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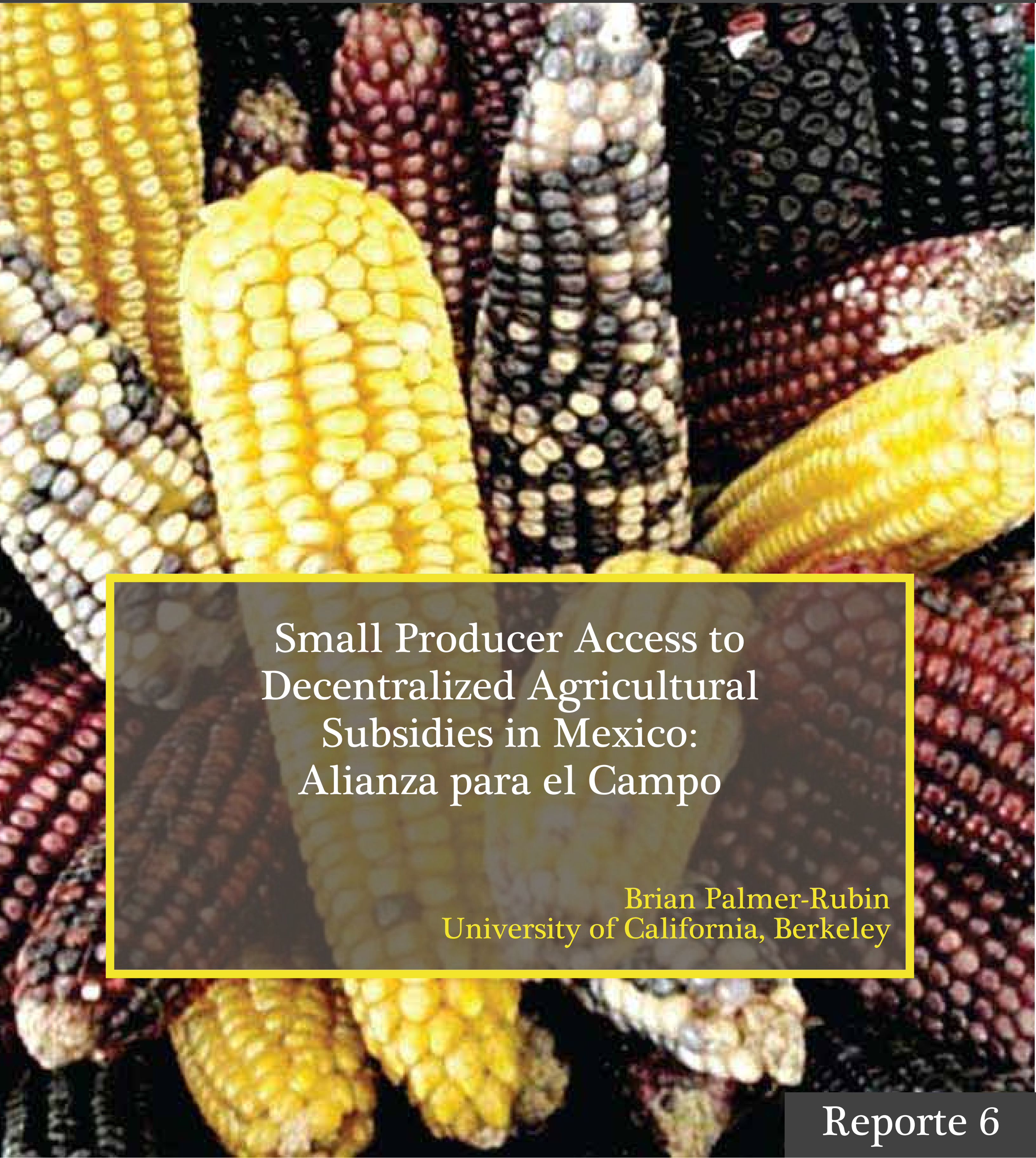

Small Producer Access to Decentralized Agricultural Subsidies in Mexico: Alianza para el Campo

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I. Introduction

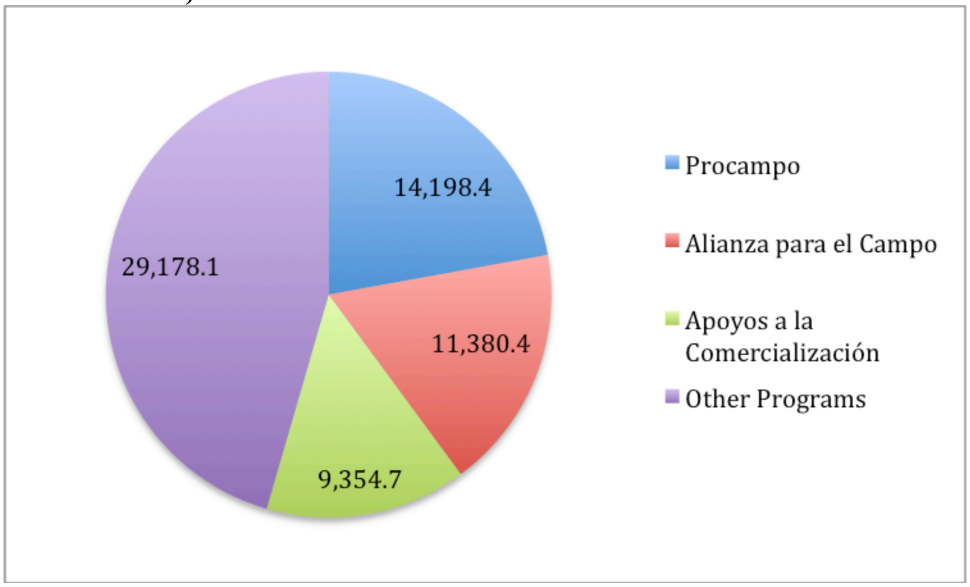
Alianza para el Campo (Alianza) is a Mexican agricultural support program that is largely administered by state governments. Alianza's subprograms are designed to support farmers in making a wide variety of types of investments to improve agricultural production and increase rural employment, including purchasing machinery such as tractors, constructing facilities for storage or processing of products, acquiring supplies such as seeds, chemicals, or stud animals, or hiring agricultural experts to help increase productivity.[1] As shown in Graph 1, *Alianza* constitutes the Mexican government's second largest agriculture program, following only Procampo.

