA, see Section 3.2.1) for their rural development strategy. In the future, a greater role could be played by the scientific community and the market to produce analysis and feasibility studies and several tools could be used in order to assess the micro-regions’ development dynamics, including modelling techniques and the extensive use of geo-referred analysis or Geographic Information Systems (GIS) (see Box 2).

Box 2. The use of GIS for territorial diagnosis

OECD countries are increasingly using the functional region as the unit of analysis of territorial dynamics and implementation of development policies. A particularly useful tool to define and analyse functional areas is the Geographic Information Systems (GIS). The ability of GIS to integrate maps and databases, using the geography as the common feature among them has been useful in the context of planning for development. Functional areas are commonly defined by commuting time and distance, but there also exist a wide array of variables relevant to public service delivery that can be incorporated (education, health, infrastructure, natural resources). Since the optimal size is different for different public functions, a set or pattern of over-lapping maps is made available with the use of GIS and can be used to better define the characteristics and boundaries of a functional region.

A GIS is an organised set of computer software, hardware, geographical, and statistical data designed to capture, store, handle, analyse and display forms of geographically referenced information. Its main ability refers to its integrative characteristics: the capacity to link spatial and non-spatial data sets within the framework of an application. Some of the spatial data typically associated with GIS ranges from the general natural resources (topography, geology, geomorphology and climate); administrative boundaries (division between state, municipalities, villages, protected areas); data on infrastructure (road networks, power lines, water lines, sewage lines); and productive models that can be closely linked to a geographical area (soil productivity, soil erosion, timber growth). Non-spatial data includes the descriptive attributes associated with spatial features: socio-economic characteristics, demography, land use type (for more information, see Batty, Marble and Gar-On Yeh, 1995).

Source: OECD (2003).

3.1.3 Selecting "Rural Hubs": the Strategic Community Centres

Micro-regions are "headed" by localities top-down designed as Strategic Community Centres (*Centros Estratégicos Comunitarios* or CEC). The CEC have the function to concentrate the necessary basic infrastructure for the local population and the surrounding settlements. Authorities expect that these "centres" will be able to help overcome the difficulties linked with the provision of basic services and even foster a concentration of population around them to create larger rural hubs and contain migration towards urban areas.²³ In the process of identification of the CECs, SEDESOL has employed GIS analysis to co-relate socio-economic variables of marginalisation at the level of states, municipalities and localities, as well as other particular spatial variables such as infrastructure and productive models.²⁴ A part from the defined level of marginalisation, the CEC should possess a particular potential to assume local leadership. Therefore, the evaluation that led to their identification considered elements such as dynamism, potential in terms of economic activity, and the ability to influence surrounding areas, such as commercial, cultural, or religious centres.

The definition of the CEC involved several steps. First, a geo-referred database²⁵ was developed describing diverse territorial entities using the National Census information or through *ad hoc* questionnaires. Second, data on infrastructure, education and health-services and supply stores was linked with the diverse territorial entities. A third step was an evaluation of the proposed CEC localities' capability (in terms of infrastructural endowments). The fourth step consisted of analyzing hypothetical influence areas defined by variables related to general natural resources, infrastructure and distance between population centres. Finally, a comparison of the GIS outcome was done with the Inventory Card Files²⁶ and the *ad hoc* questionnaires. The final proposal was analyzed, negotiated and agreed upon by the three levels of government and received the participating institutions' approval. The CECs have the following characteristics:

- Between 500 and 5 000 inhabitants;
- Relatively good year round road accessibility;
- A certain endowment of basic services;
- Strong links with surrounding communities; and
- Strong productive vocations.

Within the 263 micro-regions, 2 966 CECs were selected, around which investment and development policies are organised. The selection of these strategic centres is charged with political implications. On the one hand, being designated a CEC means a community gains a great advantage in terms of future public and private investments and services. On the other hand, the location of the CEC can definitively "cut out" from any development pattern other settlements. The issue is delicate and compels the development of criteria that can be flexible enough to capture territorial complexity, while transparent enough to avoid unequal decisions. To this aim, an analytical exercise will need to be carried out at a certain stage to evaluate the decisions taken, suggest modifications and, overall, develop a formula to be adopted in the future.

3.2 The governance of the strategy

The move towards a place-based rural policy may require changes in the way actors interact at all levels of the Mexican Government. These adjustments concern: 1) the inter-ministerial relations at the

upper level of government; 2) the vertical co-ordination across tiers of government; and 3) the co-ordination and introduction of new forms of partnerships at the local level.

3.2.1 Inter-ministerial co-ordination: who should do what?

The Micro-regions Strategy highlights a very controversial issue in Mexico and in several OECD countries: the co-ordination at the upper-horizontal level (national and state) of sectoral public investments in rural areas. Currently in Mexico there are more than 60 different sectoral programmes belonging to 16 different ministries addressing rural areas (see Annex 1). Through the *Principles for Inter-ministerial Co-operation and Co-ordination* Mexico has opted for a co-ordinative agreement among ministries to introduce a place-based, cross-sectoral approach to rural development.²⁷

The chief of the executive, using his "*poder de convocatoria*", influences the co-ordination and co-operation of Ministries in the MR Strategy. On a more operative level, an *ad hoc* office in charge of inter-ministerial co-ordination has been created within SEDESOL's MR Secretariat. Reportedly, the MR Strategy finds large consensus and co-operation across the federal level. However, resistances within some ministries and possible overlapping will need to be addressed to allow for a successful implementation of the strategy.

Some general resistances relate to the participative approach to rural development exemplified by the MR Strategy. The main contention is that in a context of low local administrative capacity, this would make public spending more inefficient and easy to capture by illegitimate local interests. Moreover, some parts of the administration share the belief that mobile resources and public investment can be better used in fast growing regions, producing greater returns in income and productivity. These critics argue that many programmes directed to remote rural areas are expensive and are not likely to produce results beyond social assistance.