Procampo and Alianza are very different kinds of programs. Procampo is a formula-based program that rewards a broad population of producers yearly with an amount of money determined by a strict equation, based on the number of hectares of land that they maintain in production. Alianza is a project-based program that requires beneficiaries to submit applications for matching funds that provide partial subsidies for individual producer investments. Procampo funds, in contrast constitute a direct transfer to farmers with no requirement for how the money must be spent.

Alianza funds are specifically designated for projects that increase agricultural productivity and, in the case of the *Desarrollo Rural* (Rural Development) subprogram, generate rural employment. The federal government administers Procampo, excluding state governments from practically all elements of the program. State agricultural ministries administer Alianza programs, and delegations of the federal agricultural ministry (Sagarpa) within each state collaborate closely in program administration.

[1] Through an administrative restructuring of Sagarpa 2008, Mexico's agricultural ministry, the name "Alianza para el Campo" was abandoned and the decentralized agricultural support programs were renamed and reassigned under different sectors of Sagarpa. On the whole, the subprograms continued functioning in much the same way as before 2008, although I discuss a few changes that were implemented with the new Rules of Operation. Table 1 explains the reorganization of the programs. In this report, I use the name "Alianza" to refer to decentralized agricultural subsidy programs, mostly focusing on the programs that are today named "Adquisición de Activos Productivos" and "Programa Soporte."

Graph 1: Largest Agricultural Support Programs in 2008, by Size of Budget (Millions of Mexican Pesos)



Source: Sagarpa budget information on the Mexican Treasury website: <www.apartados.hacienda.gob.mx>, last accessed December 10, 2009.

This study addresses three characteristics of Alianza: first, the official criteria for distribution of economic resources—among states, among subprograms, and among applicants. Second, the study addresses factors that influence the degree to which poor producers have access to these resources, focusing on the most acute obstacles to accessing funds. Third, the study also addresses a cross-cutting issue: the degree of transparency of the planning and implementation of Alianza at different levels of government. In addition, the study addresses the approximately eighty percent of Alianza's budget that is controlled by state governments. The other twenty percent is spent by Sagarpa on federal priority projects that follow a different administrative protocol from the programs described here. Most Alianza programs fall within four sectors: agriculture, livestock, fishing, and "rural development," (*Desarrollo Rural*). This study focuses in greatest detail on the last program, which is the only one specifically designed to generate rural employment and alleviate rural poverty.

In contrast to Mexico's federally-managed agricultural programs, such as the well-known Procampo farm subsidies, Alianza's decentralized design introduces distinct challenges related to both the effectiveness and transparency of program implementation. In terms of effectiveness, decentralized programs are highly sensitive to the dynamics of cross-agency coordination. According to World Bank consultant Caballero, a lack of effective coordination among federal level agencies on rural development projects introduces inefficiencies that trickle down to the federal-state interface:

> *Lack of horizontal coordination at the federal level complicates vertical coordination between federal and state governments, and hence effective decentralization, because state governments must deal separately with each federal program authority. It is very difficult for state governments to design coherent (rural development) strategies under these circumstances* (Caballero 2006: 224).

This problem affects Alianza. In addition, frequent national changes in Alianza program rules have interfered with the ability of state agricultural ministries to engage in long-term planning. The most recent reorganization of Alianza that took place in 2008 is still in the process of being implemented, and has undermined progress toward program goals. For example, Chiapas' agricultural ministry staff explained that they are still adjusting to new requirements for distinguishing among different categories of applicants and for submitting reports and financial indicators to Sagarpa.

An indicator of the lack of coordination is the delay in the conclusion of the 2008 fiscal year programming. Sagarpa officials interviewed in August 2009 complained that many states had not paid out large portions of their 2008 program funds under Alianza because of delays in the processing of applications and reimbursement checks. Inefficiency in implementation is a common problem for decentralized social programs, a finding of the World Bank's report Decentralized Service Delivery for the Poor, which concludes that the "detailed and usually delayed federal regulations on the use of funds seem to have the primary effect of making project execution difficult and inefficient" (World Bank 2006: xxiv-xxv). In the case of Alianza, these types of delays not only interfere with long term rural development planning. They also result in a significant financial hardship for producers who suffer to make ends meet while awaiting their reimbursement checks for costly capital investments.

The second key factor that is affected by Alianza's decentralized design is transparency. This study corroborates the findings of a World Bank review, which concluded that an overly complex framework for allocating federal resources hinders the transparency of decentralized development programs (2006: xxv). Requirements for program planning and allocation of resources for decentralized rural development programs are particularly cumbersome because decision-making requires collaboration among personnel at the federal, state, and municipal levels of government. Indeed, Municipal Councils for Sustainable Rural Development (*Consejos Municipales de Desarrollo Rural Sustentable*, CMDRS) are largely ineffective, according to state and federal officials interviewed for this report. Delays in budgeting and review of applications for funding often lead state agricultural officials to treat these municipal councils as a rubber stamp or to bypass them altogether.

This lack of coordination negatively impacts transparency in the allocation of funds. The lack of transparency appears in both the process for making decisions about which types of projects to prioritize and in the evaluation of applications. As Caballero (2006: 226) points out, this opacity prevents potential beneficiaries from accessing important information about the programs:

> *Multiplicity and overlapping of programs, complexity of operation rules, and frequent changes in program characteristics and eligibility criteria, make it difficult for beneficiaries and even for program operators and sub-national authorities to be aware of the available government offer of (rural development) support. Potential beneficiaries have to rely on information from intermediaries who may not understand well the norms and may have their own agendas. This reinforces clientelistic ties and discriminates against those with less access to information.*

Furthermore, once applications are submitted, the process for determining which projects to fund is very nontransparent. A committee made up of representatives of Sagarpa and the state agricultural ministry scores applications and decides which to fund, but the decision-making criteria are generally unknown by the general public. Alianza's Rules of Operation include criteria for scoring applications, but this scoring system is rarely heeded, according to representatives of Sagarpa and the FAO team in charge of evaluating Alianza.

To summarize, this paper seeks to answer three basic questions about Alianza:

1. Who gets the money? More specifically, what proporation of the money goes to the poorest states and the poorest people?

2. For those who don't get the money (especially poor people), what stood in their way?
3. How transparent is the process of distributing the money?

Methodology

To approach these questions, this report employs three methods of collecting data:

First, information about program design and implementation was gathered though institutional analysis, which included an interpretation of the Rules of Operation for Alianza and other official Sagarpa documentation, analysis of program evaluations by the Food and Agriculture Organization of the United Nations (FAO), and interviews with personnel of the Sagarpa in Mexico City and the Sagarpa delegation and state agricultural ministry of Chiapas.