A more specific point that needs to be addressed regards the coordination role that SEDESOL is assuming through the MR Strategy, and in particular its relations with SAGARPA (Ministry of Agriculture). While SEDESOL develops its Micro-regions Strategy, SAGARPA, with its own *Subsecretaría for Rural Development* and within the *Ley de desarrollo Rural*, is also reinforcing the "territorialisation" of its resources. Among the sectoral programmes administered by SAGARPA under the *Alianza Contigo*²⁸ are the programme of Rural Development and the programme of *Direct Assistance to the Countryside* (PROCAMPO). The latter can be defined as a decoupled targeted programme whose main characteristics are the disbursements of payments to eligible farmers, based on the area planted during an historical based period (1991-1993), on conditions that farms (of more than five hectares) use their land for legal agriculture or live-stock production, or for an environmental programme. The decoupled nature of PROCAMPO allows farmers to opt for re-conversion of traditional agriculture to more productive enterprises. To facilitate and to enhance this transition, SAGARPA has set the programme of Rural Development addressing areas of high and very high marginalisation.²⁹

The actions of the two federal entities have many points in common and often insist on the same territories.

- they both acknowledge that traditional top-down approaches and sectoral subsidies to rural areas have not given the expected results and that there is a need for place-based policies which can capture the diversity of Mexican rural areas and respond timely to their new challenges;
- they both bet on local participation and on new mechanisms to mobilise local resources: the *Consejos de Microregiones* or the *Consejos CEC* for SEDESOL and the *Consejos Municipales Rurales* for SAGARPA;

- both put emphasis on the importance of local development agents, called "*residents*" in SEDESOL and "*promotores*" in SAGARPA.

The two federal entities look at rural areas from slightly different angles but their objectives are close. SEDESOL's main goals are poverty alleviation and building a sustainable economic infrastructure, and SAGARPA's main goals are promoting the economic re-conversion and transformation of rural areas. One single recipe for managing such overlapping does not exist but the issue merits attention. Greater emphasis should thus be given towards continuous dialogue and co-operation between the two ministries to avoid the dispersion of resources but to exploit synergies. Beyond a reinforced co-operation at the federal level, efforts could be devoted locally to identify complementarities in micro-regional development projects and, when necessary, towards defining one common development plan, pooling both SEDESOL's and SAGARPA's resources in one single fund. More coherence should be sought between the actions of local bodies involved in the implementation of the respective strategies, envisaging when appropriate:

- the establishment of one single development council, grouping the functions of SEDESOL's and SAGARPA's bodies at both the MR level and the level of the local development poles.
- strengthening the co-operation between SEDESOL's local *residents* and SAGARPA's *promotores*.

3.2.2 Vertical co-ordination: setting targets, incentives and monitoring mechanisms

Vertically, the MR Strategy is managed by the traditional decentralised SEDESOL infrastructure acting in parallel with a series of bodies. The *Comités de Planeación para el Desarrollo Estatal* (COPLADE) are the official instances of co-ordination between the federal government, the states and the municipalities. In order to reinforce the co-ordination of the three government levels a SARP (Subcomité de Atención a Regiones Prioritarias) is also set up within each state, grouping both public officials and representatives from the private and academic sectors. Every year a Regional Investment Programme is agreed upon between the federal government and the state.

Within the SEDESOL's decentralised infrastructure, particularly important roles are played by the State Delegate and the local micro-region representative at the municipal level. Evidence already shows how the quality of these figures can largely determine the efficiency of vertical co-ordination and the effectiveness of the Micro-regions Strategy in a given state. These officials need to possess analytical and managerial skills that will ensure an effective implementation of the Micro-regions Strategy. In addition, they need to be "good politicians", capable of routinely building the necessary alliances among actors with different political affiliations.

Improving co-operation in the most "politicised" states and municipalities is a key challenge. To this aim, all parties need to make efforts but it appears clear that an important element is the willingness of both the federal level and the state and local levels to share the "political capital", or the credit for what is achieved in the territory. Otherwise some authorities will frequently prefer to avoid an involvement in the MR projects, spending instead their resources with more autonomy and visibility.

Introducing incentives and reward mechanisms

The strategy needs to be shared with all actors and parties involved, starting a "co-operative game". Consensus needs to be built and formal and informal alliances formed. This is both a practical and political problem. Consensus is built around a set of gathered evidence, but it is strong political will, and therefore legitimacy, that lies behind central-local negotiations. For example, the fact that most of the academic community agrees that the wide use of subsidies hinders development is not enough to convince local

actors to demand a change of policy. Negotiation implies that the central authorities will have to trade-off some theoretical coherence of policies in order to make them politically acceptable for a wide set of actors. Relevant actors need to have some incentive to co-operate and to allow innovations in the way tasks and resources are distributed. The right balance needs to be found here between the four Cs: Command, Competition, Contracts and Co-operation.

Formally, the MR strategy represents a cross-sector co-ordinative effort between the 12 ministries that subscribe the *Principles for Inter-ministerial Co-ordination and Co-operation*. The *Principles* are in themselves a normative instrument that neither envisage incentives for participation nor impose sanctions for non-cooperative attitudes. The only formal supervisory body for co-ordination is through administrative controls through the Public Function Ministry (SFP). Therefore, the final success or failure of the Micro-regions Strategy may depend largely on the incentives actors might find to co-operate. The introduction of incentives schemes seems particularly important at the state level where it could be included in the signature of the *Convenio Annual* (annual agreement). At the level of municipalities, an important incentive to take part in the Micro-regions Strategy is already present since it brings in the possibility to count on partnerships for investments that would otherwise be sustained by the municipality alone.

A worthy experience pioneered in several OECD countries is the creation of funds to provide incentives for co-operation, but also to start a positive competition among rural areas in the quality of local initiatives.³⁰ An instructive example regarding the use of incentives to favour participation in space-based policies is represented by the Italian experience. In Italy, policy instruments like the Territorial Pacts (now evolving into the PIT – Integrated Territorial Planning), falling under the so-called "negotiated-planning" strategy, have made large use of performance reserves and incentives mechanisms (OECD, 2001) (see Box 3).

Box 3. Setting up premium-like devices: the Italian experience

In 1998 the Italian Government allocated close to EUR 1.5 billion to complete public infrastructure projects in southern Italy. In order to assure the quality of public expenditure, competition was introduced among geographical areas as well as among projects. The rationale of such a funding scheme was, in the first place, to reduce inefficiencies in the general process resulting in misallocation of funds, long procedures, and eventually the non-accomplishment of public works. The second objective was to reduce growth differentials among Italian regions.

After 1998, resource allocation was based on two quotas: 70 per cent of available funds to be pre-assigned to each region; 30 per cent to be set aside in order to finance the best projects regardless of geographical location and applicant administration. In order to minimise controversies, a simple criteria was established to rank projects applying for the premium funds (30 per cent). Indicators favour: degree of maturity, time of implementation, involvement of high technology, environmental impact, assessed need for the structure services, level of consistency, amount of additional cost if the grant was allocated, degree of priority according to the proposing administration.

In the case of the pre-assigned 70 per cent, amounts were set to promote a new kind of vertical partnership among the regional and national levels of government, characterised by negotiation in the selection and evaluation of amounts needed. The process can be summarised by a simultaneous assessment (followed by negotiation) of development priorities for regions between central and regional administrations, where the role of external evaluation commissions is magnified. As a result, several southern provinces saw their expected budget increase between 46 per cent and 90 per cent. However, the highest impact was in the quality of projects themselves: 80 per cent of financed projects had executive plans ready, and up 40 per cent of total funding was allocated in projects completed within a two-year period.

This scheme was afterwards adopted and refined for the allocation of Objective 1 European structural funds (Mezzogiorno Development Plan) providing 10 per cent of total funding as a performance reserve allocation tailored to improve the effectiveness of public administration and the quality of public spending. Regional administrations were set to compete (amongst themselves and among projects) in their capacity to achieve their final objective in terms of physical output; to implement sound implementation mechanisms; and to make multi-annual expending plans (2002-2006). Recognising that such a mechanism was biased strongly towards more experienced regional

administrations the 10 per cent reserve was divided into 6 per cent and 4 per cent with different criteria, and the role of technical assistance was privileged.

Source: OECD Territorial Reviews: Italy (2001).

Setting-up a monitoring and evaluation system

The implementation of place-based policies for rural development gives local actors a starring role. The federal level needs to accompany a progressive local attribution of decision-making power and resources with effective monitoring and evaluation mechanisms, in order to avoid the drawbacks that may emerge in a context of strong devolution of responsibilities. One example are the "rent-shifting wars": local actors investing in similar markets therefore producing a supply that goes beyond existing demand. Another local behaviour that needs to be avoided by careful monitoring is the renegotiation of allocation rules between local governments and private actors. The effectiveness of the strategy needs to be monitored constantly and the results must converge periodically in an overall assessment.

A mix of internal and external evaluation, including reporting, programme review, and cost-benefit analysis is needed to assure efficiency and consistency in the implementation of the MR Strategy. To this extent the already existing evaluation unit, currently acting at the federal level within the general MR Strategy co-ordination, should progressively become the leader of a network of local evaluation units. The creation of such units should be carried out with an initial effort to "decentralise" administrative capacity to be reached with establishing strong links and exchange of personnel between the central and local levels. The evaluating has to be a function of the objectives set in the original contracts. The impossibility of "principals" to establish fully verifiable contracts requires informal cross-cutting to be established vertically and horizontally. The absence of quantitative elements makes evaluating broad policy objectives a difficult task. Therefore, targets and performance indicators should be established in order to allow judging the effectiveness of local governments with fairness and homogenous standards. The effective monitoring and evaluation of the strategy will need to be complemented by the set-up of reward and sanction mechanisms. This will allow for a premium for the best local initiatives and an incentive for the least co-operative/capable actors (see Box 3).

Monitoring and evaluation should also serve the purpose of ensuring transparency and accountability in the implementation of the MR Strategy and avoiding opportunistic behaviours. To this extent, the *Principles for Co-operation* give an important role to the Normative and Operative Working Groups of the Public Function Ministry (SFP). This Department is responsible for the "vigilance of the compliance of the engagements acquired by the Departments" and auditing the exercises of every sectoral programme included in the strategy. At the lower level, the SFP is in charge of creating the Councils for Social Accountancy. According to SFP, these Councils' functions include promoting information gathering on the characteristics and benefits of the strategy; informing the community on the legal aspects; making supervisory visits to the public works sites; informing the community four times a year on the physical and financial advances of the programmes and projects executed within the micro-region; and giving support to the micro-region's citizens when addressing complaints to the superior state level and reporting all irregularities.

3.2.3 Local co-ordination, administrative capacity and leadership

The intended public investment co-ordination mechanisms designed to enhance competitiveness around a *Centro Estratégico Comunitario* are in line with the good practices emerging in OECD countries; local actors joining into different partnerships to achieve economies of scale and scope and to internalise

externalities. However, the co-ordination of different programmes at the local level faces several challenges, including some of the difficulties encountered at the federal level.

Several bodies are involved in the design and implementation of the MR Strategy at the local level. The COPLADEMUN (*Comité de Planeación para el Desarrollo Municipal*)³¹ represents the main traditional institution that sets priorities for development projects and encourages community participation at the local level. The Strategy introduces other new bodies such as the *Consejo CEC* (or *Asemblea Comunitaria*), charged with the definition of investment priorities in each development pole and the *Comité Micro-Régional* set up to insure co-ordination within a given micro-region when more development poles are present. A local development plan listing priorities is elaborated with the assistance of SEDESOL. The plan is prepared by local actors coming together in local planning discussion groups. Financing is then decided upon, keeping in mind the priorities fixed at the CEC level. Great importance is attributed to local participation also in the phases of implementation and control of the good implementation of the strategy through the *Consejos de Contraloría Social*.

The legal framework under which local municipalities are to be encouraged to adopt a contractual and co-operative attitude towards public-investment remains unclear. Field missions have revealed a certain weakness and often absence of those co-operation mechanisms that should nourish the MR Strategy's design and implementation (the *Asemblea comunitaria*, the *Comité de micro-région*, and the *Consejo de Contraloría social*) and the still pervading role of the traditional instances (COPLADEMUN). Moreover, there is little field evidence regarding the role played by the "Councils for Regional Sustainable Development" (CRSD), which according to the *Principles for Co-operation* should become the main channel through which community needs are expressed and prioritised.