The second element of the research included a statistical analysis of a database of applications for support under Alianza's Agricultural Support (*Fomento Agrícola*) and Rural Development subprograms in Chiapas in 2008. By analyzing over 35,000 applications for support, including both accepted and rejected applications, conclusions are reached about spending priorities and about which sectors of the population encounter the most obstacles for access to funds.

The third research method entailed interviewing small-scale corn and coffee farmers in Chiapas, including both recipients of Alianza funds and non-recipients. The goal of these interviews was to reveal factors that influence producer access to these resources in practice, leading to intuitions about the benefits of applying as a member of a group rather than individually, the bureaucratic requirements for applying, and the financial requirements for accessing support from Alianza.

Principal Findings

The main findings of this report are summarized in the following bullet points:

- Sagarpa's system for allocating money to the states through Alianza has been inconsistent and unpredictable, inhibiting long term development planning.

- Alianza does not favor low-income producers. The criteria for allocating funds to the states is regressive, favoring higher producing, lower poverty states. While some low-income states do nevertheless receive substantial Alianza funding, there is little evidence that low-income producers within those states receive a significant share of those funds. In fact, several aspects of program design prevent the most marginalized populations from accessing Alianza's resources.

- The criteria for determining federal distribution of funding to states are often determined more by a process of political negotiation than by a consistent development strategy.

- State governments enjoy great discretion over how they allocate Alianza funds to different projects. This discretion is reinforced by a lack of transparency in budgeting and in the procedures for evaluating applications, which inhibits program effectiveness and creates opportunities for diversion of funds to patronage.

- The program's threshold for defining small-scale farmers (owners of less than 20 hectares of farmable land) is high and therefore includes middle-income producers in this category. Even the Rural Development subprogram, the only one in Alianza that specifically claims to favor low-income producers, adopts this criterion. Because the category combines low and middle-income producers, it is difficult to use official program data to assess the degree to which even this subprogram reaches the poorest producers, many of whom farm less than five hectares of land.

- However, recent analysis by the World Bank and John Scott shows that even the distribution of Alianza's ostensibly most "pro-poor" subprogram, Desarrollo Rural, is highly regressive. For example, nationwide in 2004, 55 percent of Desarrollo Rural funds went to the richest producer decile, violating official targeting criteria (World Bank 2010: 59, Scott 2010). This finding suggests that the official distribution criteria that are designed to direct a minimum share of program funding to lower income producers are not respected in practice.

- Field research in Chiapas indicates that with few exceptions, poor farmers are only able to access support from Alianza if they apply as members of cooperatives or producer organizations, and still encounter serious obstacles in the group application process. Applying as a group rather than individually helps alleviate the following challenges for poor applicants:

    - Many producers are excluded from receiving Alianza funds because of the high upfront financial burden that exists because the funds are paid out as a reimbursement for investments already made. Groups of producers can more easily access credit to afford these expenses.

    - The application process is highly bureaucratic, making the program inaccessible for many farmers. Groups of producers often hire technical consultants to help them to gather the required documents and fill out the complicated application.

    - Indigenous applicants face even greater obstacles than other small-scale farmers for two reasons: they often do not speak Spanish, making the application process even more daunting; and they are more likely to farm communally held land. However, individual land titles are often a requirement of applying for Alianza and are needed to use as collateral for the bank loans that are often needed to make the upfront investment required to access Alianza matching funds. Legally constituted groups of producers can apply for Alianza programs and access credit with a certificate for communally held land.

Research Outline

This report begins at the national level, with a description of the Alianza program's structure, followed by state and local level analyses. Following the national program discussion in section two is an analysis of how resources for decentralized agricultural support programs are allocated from the federal government to the state governments (section three) and how state-level agriculture ministries determine spending priorities (section four). Section five addresses the formal criteria for targeting different types of resources to different types of producers, describing the extent to which official mechanisms are designed to channel support to poor rural populations. Sections six and seven use Chiapas field data to document examples of ways in which the implementation of Alianza deviates from its design. Section six uses data on applications submitted and the success rates of different types of producers to evaluate budgetary distribution on the state level. Section seven relies on interviews with low-income corn and coffee farmers in Chiapas to uncover some of the factors that condition the access of poor producers to the resources of Alianza and related programs. The document also includes three "boxes" which provide empirical examples of aspects of the program that are analyzed in the report.

II. Program Design

Alianza para el Campo was launched in 1996 with the stated goal of improving the economic situation of farmers, ranchers, fishers, and other rural populations through matching funds that would help them to make productive investments. In the words of then-president Ernesto Zedillo, Alianza's goals were to "aumentar progresivamente el ingreso de los productores, incrementar la producción agropecuario a una tasa superior a la del crecimiento demográfico, producir suficientes alimentos básicos para la población y fomentar las exportaciones de productos del campo."[2] Zedillo explained the means by which Alianza would seek to achieve these goals: "facilitar el acceso a nuevas tecnologías, fomenter la capitalización del campo y promover la calidad de sus recursos humanos a través de la capacitación."[3]

Alianza provides funds for these different types of producers to improve their productivity by making capital investments in machinery (tractors, irrigation systems, boats) or equipment to support value-added production (storage, packaging, processing), or by hiring consultants to assist with project design and implementation. The bulk of Alianza's projects are not targeted to any specific type of producer. Rather, each state is required to set aside a certain proportion of funds for producers of different levels of capital (defined in terms of number of hectares of land or heads of livestock). Therefore, the operating goals of Alianza are both to improve the conditions of poor farmers and to improve the productivity of large-scale farmers which tend to produce more under more profitable conditions. One of the subprograms of Alianza, Desarrollo Rural (Rural Development) is designed specifically for poor rural populations, however, and it funds a wider variety of projects that the Agricultural Support program, including measures to generate rural employment in non-agricultural sectors.