Whereas the success of the MR Strategy will largely depend on the effective involvement of all relevant local actors in new forms of partnerships, local participation is often quantitatively and qualitatively underdeveloped. Problems linked with 1) *the electoral law*; 2) *low administrative capacity*; 3) *unfunded mandates*; and 4) *insufficient local participation* seem to continue leaving most of the decision-making power with deconcentrated federal and state representatives, political parties, and often corporative or illegal interest groups. In particular:

1. The role that municipalities should play in this context is key. However, they still feature important weaknesses that risk hampering their effective participation in the MR Strategy. On the one hand, municipal representatives are elected for a three-year period, without the possibility of re-election. The term is too short to put in place a structure capable of understanding the characteristics of the territory or to elaborate and implement a medium-long term intervention. On the other hand, the impossibility of re-election does not constitute an incentive to engage in projects that are not likely to produce results in the short term.
2. The innovative nature of the MR Strategy highlights the challenges linked to the need for improved local administrative capacity and new planning skills. Action is required to strengthen project design and evaluation. At the municipal level, personnel are usually hired by the Mayor in the absence of pre-established organigrammes or local personnel statutes that could ensure certain coherence in the organisation and avoid the dispersion of knowledge and organisational capacity acquired during the previous administration. A major difficulty of finding skilled local personnel is then obviously linked with the very low education levels that characterise most of the population of the MR (28 per cent of the micro-regions' population over 15 years of age is illiterate).
3. The definition of new functions and responsibilities needs to go hand in hand with the allocation of adequate resources on a multi-annual bases. It is thus crucial that the current reform of the

regional planning system considers the possibility of establishing multi-year expenditure objectives that allow for consistent, long-term planning.

4. Another important point regards the importance of local leadership, cultural identity and the involvement of private actors. In a context of often extremely under-developed rural areas, it is important to create a genuine demand for long-term investments rather than a reliance on subsidies or funds for short-term projects. This is helpful since the latter are often irrational and not coherent with local needs and potentials, but more with the interests of local powerful groups. Strong local leadership is crucial to overcome these difficulties. Field missions have shown that local leaders are often the catalysts of successful experiences and play a crucial role to unlock difficult situations and ignite virtuous local development cycles. Moreover, the importance of cultural identity should not be neglected. European experiences under the LEADER projects have proven that rural regions that have managed to improve their situation largely built their success on the capacity to re-compact the social capital of different local entities around a common territorial identity. The commitment of the private sector in the MR Strategy has been, so far, mainly indirect - through philanthropic donations, which under the Mexican fiscal law are tax-deductible – and not through direct investments. This is an important problem. Substantial effort is needed to reverse this situation and achieve the original strategic objective of including private actors as "equals", therefore guaranteeing the mobilisation of additional resources and skills.

3.2.4 Infra-ministerial co-ordination and management

Within the Under-Ministry for Social and Human Development, SEDESOL has put in place a strong general co-ordination secretariat to design and manage the MR Strategy. The general co-ordination for micro-regions controls four main offices charged respectively with: 1) micro-region strategic planning, perspective and background research; 2) the analysis at the micro-region level, enabling the definition of target areas and the identification of the Strategic Community Centres; 3) the co-ordination with the other SEDESOL branches and other federal ministries; and 4) monitoring the effectiveness and coherence of the operations at the local level.

The Ministry has a variety of sectoral social programmes, most of which intervene within the Micro-regions Strategy. The *Sub-Secretaria of Prospective and Evaluation* assesses the coherence of such programmes, undertaking a continuous monitoring and perspective exercise to ensure that overlapping is minimised, synergies exploited and financial resources spent coherently with the overall objectives of the government's social policy. The task is a difficult one and introducing a cross-sectoral programme, such as the MR Strategy, requires a very advanced and sophisticated approach. In particular, the criteria used to evaluate the impact of social programmes need adjustments. Such criteria, traditionally emphasising the "quantity" of beneficiaries, risks to produce an underestimation of the potential of a place-based strategy and to provide a disincentive for the efforts to target sparsely populated areas. Introducing an evaluation system capable of capturing the broader, long-term effect of social programmes would be more appropriate and would allow better appreciation of the MR Strategy's outcomes and its interaction with other programmes. This is a key issue across OECD Countries where particular difficulties are encountered when it comes to assess the long-term effects of regional policy as well as their impacts in fields, such as it is the case for social capital, where reliable indicators are difficult to find.

At the state level, the surveillance on the coherence of SEDESOL's social programmes within the strategy is a responsibility of the micro-region task force working with the SEDESOL State Delegate. At the local level, the micro-regions' co-ordinator and local *residents* are charged with the creation and actual monitoring of the territory's strategy, working closely with SEDESOL's state representatives. Here again

the issue of how to measure locally the effectiveness of the strategy is key and efforts are needed to further refine the indicators used as well as the evaluation procedures. Overall, from the federal to the local levels around 850 SEDESOL personnel are involved in the MR Strategy.

3.3 Moving from the conception phase to the implementation

The rationale behind the MR Strategy is the recognition of the limits of traditional rural development policies. In particular, the new approach acknowledges that on the one hand, assistance policies are not able to trigger long lasting development processes and that, on the other hand, "traditional" competitiveness policies often exclude lagging areas, overlooking their unused potentials and opportunities for development. The Micro-regions Strategy brings in an integrated approach to development, conceived as a mix of social assistance to overcome social emergency and policies for competitiveness to ensure a sustainable economic development.

Introducing the MR Strategy implies, as we have seen, a significant change in the government's approach to rural development: more attention to the least developed areas; a co-ordinated effort among different Ministries and across levels of government; and the involvement of local actors in the definition and implementation of development policies. The policy needs now to move from theory to practice. Actors need to be prepared to assume new responsibilities and to co-operate. Resources should be distributed and spent. Central administration needs to be credible in performing its functions and obligations, setting an example for other actors involved and supplying the necessary technical assistance. The strategy starts providing some initial feedbacks, some quick changes can be made and internal/external criticisms have to be faced.

While consolidating the first design and launch of the strategy, a second phase is now necessary to implement the strategy and produce tangible results. A series of key questions arise around two main areas: **first**, the need to extend the micro-regional approach to incorporate a larger number of developmental concerns *giving more weight to economic competitiveness*; **second**, the need to reinforce and maintain consensus around the strategy and pass *from the mere participation to a "real" partnership* among the actors involved.