Box 1: FAO Evaluations of Alianza para el Campo

Since 1999, the Mexico delegation of the Food and Agriculture Organization of the United Nations (FAO) has carried out yearly evaluations of Alianza. These evaluations, contracted by Sagarpa, address program design and the success of Alianza in meeting its stated objectives. FAO evaluations have focused on several different aspects of Alianza, including "Evaluations of Program Design," "Evaluations of Consistency and Results," and "Yearly Evaluations of Subprograms: *Fomento Agrícola, Fomento Ganadero, Desarrollo Rural*"[4]

The FAO evaluations team has encountered several obstacles. Most fundamental, the lack of consistent and well-defined objectives for Alianza's programs prevents the FAO from establishing clear criteria for their evaluations. A 2009 meta-evaluation carried out by the FAO along with the CEPAL, the World Bank and IICA summarizes these challenges:

"*Another challenge in evaluating Alianza, in terms of methodology, was the multiple forms of intervention of this program, which provides a wide variety of types of support, including both public goods and private goods in the fields of agriculture, livestock, fishing, and non-food producing sectors. In*

[2] Speech by then-President Ernesto Zedillo, Los Pinos, Octuber 31, 1995, cited in FAO, Informe de Evaluación de Consistencia: Diseño, October 2007, p. 3.

[3] *Ibid.*

[4] A complete list of FAO evaluations is available at <http://www.fao-evaluacion.org.mx/pagina/informe-evaluacion-programas>, last accessed January 10, 2010.

fact, up until 2003, Alianza's organizational design, legal framework, and types of support programs changed yearly" (CEPAL, et al. 2009: 22).[5]

The evaluation process is further hindered by a lack of access to Sagarpa documents, statistics, and personnel, despite the fact that the FAO is hired by Sagarpa to carry out these evaluations. According to Leonardo Pérez Sosa, head of the FAO evaluations team for Alianza, Sagarpa and state agricultural ministries often fail to provide data about program budgets, applications received and beneficiaries to the FAO (interview, Mexico City, July 27, 2009). This is particularly troubling given that much of this data is compiled in an online database (called SISER, *Sistema de Información del Sector Rural*) to which the FAO is generally not given full access. As a result of data limitations, many of the indicators used by FAO evaluations are derived from less precise sources, including aggregate data on rural development or surveys of potential beneficiaries. Another drawback to the process is the timing of the evaluations cycle; FAO evaluations of yearly Alianza implementation begin in August of each year, preventing the evaluations team from accessing complete indicators of program impact.[6]

Having acknowledged these shortcomings to the evaluation process, FAO evaluations have pointed out several aspects of Alianza that prevent it from fulfilling its stated objectives. A series of FAO reports have criticized Alianza for a lack of long-term planning, insufficient coordination between Sagarpa and state agricultural ministries, and an overly bureaucratic design. (See, for example, *Alianza para el Campo: hacia una nueva etapa*, 2007 and *Evaluación de Diseño del Programa para la Adquisición de Activos Productivos*, 2007.) These aspects of program design result in an inefficient allocation of resources, delays in program implementation, and decreased accessibility of Alianza, especially for poor producers.

FAO evaluations have also criticized Alianza's budgetary distribution. They have recommended that Alianza could more efficiently promote rural development by improving the mechanisms by which they target beneficiaries. They point out that the cutoffs between small-, medium-, and large-scale farmers determined by Sagarpa are inappropriate for the farming populations of several states (FAO, 2007, *Informe de Evaluación y Consistencia: Diseño, Alianza para el Campo*: p. 29). Ineffective program targeting leads to an inefficient allocation of resources: "While the potential beneficiary population is in effect "reached," the lack of targeting mechanisms and definition of the target population results in public resources frequently replacing private resources for investment" (*ibid.*: 35).[7] Consequently, FAO evaluators repeatedly suggest that more Alianza funds be allocated to public goods that improve rural agricultural infrastructure and facilitate improved profitability through vertical integration rather than exclusionary private goods. Seventy-six percent of programs funds from 1996-2007 were spent on private goods (capital) for producers, 95 percent of which is used in primary production—such as tractors, irrigation systems, and genetic materials (CEPAL, et al.: 21-22).

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[5] "*Otro reto que presentó la evaluación de Alianza, en términos metodológicos, fue el carácter múltiple de tratamientos de este Programa, que otorgaba una amplia gama de tipos de apoyo, tanto de bienes públicos como privados, ya fuera en el ámbito agrícola, pecuario, pesquero y acuícola, como en el no agropecuario. De hecho, hasta antes de 2003, Alianza cambiaba cada año, tanto en su diseño como en su normatividad, y modificaba también los conceptos de apoyo otorgados*." Translation by author of this report.

[6] For a summary and critique of the FAO evaluation process of Alianza, see report carried out by the Grupo Interagencial de Desarrollo: CEPAL, FAO, IICA, and World Bank. México: Evaluación de políticas rurales. Tendencias teóricas y lecciones de la experiencia. Mexico: March, 2009, 22-25.

[7] "*Si bien la población potencial es en efecto 'atendida', la falta de mecanismos de focalización, y por lo tanto de definición de la población objetivo, hace que con frecuencia los recursos públicos sustituyan a recursos privados en la capitalización*." Translation by author of this report.

One can draw two main conclusions from the FAO evaluations process. First, these evaluations broadly criticize Alianza for insufficient planning and implementation, resulting in a suboptimal distribution of resources. Second, shortcomings in Alianza's transparency and inter-agency coordination—particularly between the federal and state governments—undermine the evaluations process itself.

Alianza's Subprograms

Up until 2008, Alianza was one of 55 programs operated by Sagarpa. Alianza encompassed almost all of Mexico's decentralized agricultural support programs, which were organized into four main subprograms based on sectors: *Fomento Agrícola* (agriculture), *Fomento Ganadero* (livestock), *Fomento Pesca* (fishing), and *Desarrollo Rural* (rural development). In 2008, Sagarpa underwent a process of reorganization that established eight broad programs, each of which encompassed several subprograms that were dedicated to the same type of function. Alianza's subprograms were reassigned under the rubric of the new federal programs without any significant alteration in their functioning. Those programs of Alianza that had provided support for capital investments were reassigned to the umbrella *Programa de Adquisición de Activos Productivos* (PAAP). Programs that had provided funds for hiring technical experts to improve production techniques were grouped under the *Programa de Asistencia Técnica y Capacitación* (Programa ASTECA), under the umbrella Programa Soporte. Programs that had supported the formation of rural organizations were reassigned to the umbrella *Programa de Fortalecimiento a la Organización Rural*. Table 1 describes the largest subprograms that operated in rural areas that were part of Alianza and their new names that were established under the 2008 rules of operation.[8]

[8] Alianza subprograms not included in Table 1 are: *Programa de Sanidad e Inocuidad Agroalimentaria, Programa del Sistema Nacional de Información para el Desarrollo Sustentable* (SNIDRUS), *Programa de Acuacultura y Pesca*, and the *Programa Fondo de Estabilización, Fortalecimiento y Reordenamiento de la Cafecultura*.