3.3.1 From social assistance to productive projects

The immediate objective of SEDESOL is to respond to difficult social challenges, providing those basic services that seem most necessary to guarantee minimum living conditions around CECs. The objective criteria of validation and evaluation of the Local Development Programme is based on flag indicators: for each of the CECs, the stated objective is to reach ten "white flags" or *banderas blancas* (a second set of three white flags is considered as eligible, see Table 3). A *bandera blanca* certifies that a target area has been endowed with a certain level of infrastructure or service.

At the strategy's starting point (2001), the 2 966 CECs were endowed with 9 462 "white flags", meaning on average only three per CEC (out of the 10/13 considered as necessary to insure acceptable social standards). This data gives an idea of the magnitude of the social challenge the strategy intends to tackle. During 2002 – the first year of "real" implementation of the MR Strategy – 1 070 additional white flags were achieved across all CECs. For 2003, the stated objective was to double the quantity of white flags (at least 2 000). At the end of the year, official Government sources report the establishment of an additional 2 372 white flags in the 2 966 CECs.

Therefore, in 2003 there were a total of 1 472 white flags implemented, meaning much less than one per CEC. If a pace of around 2 000 white flags per year can be sustained, the main objective of the MR Strategy will finally take around a decade to be reached. Considering the extremely difficult situation of

the target regions this could be considered as a reasonable time, pointing out however the importance of establishing a framework that can work in the long run. These simple calculations highlight that the MR Strategy operates as a "system action", tackling structural disadvantages. Visible results in the short term will be difficult to achieve, however coherence and continuity could allow the strategy to reach substantial progress in social standards and to set the bases for the target territories' future economic competitiveness.

Table 3. Evaluating progress, the *Banderas Blancas* (White Flags)

White Flag		Criteria for evaluation
1)	Basic service of electricity	When the construction of the electricity plant with the capacity to supply the 100 per cent of demand of work-shops and houses of the locality is completed
2)	Road connected to the state or federal road network	When there is a road for motor vehicles operative during all the year conducting to the state or federal road net-work
3)	Basic educative service	When there is full coverage of the service of basic education for the ECC and its area of influence
4)	Public telephone service	When the service is operative in the locality
5)	Basic health-service coverage	When the service is delivered in a permanent basis and with up-dated equipment according to the definition of official health-care procedures and standards
6)	Water provision	When the construction of the hydraulic plant with the capacity to supply the eventual of 100 per cent of the locality is completed
7)	Basic food-stuffs provision	When service is delivered in a permanent basis in the Diconsa Service Centre, or in at least three private shops or a public market
8)	Sanitary services	When at least 80 per cent of all households dispose of a latrine of the type "dry" and/or the construction of the sewerage and water treatment system is completed
9)	"Solid floor"	When the number of households with concrete floor in the ECC locality reaches the average at the state level according to the data in the federal census of 2002
10)	Public service of computers and internet access	When the connectivity service reaches a minimum of six computers (CCA or equivalent) it is open to the population in general and the agreements of operation and maintenance have been signed with the municipal mayor office; otherwise, when the service is provided by an institution or a third party
Eligible white flags		Criteria for evaluation
11)	Local urban planning	When the Local Development Plan of the population centre is approved by the municipal Council and registered with the participation of the community
12)	Legalisation of Rural Patrimony	When in the municipalities where a ECC is established, the 100 per cent of the land property is certified and registered, and the cases documented where land property in under dispute
13)	Juridical Identity	When the ECC and its area of influence reach 80 per cent of its population its registered and receives its identity code (CURP)

Source: SEDESOL.

Besides the objectives related to the creation of the *piso basico*, or the bases for acceptable social conditions and future economic development of the micro-regions, the strategy identifies a complementary, and for the moment secondary, objective in the "support to productive projects". Here lies a key challenge

since social assistance itself will not be able to trigger sustainable development in these areas. The strategy will need to progressively couple pure social assistance interventions with actions aimed at fostering the competitiveness of target areas and putting in place autonomous revenue sources. This objective is particularly difficult to achieve. If planning and delivering basic infrastructure is a relatively simple task, then setting-up productive projects is a long and complex process characterized by a role change for the State, from provider of goods to "facilitator" of development.

Efforts are further challenged by the incontestably difficult context which developed over the last decades. On the one hand, public initiatives in rural areas had a paternalistic attitude limiting local initiative, on the other hand, relatively high agricultural prices allowed for a minimum of revenue even in the poorest areas. The situation has worsened in the last decade. Rural populations have become even more dependent on public subsidies due to falling agricultural revenues and the introduction of new social programmes. In a similar context, introducing entrepreneurship and a risk-taking attitude is extremely difficult and will require time.

Field visits have confirmed these difficulties. While initiatives aimed at fostering local productive projects are present, they seem scattered, difficult to access for local actors (complex procedures and too many different local and national intermediaries) and of still unproven efficacy. It is therefore crucial that the Micro-regions Strategy, while completing its first phase aimed at bringing basic services, starts developing an appropriate framework for its action towards increased local competitiveness. In particular it appears necessary to act on three concurrent fields:

- a gradual shift of resources towards productive projects;
- the provision of services and technical assistance; and
- Providing support to local development agents.

Financing of productive projects could be reinforced...

As said in the first phase of the MR Strategy, the main objective is to provide basic services. Most of the resources are spent with this aim. Nevertheless, the potential already exists at the local level to start-up productive activities, especially in those areas where the "social emergency" is less pressing. Field visits have revealed in several cases the presence of local actors (often young people and women) bringing project that seem to possess a potential if adequately supported.³² Often land characteristics make possible agriculture but not real commercialisation of products. Decisions should not be taken on the basis of what the land can produce but what the market can buy. Therefore, incentives should be given either to other productive sectors or to the development of niche agriculture markets, and to build links with nature and culture related tourism.

The support to productive projects should also serve to show, symbolically, a paradigm attitude change from the public sector and provide examples that future self-sufficiency is possible. In the short medium term it would be advisable to 1) start devoting progressively, as the *piso basico* consolidates and social assistance becomes less pressing, less budget to infrastructure and more to productive projects; 2) to consider the eventual establishment of "local development funds" where to convey part of the resources proceeding from different Ministries within the MR areas, to be used in the future for enhancing competitiveness; 3) to reconsider the role of remittances (*remesas*) and the importance of monitoring the quantity and destination of these funds into the micro-regions.

...while providing services and technical support...