Table 1: Selected Subprograms Under Alianza para el Campo

Name of Subprogram		Activities	New Name, starting 2008
Fomento Agrícola (Agricultural Support)	*Fortalecimiento de los Sistemas Producto* (FSP)	Supports organizations of producers in the creation and consolidation of "*sistemas producto*" (production chains)	*Programa de Fortalecimiento a la Organización Rural*
	Fomento a la Inversión y Capitalización (FIC)	Provides resources for capital improvements for agricultural production	*Activos Productivos-Agrícola*
	Investigación y Transferencia de Tecnología (ITT)	Supports research and transfer of technology in accordance with the needs of production chains that are prioritized in each state	*Programa Soporte-Investigación, Validación y Transferencia Tecnológica*
Fomento Ganadero (Livestock Support)	*Desarrollo Ganadero*	Supports conversion of land for producing feed crops, improving the efficiency of livestock production, investment in systems for storage and transportation, and genetic improvement.	*Activos Productivos-Ganadero*
	Desarrollo de Proyectos Agropecuarios Integrales (DPAI)	Funds to improve livestock production units through technical assistance, training, and technology transfer to create production chains.	*Programa de Fortalecimiento a la Organización Rural*
Desarrollo Rural (Rural Development)	*Apoyo a los Proyectos de Inversión Rural* (PAPIR)	Supports investment in capital to improve production chains to promote value added, create microenterprises, generate employment, and facilitate access to credit for low-income populations.	*Activos Productivos-Desarrollo Rural*
	Desarrollo de Capacidades en el Medio Rural (PRODESCA)	Improves human capital by funding training for producers in technical knowledge and financial procedures; improving access to professional services, especially for training and developing capacities.	*Programa Soporte-Asistencia Técnica y Capacitación*
	Fortalecimiento de Empresas y Organización Rural (PROFEMOR)	Supports producers in integrating themselves into production chains, including institutions for added value, accessing rural financial services, strengthening state and municipal rural development councils so they are better equipped to support producer organizations.	*Programa de Fortalecimiento a la Organización Rural*

III. Formal Criteria for Budgeting at the National Level

Alianza's Rules of Operation make a clear distinction between programs that are operated by states ("*ejecución federalizada*" under Alianza or "*Modalidad 1*" under Activos Productivos) and those that are operated by the national Ministry of Agriculture ("*ejecución nacional*" and "*Modalidad 2*"). Decentralized programs represent the majority of the funds of these programs. At least 80 percent of the program funds must be reserved for the decentralized Modalidad 1, under the Rules of Operation of Activos Productivos (2008). This report focuses primarily on these decentralized programs.

Federally executed programs (*Modalidad 2*) are those that the Sagarpa determines to be national or regional priorities, as identified by the *Comité Técnico Nacional* (National Technical Committee). According to Miguel Ángel López of Sagarpa, federal Alianza programs often support producers in more than one state and thus extend beyond the reach of any one state's jurisdiction. López cited four priority projects for operation under *Modalidad 2* of PAAP in the agricultural sector: irrigation systems; mechanization, such as tractors and other farming machinery; developing systems for added value such as packing, selection, storage, and transportation of products; and production in greenhouses. These programs tend to be targeted to specific groups of producers and have their own systems for submitting applications. Federal Alianza programs do not typically take place under the same timeframe as state programs and state programs reach a much higher number of producers.

The budgeting process for decentralized Alianza programs begins on the national level in allocating different amounts of funds to different states with loose guidelines on how that money must be spent. On the state level, different executing bodies coordinate to determine how much of the budget should go to different subprograms and to different types of producers Table 2 gives a broad overview of the yearly budgetary allocation process that is described in more detail in the rest of this section.

Table 2: Steps in the Yearly Budgetary Allocation Process

Budget Process	Decision Makers	Where the Money Goes
Initial allocation to Sagarpa as part of the *Programa Especial Concurrente*	Congress	Sagarpa budget
Determination of Alianza budget for each state under Modalidad 1 determined by *Formula de Asignación de Recursos Federales a las Entidades Federativas*, (ROP 2003: 137; see Table 3).	Formula negotiated in Congress in consultation with Sagarpa and state governments	Funds transferred to *Fideicomisos Estatales de Distribución de Fondos* in accordance with rules established by Mexican Treasury (*ibid*.: 137).
State agricultural ministries and personnel of state Sagarpa delegations collaborate on the design of *anexos técnicos* earmarking resources for specific subprograms and strata of applicants (*ibid*.: 138)	State Rural Development Councils, made up of representatives of state agricultural ministries and Sagarpa	
Receive applications and determine which ones to fund based on scoring criteria established by Sagarpa (*ibid.*: 140-41).	Technical Committee of State Alianza Trust (*Comité Técnico del Fideicomiso Estatal*)	

Allocating Money to the States

The process for determining the amount of federal Alianza funds allocated to states for agricultural investment has varied almost every year since the program's inception. Up until 2007 the distribution of funds between the states was determined by a formula which was renegotiated within the Congress each year. This formula would award funds based on several different characteristics of states, including their levels of agricultural productivity, poverty levels, number of potential beneficiaries in the state, and demographic considerations, such as the indigenous proportion of the population, or the proportion considered rural (those living in communities of less than 2,500 habitants).

Distributional formulas changed significantly from year to year, making it difficult for state agricultural ministries to establish long term rural development plans. According to Octavio Jurado, Director of the Mexican Association of State Agricultural Ministers (*Asociación Mexicano de Secretarios de Desarrollo Agropecuario*, AMSDA) and former Agricultural Minister of the State of Mexico, these fluctuations in criteria and in funding levels made it very difficult for state governments to make long term rural development plans because they would not know how much money to expect from one year to the next (interview, June 26, 2009). Moreover, the extreme complexity of the formulas makes it very difficult for external observers to assess what Alianza's actual resource allocation priorities are.

The formulas, which generally consume about two full pages of text, are published yearly in the *Diario Oficial de la Federación*. Table 3 summarizes the factors and their weights for three different funding formulas: 2001, 2003, and 2005.

Table 3: Deciphering Formulas for Assigning Alianza para el Campo Resources to the States

Year	Components of Formula	Interpretation
2001	• Equality Component o Proportion of state GDP dedicated to agriculture o State rating on Global Poverty Index o Number of agricultural producers inscribed in Procampo o Percent of previous year's agricultural GDP spent by state as Alianza contribution • Stimulus Component o Percentage of previous year's state Alianza budget contributed by the state government	Equality component rewards states that have high poverty levels and that devote a large proportion of their state spending to agriculture. Stimulus component rewards states that fulfilled the *pari passu* requirement of contributing 35% of the program budget in previous year and incentivizes larger contributions.
2003	• Desarrollo Rural Component o Number of residents living in localities of fewer than 25,000 habitants o Number of farms o Size of indigenous population • Agriculture Component o Percentage of total national irrigated hectares in the state o Percent of total national non-irrigated hectares in the state o Value of previous year's agricultural budget • Livestock Component o Heads of livestock o Value of previous year's livestock production • Efficiency and State Participation Component o Percentage of previous year's state Alianza budget contributed by the state government o Percentage of previous year's budget spent by the end of the previous year	*Desarrollo Rural* component rewards states with larger rural, poor, and indigenous populations. Agricultural component rewards states based on the percentages of national irrigated land and non-irrigated land and based on the value of its agricultural production. Livestock component rewards states with the most livestock and the most profitable livestock industries. Efficiency component rewards states that fulfilled the *pari passu* requirement of contributing 35% of the program budget in previous year and rewards larger contributions. State participation component rewards states that allocate a greater percentage of program funds by the end of the fiscal year, avoiding administrative delays.
2005	Same components as 2003 formula, but with one added factor to the "Efficiency and State Participation Component": o Percentage of total Alianza budget in the state that the state government	State contribution commitment reward adds more weight to the state contribution and assures that states are rewarded for funds assigned in the current year as well as the previous year.

	commits to pay for the current year.	
2008	Average of the percentages of federal Alianza budget allocated to each state for the 2003-2007 years.	Assures greater stability in funding levels from year to year, but no longer includes budgetary incentives for the state contributing its own part. Rather, Rules of Operation starting in 2008 stipulate that the federal government will not deposit its contribution into the FOFAE until the state has contributed 35% of the established budget for federalized programs.

Is there a detectable trend in the changes in the formula for distribution to the states? There appears to be a slight regressive trend, increasingly favoring states with more productive agricultural sectors and larger state budgets. In every year, states whose agricultural sectors make up an important part of their economies and employ a large portion of their populations are favored. In all three years observed here, factors rewarding poorer and more marginalized states (poverty level, indigenous population, proportion rural population) were canceled out to a large extent by the factors rewarding states with higher levels of agricultural productivity. The later formulas (2003 and 2005) placed a higher premium on two factors that the 2001 formula did not: value of agricultural production and the extent to which states contributed to the overall Alianza budget.

The more general finding is that federal allocation of Alianza funds tends to be regressive, favoring states with wealthier rural populations and more profitable agribusiness sectors. This finding corroborates the conclusion of a World Bank report on service delivery for the poor that states: “On the whole, according to a targeting criteria based on state marginality, the decentralized funding of Alianza is regressive, and increasingly so” (2006: 40). The formulas for determining state funding favor wealthy states in multiple ways. First, by rewarding states based on agricultural GDP (value of agricultural production), the formulas punish states that are less productive and most need state support to improve production techniques, generate rural employment, and alleviate poverty. Second, the formula rewards those states that most consistently contribute their own funds to the Alianza budget, which tends to be less burdensome for wealthier states due to higher tax revenue and less expensive social programs.

Finally, by giving equal weight to the percentage of the national total of irrigated land that is in a state and the percentage of national total non-irrigated land in a state, the formulas favor states with a higher proportion of irrigated land. Northern states, such as Sinaloa and Sonora, have a more capital-intensive agricultural sector and a much greater proportion of irrigated land than poorer southern states such as Chiapas and Oaxaca, which did not benefit from past decades of federal investment in irrigation infrastructure. Yet, because there is much more non-irrigated farmland in Mexico than irrigated farmland, this factor gives disproportionate weight to the prevalence of irrigated land. As a result, this element of the formula is highly regressive, rewarding the states that are already most highly developed.

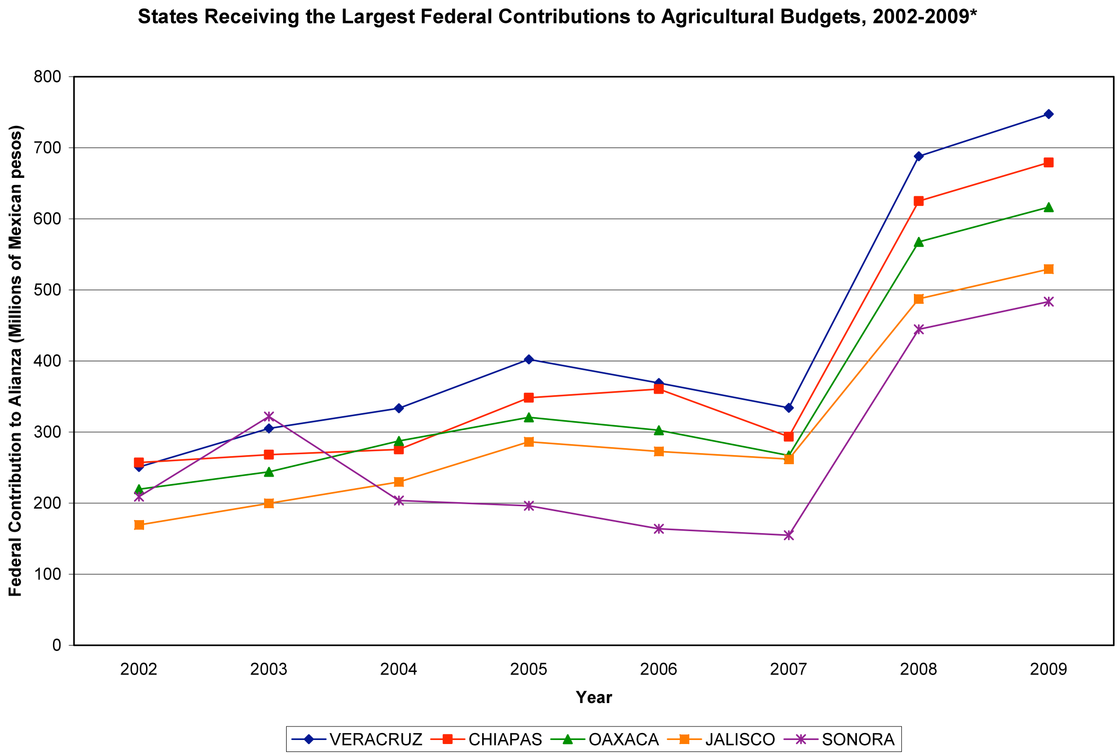
As shown in Table 3, different iterations of the formula incorporated diverse measures to target funds to poor states as well. However, these considerations are “cancelled out” each year by the regressive elements of the formulas described above. The formula for distribution among the states reflected different types of priorities—improving agricultural productivity, alleviating rural poverty, and counteracting inequalities based on ethnicity and region. But by taking all of these factors into consideration at the same time—or, even worse, alternating between them unpredictably—Alianza ended up doing a mediocre job of addressing any of these objectives.