Any local productive initiative goes through a series of phases (from the recognition of opportunities/needs to the preparation of a business plan and the start-up and development of the new activity), each one requiring a specific set of services and technical support. Resources should be made available to target such needs and organise a local supply of such support services.

The starting point should be the objective to make information accessible to everyone regarding the possibility to start-up and activity and the related public support that is made available in a given community. In this regard, a major role could be played by the so-called *Centros Comunitarios de Aprendizaje* (CCA). SEDESOL is betting on the establishment of such centres as places with a particular vocation for the supply of computer and Internet-related services. Today several CCAs have been established, PC facilities are available to the local population and Internet access has been activated. Thanks to a co-operation agreement with the Monterrey Institute of Technology, special distance education packages are being developed to meet the needs of rural communities.

The potential of the CCAs, in the context of extremely remote settlements, should not be underestimated. In particular, their role should not be limited to filling the "digital divide" and therefore only delivering training courses to the young. Once advanced with the digital alphabetisation of local people, technology should become the tool for the delivery of a wider array of services. In perspective such "local learning centres" could become "local development centres", integrating the supply of training, financial resources and general information to foster local entrepreneurship. They could also become places where information is made available in a transparent way, avoiding the negative role of some intermediaries and co-ordinating the role of local development agents belonging to different federal and state authorities.

...and creating networks of local development agents

Clearly, one person cannot provide all the wide array of services needed in each development pole. However, a local development agent should play a central role in the co-ordination of the local demand and supply of services. Whether he is called "*agente de desarrollo local*" by SEDESOL or "promoter" by SAGARPA, the local development agent plays a crucial role helping the territory design and implement productive projects, acting (together with the *residente*) as an interface and facilitator between institutions at different levels of government. It is a professional figure that needs to possess high professionalism, leadership and commitment. There are not specific academic courses to prepare such a figure that should have sufficient knowledge in several fields (agronomy, sociology, administration, etc.). Experiences are emerging across European universities to set-up specific academic programmes to prepare this professional figure. It would be advisable that SEDESOL develops a co-operation agreement at this aim with knowledgeable Mexican academic institutions.

A local development agent should be seen as an effective manager of local knowledge (both explicit and tacit) accumulated with the aim of both helping the local community and sharing this information with other areas and with higher levels of government. Furthermore, a network of local development agents would allow not only an important exchange of experiences regarding successful and unsuccessful projects, but would also help overcome the sense of isolation that is often at the bases of a certain renunciatory attitude. The exchange of experiences should be facilitated by establishing both formal and informal communication channels between local development agents, between them and the government representatives and with the external world (international community). One of the most advanced experiences that could serve as a model in this sense is the EU LEADER Initiative.³³

3.3.3 From participation to partnership

The MR Strategy is essentially a top-down policy, strongly supported by the President to overcome structural disadvantages of Mexican rural areas. From the definition of the perimeter of micro-regions to the identification of the CECs and the establishment of the objectives of the interventions, all important decisions are taken at the federal level. Local development strategies are defined in consultation with SEDESOL's local "resident". Most probably, in a context of high marginalisation of target areas and little experience at any level of government in territorial development policies, an initial top-down approach to the strategy was the most suitable.

However, the success of this kind of place-based policy will depend highly on the "real" involvement of local actors and the combined use of central and local knowledge. Thus, more space will have to be given progressively to all actors involved in the strategy. Currently, SEDESOL is already making great efforts to implement a consultation process with representatives of local communities in order to verify that the strategy, as it is conceived today, is appropriate and to discuss possible changes in its functioning and objectives. The on-going emerging trend in federal-local relationships could be characterised as one of "participation". SEDESOL's officials are working to frame central-local dialogue mainly through constant relations with local leaders and by systematically collecting information that should allow a better understanding of local needs and opportunities. An example is the on-going *diagnostico situational*, which should make available important elements of analysis by the end of 2003.

A future challenge for central-local relationships is to find the right mix between a top-down and a bottom-up approach, moving from the mere "participation" of local actors to a logic of "partnership". Some of the territories targeted by the strategy may be ready for this shift, for many others this will be an objective to reach progressively, as development will take place and as the territory will start expressing a sufficient local organisational capacity.

Participation, in a first phase, and partnership in a second moment are necessary not only to favour knowledge pooling but also, equally importantly, to build and sustain consensus. The MR Strategy is attempting to build those new forms of negotiation and participation that are peculiar of democracy and that Mexico has been missing for decades. This has entailed the *mise en discussion* of the distribution of responsibilities and resources across the Federation and the attempts to redesign vertical and horizontal relations among and within the different tiers of government. However, programmes like the MR Strategy, aiming at redesigning central-peripheral relations and at reducing structural disadvantages of regions, cannot produce immediate results. In the context long characterised by the paternalistic concession of short term advantages, the new approach presents itself with a less appealing aspect.

The implications of this are substantial and present a serious challenge to the government. Past attempts to reduce individual and regional disparities have been mostly characterised by scattered initiatives to fight poverty and foster local development through the use of direct subsidies, through a sectoral approach that was in line with the authoritarian nature of the federal power. In this context, little use was made of the local actors' knowledge of the design and implementation of regional development strategies. Local actors and the civil society agents represented the parts of a network to be managed and nourished to favour consensus in the following electoral round. In this context, it would be easy to fall into the temptation of a progressive abandonment of structural reforms in favour of more immediate and visible actions.

On the contrary, the government will have to put great efforts into building consensus with social parts around the necessity for structural intervention and around the specific objectives of the strategy. This is a process of consensus building and knowledge sharing (it will be important to this extent to follow the results of the ambitious *diagnostico dituacional*³⁴ currently being completed within all micro-regions) that

will have to be carried out simultaneously at all levels of government setting-up formal and informal participatory means to establish a dialogue and then obtain as much support as possible from public and private actors, political parties and corporations involved. Sharing the "political credit" relative to the results achieved with the strategy will be key. At all levels of government it will be necessary to communicate the positive achievements of the strategy in a way that can give credit to all participants involved in its design and implementation, whatever their political colour is.

In order to build such consensus, now almost three years from the conception of the MR Strategy, it is necessary to start showing some results, at least in a set of regions. The 263 micro-regions will not be able to advance at the same pace. However, it would be appropriate and useful if the territory that possesses the characteristics and the capacity to develop faster is allowed to do so and be presented as a showcase of what the strategy can achieve. If properly managed, this could strengthen consensus around the strategy and create an example for others to follow.