At the behest of state agricultural ministers who were frustrated with unpredictable funding, in 2008 the Sagarpa agreed on a more stable system for distributing funds among the states. Formulas like those described in Table 3 are now in disuse. Rather, the Congress and agricultural secretaries agreed on a distribution in 2008 that simply reflected an average of the previous five years' budgets (2003-2007), effectively freezing in place the regressive distribution of Alianza's budget. In 2008 and 2009, this distribution was reapproved, reallocating the available funds based on the previous year's percentage breakdown among the states.

Graph 2 shows the level of funding for the five states with the highest federal government Alianza budgets between 2002 and 2008: Veracruz, Chiapas, Oaxaca, Jalisco, and Sonora. During this period, these five states' relative amounts of funding fluctuated. Beginning in 2008, the budgets increase, but the proportion of the budget received by each state, relative to other states, remains the same. According to Jurado (interview), state agricultural ministers did not object to the adoption of this new standardized formula for budgetary distribution— probably facilitated by the large absolute increase in Alianza budgets in 2008. Jurado did predict, however, that if federal contributions decrease in coming years—as appears to be the case for 2010—agricultural representatives of states that receive lower proportions of the budget are likely to object.

Another important transformation in the 2008 rules of operation was that the *pari passu* was elevated to obligatory status. Up until 2007, states were expected to contribute 35 percent of the funds for decentralized programs (roughly half of the amount designated by the federal government), but many states regularly failed to contribute this amount. As shown in Table 3, the formulas for determining the federal contribution to states rewarded states with higher Alianza budgets if they fulfilled the *pari passu*. Beginning in 2008, if the state did not contribute the agreed upon amount, the federal government would not contribute its own share. According to Miguel Ángel López (interview), the new arrangement is more effective at assuring that state governments contribute their share of the program budget.

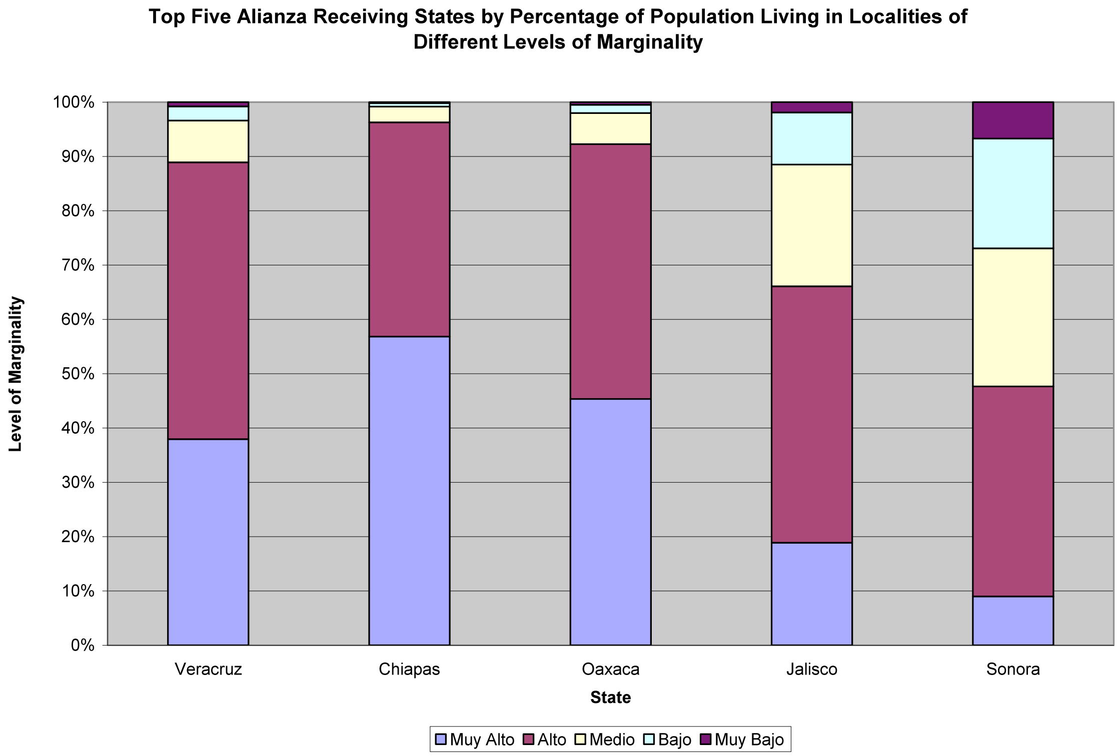
Graph 2



*Source: Information provided by Asociación Mexicana de Secretarios de Desarrollo Agropecuario, A.C. based on Convenios de Coordinación de Presupuesto Ejercido. The 2009 figures are based on Convenios de Coordinación de Presupuesto Comprometido

As described above, the distribution of federal money to Alianza is set up in such a way that both poor and wealthy states appear on a list of the top recipients of federal government contributions to Alianza. Graph 3 breaks down the five states with the highest federal government contributions to agricultural budgets by the percentage of their populations living in different levels of marginality, using data compiled by the Mexican government's National Population Council (CONAPO). The three highest receiving states—Veracruz, Chiapas, and Oaxaca—have close to 90 percent of their populations living in towns or cities designated as being highly or very highly marginalized. On the opposite end of the spectrum, Sonora, the state that receives the fifth largest budget for decentralized program is a relatively rich state by Mexican standards; less than half of its population lives in highly or very highly marginalized localities.