In particular, a call for tender could be organised across micro-regions to select the most entrepreneur on the following bases: a strong local will to share responsibilities and work together (in an association, local consortium or even informal groups) to define local assets and priorities and the presence of a development project that demonstrates sound planning skills. The federal government could support the selected territories by offering 1) more financial resources coming from the Micro-regions Programme; 2) multi-annual engagement; and 3) the supply of technical support to the local development agent. The governing principle of this exercise should be a strong use of incentives and then an internal (within the government) and external (micro-regions' inhabitants and public opinion at large) communications strategy to highlight the success of some areas and diffuse the characteristics of their development trajectory.

The analysis of the most successful experiences will give useful results for a re-assessment of the MR Strategy and will help inform decisions on eventual adjustments to be made regarding objectives, procedures and the respective roles and responsibilities of the actors involved. Such changes will need to be credible and compensatory mechanisms will need to be established when necessary. Partnerships' composition may be revised to increase the role and responsibilities of leaders emerged in the first phase. The relations with the least co-operative actors shall be addressed to find alternative solutions. This may require different skills to be pooled together in order to interpret the performance of the policy and devise modifications. Outside assistance (consultancy) may be required as well.

If the MR Strategy proves to be successful and new co-operation mechanisms work out, the important issue of how to "institutionalise" the policy will arise. This will need to be properly addressed to ensure continuity in the effort to reverse the structural disadvantages of Mexico's most deprived rural areas.

ANNEX 1: Federal programmes targeting rural areas

Table 4. Micro-regions Programmes

1	Ministry of Economy (SE)	Programme "March to the South"	35		Programmes of the National Commission for Arid Areas (CONAZA)
2		Programme for the Promotion of Handcrafts Design (PROADA)	36		Programmes of the Commission for the Regulation Land Ownership (CORETT)
3		National Fund for the Promotion of Social Enterprises (FONAES)	37		Programmes of the National Fund for the Support of Handcrafts (FONART)
4		Financing Micro-entrepreneurship	38	Ministry of Employment (STPS)	System for the Training for Employment (SICAT)
5		Fund of Micro-finance for Rural Women (FOMMUR)	39		System of Economic Support to Internal Labor Mobility
6	Ministry of Transports and Communications (SCT)	Programme for Temporary Employment (PET)	40		System of Economic Support for Employment Seekers
7		Rural Roads (Works by Contract)	41		System of Economic Support to External Labor Mobility
8		Studies and Projects	42		Projects of Productive Investments
9		Rural Telephony	43	Ministry of Health (SSA)	Health-care Element of the Programme "Oportunidades"
10		Programme E-México	44		PROCEDES
11	Ministry of Agriculture, Rural Development, Fisheries and Food (SAGARPA)	Programme for Temporary Employment (PET)	45		Programme for the Health and Nutrition of Indigenous People
12		Programme of Supports for the Agriculture (PROCAMPO)	46	Programme for the Extension of Coverage (PAC)	
13		Programme for the "Alliance for Agriculture"	47		Programme "IMSS-Solidaridad"
14	Ministry of Tourism (SECTUR)	Agreements for the Re-assignment of Resources	48	Ministry of Agrarian Reform (SRA)	Programme for the Regularization of Community Property Rights and Entitling of Parcels (PROCEDE)
15	Ministry of Social Development (SEDESOL)	Programme for the Micro-regions	49		Programme "Hereda"
16		Programme for Productive Opportunities	50	Programme for the Support to Productive Projects of Agrarian Organizations (FAPPA)	
17		Regional Programmes for Areas of Very High Marginalization and Indigenous Areas	51		Programme for the Support to Productive Projects of Indigenous Women
18		Programme of the Youth for Mexico	52		Programme for the Support of Productive Activities for Young Farmers

Table 4. Micro-regions Programmes (cont.)

19	Programme Citizen Initiative 3x1	53		Programme of Authorization and Delivery of Shared Funds
20	Programmes by State Demand	54		Programme for the Women Productive Development
21	Programme of Juridical Identity	55		Programme for the Constitution of Associative Bodies for Rural Production
22	Programme for Research on Local Development	56	Ministry of Environment and Natural Resources (SEMARNAT)	Programme for the Regional Sustainable Development (PRODERS implemented by the National Commission of Natural Protected Areas)
23	Programme for the Attention of Agrarian Workers	57		Programme for the Operation of the Natural Protected Areas (ANPs)
24	Programme for Women Chiefs of Family	58		Programme of the Training Centre for Sustainable Development (CECADESU)
25	Programme of Experts for Action	59		Programme for the Development of Drinking Water Infrastructure and Water Treatment in Rural Areas (Implemented by the National Water Commission)
26	Programme for Capacity Building and Institutional Strengthening	60		Programme for the Prevention and Fight Against Wildfires (Operated by the DGFDSFS)
27	Programme for Social Co-Inversion	61		Programme of Non-Forestry Soils (Operated by DGFDSFS)
28	Programme for the Development of the Indigenous People and Communities	62		Programme for the Preservation and Recovery of Soils (implemented by CONAFOR)
29	Programme for Temporal Employment (PET)	63		National Re-forestation Programme (implemented by CONAFOR)
30	Programme "Oportunidades"	64		Programme for the Protection of the Wildlife
31	Programa VIVAH	65	Ministry of Public Education (SEP)	Educational Element of the Programme "Oportunidades"
32	Programa of Industrialized Milk (LICONSA)	66		Community Education (operated by CONAFE)
33	Programme for Rural Stores (DICONSA)	67		Compensatory Programmes (operated by CONAFE)
34	Programmes of the National Indigenous Institute (INI)	68	Ministry of the Public Function (SECODAM)	Programme for Social Accountancy

Note: Acronyms in Spanish for the names of Ministries and programmes.

Source: SEDESOL (2003).

NOTES

1. This has led some to conclude that urban-rural disparities are the principal source of poverty in Mexico. See Levy, 1994.
2. Figure 1 plots the extreme poverty rate by the share of municipal population in localities of less than 5 000 inhabitants.
3. The economy-wide average diverges from the three low compensation sectors due to dramatic earnings increases in some sectors.
4. Coordinación General del Plan Nacional de Zonas Deprimidas y Grupos Marginados.
5. The Programa Nacional de Solidaridad implemented during the early 1990s, represents an attempt to try and reverse several deficiencies of the top-down approach by giving more importance to local community decisions, and by providing more funds and autonomy to municipalities (Fondos Municipales de Solidaridad). At the height of its application (1994), the programme Solidaridad mobilized close to 0.74% of the Mexican GDP, 60% of which was destined to rural areas. See in particular: “The Role of Different Partners in Spain, United States, Mexico” in OECD, Better Policies for Rural Development, 1996, Paris, pp. 65-80.
6. In particular, the process of decentralisation has not been accompanied by a respective devolution of taxing power: the fiscal gap, i.e. the difference between taxing power and spending responsibilities, is significant compared to other OECD countries, particularly federal ones, and has even increased over the last two decades. See OECD, 2003.
7. Estrategia Nacional de Atención a Microrregiones.
8. (14/02/2001), available at www.presidencia.gob.mx.
9. Centros Estratégicos Comunitarios (CEC).
10. Bases de Colaboración y Coordinación Intersecretarial.
11. Ministry of Economy (SE), Ministry of Transports and Communications (SCT), Ministry of Finance (SHCP), Ministry of Agriculture, Rural Development, Fisheries and Food (SAGARPA), Ministry of Tourism (SECTUR), Ministry of Social Development (SEDESOL), Ministry of Employment (STPS), Ministry of Health (SSA), Ministry of Agrarian Reform (SRA), Ministry of Environment and Natural Resources (SEMARNAT), Ministry of Public Education (SEP), Ministry of the Public Function (SFP).
12. Spanish Acronym for Comité par la Planeación del Estado.
13. This is the case of several micro-regions in the State of Oaxaca where the communities organise through existing coffee farmer organisations; in other cases the component may be ethnical as is the case for the Micro-region of the Tarahumara Baja.
14. Officially labeled after March 2003 as Programa para el Desarrollo Local - Microrregiones.
15. The initial budget for 2002 was MXN 239.2 million (USD 23 million) and latter expanded to MXN 300 million (USD 30 million) (SEDESOL).

16. The maximum amount of federal support under the “3x1” programme is MXN 500 000 (USD 47 000) (see SEDESOL, 2003). For specific cases, and upon previous approval of the Technical Committee, federal support can increase up to 40% of the project cost.
17. See Bases de Colaboración y Coordinación Intersecretarial.
18. See the Law of the Coplade of Yucatán, 2002.
19. According to the Ministry of the Public Function (SFP, former SECODAM): “The point of departure is the respect and autonomy of the population. Within this logic, provided that the Community has some type of formal organization, such organization will to perform social accountancy actions and the functions of Council of Social Accountancy”. See Secodam (2003).
20. The marginalisation index combines the following variables:
 - Percentage of illiterate individuals over 15 years of age, according to the Population and Housing Census carried out by INEGI in 1995.
 - Percentage of individuals living in their private house with no drainage service, according to the Population and Housing Census carried out by INEGI in 1995.
 - Percentage of individuals living in private houses with no electricity, according to the Population and Housing Census carried out by INEGI in 1995.
 - Percentage of individuals living in their private house with no drinking water system, according to the Population and Housing Census carried out by INEGI in 1995.
 - Percentage of private houses characterised by overcrowding, according to the Population and Housing Census carried out by INEGI in 1995.
 - Percentage of individuals living in private houses with soil floors, according to the Population and Housing Census in 1990.
 - Percentage of working population earning less than two minimum wages, according to the Population and Housing Census in 1990.
21. Consejo Nacional de Población (CONAPO). For the methodology used in the definition of marginalisation indicators see “Población de México en Cifras”; available at: http://www.conapo.gob.mx/m_en_cifras/principal.html
22. A few additional municipalities have been added to integrate those territories where 40 per cent or more of the population is indigenous (due to particularly vulnerable conditions of such localities), as well as some municipalities with "Medium" marginalisation from those states that were left out of the strategy.
23. The question whether the CECs can generate an actual change in migratory patterns, attracting new residents from more dispersed rural settlements remains open. Questions related with the ownership of land certainly represent an obstacle to the achievement of this objective. Reportedly, people tend to look for a house near the CEC but then spend most of their time where they own land to cultivate. This aspect will require further reflections and policy action
24. The GIS has been used also for 1) the definition of coincidence between the municipalities covered by the National Council of Arid Areas (CONAZA); and 2) the Micro-region; and the co-relation between Mountain localities and marginalisation.

25. For more information, see Ricardo Pérez Schechtel (2003).
26. In situ infrastructure data.
27. See “Base Primera” in Bases de Colaboración y Coordinación, 2001).
28. Alianza para el Campo para la Reconversión Productiva ; Integración de Cadenas Agroalimentarias y de Pesca ; Atención a Factores Críticos y Atención a Grupos y Regiones Prioritarios. Complete programme rules of operation available at www.sagarpa.gob.mx
29. The Rural Development Programme integrates three different sub-programmes oriented to support projects of rural investment (PAPIR), mainly through the acquisition of capital goods and productive re-conversion integrating value-added to primary industries. A second sub-programme (PRODESCA) aims at enhancing the capacity of producer associations to identify productive opportunities, as well as develop the capacity to articulate business projects through subsidizing the delivery of professional and independent technical assistance and consulting services to the producer associations or individuals. A third sub-programme (PROFEMOR) aims at incorporating local producers to up-stream and down-stream chains.
30. Whether these mechanisms can be built around the conditional fund structure of the “Ramo 22” for Social Development or other resources remains to be determined.
- 31.
32. In each of the three micro-regions visited during the field missions (Ixtepec, El Porvenir and Xichu) there were interesting projects for productive activities based on local natural resources or traditional skills.
33. For more information regarding the role of the Leader Observatory in the animation of a network of around 1 000 rural areas, see http://europa.eu.int/comm/agriculture/rur/leaderplus/index_en.htm.
34. In order to improve the quantitative and qualitative information available in the CECs the MR strategy integrates an ad hoc information system the SIBCEC (Sistema de Información Básica para Localidades CEC). The system is key in helping the Government monitor the developments in the strategy’s target areas and adapt policies and specific interventions.

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