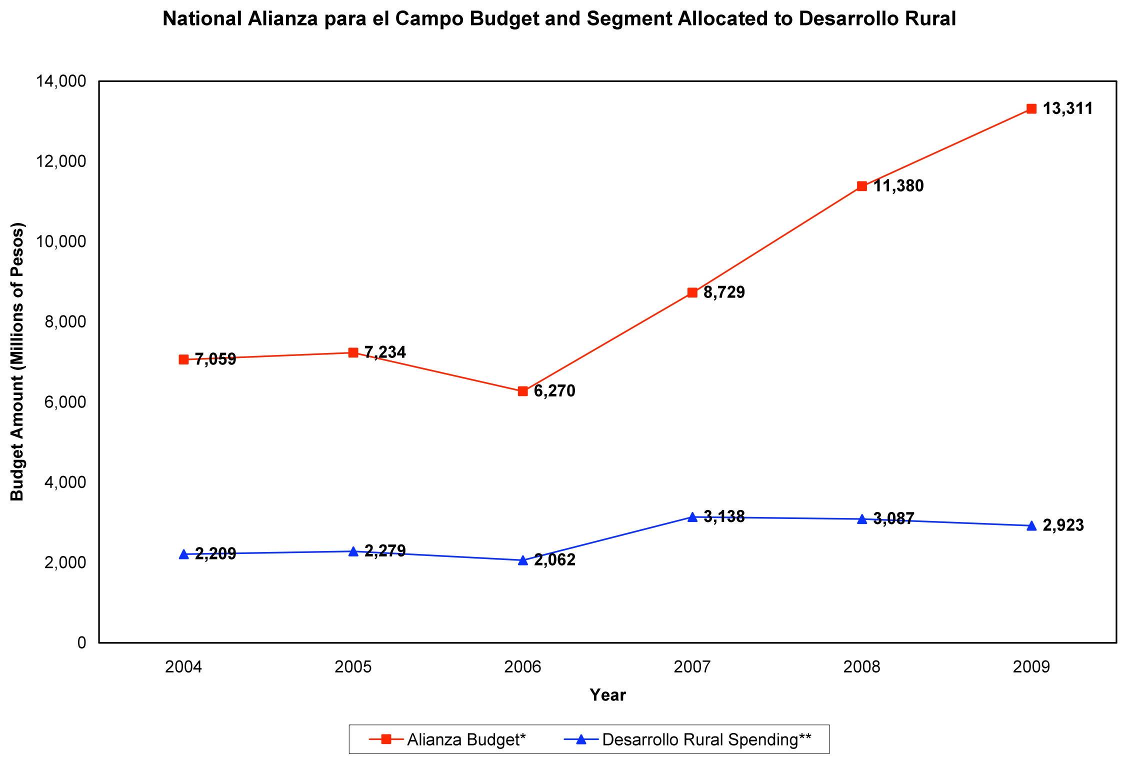
Graph 3



Source: CONAPO website: <http://www.conapo.gob.mx/index.php?option=com_content&view=article&id=78&Itemid=194>, last accessed December 30, 2009.

Desarrollo Rural is the subprogram of Alianza that explicitly claims to target poor producers. As Graph 4 shows, the share of Alianza's budget that went to Desarrollo Rural remained stable at between 30 and 35 percent from 2004 to 2007. Beginning in 2008, the overall budget of Alianza increased, but the share allocated to Desarrollo Rural steadily decreased, reaching a low of 26 percent in the proposed budget for 2009. If the Desarrollo Rural program targeted low-income producers successfully, this trend would mean that Alianza has become increasingly regressive, not only rewarding the wealthiest states, as explained above, but also favoring the wealthiest producers within each state.

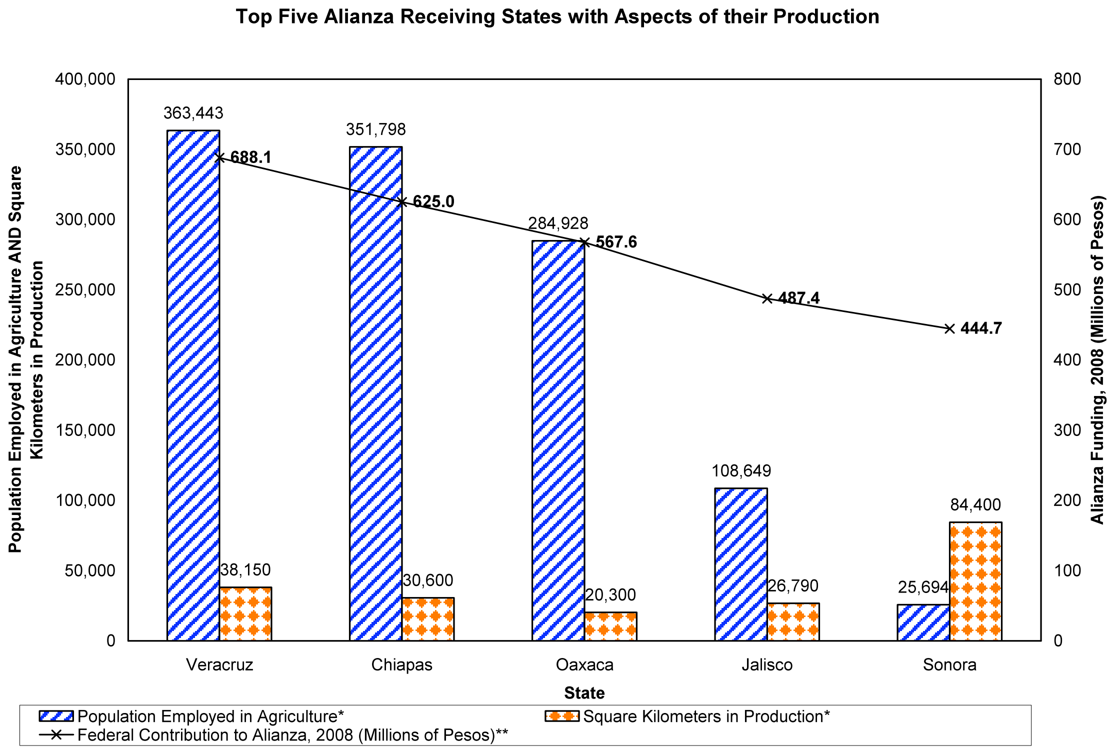
Graph 4



Source: Sagarpa budget information on the Mexican Treasury website: <www.apartados.hacienda.gob.mx>, last accessed December 10, 2009.

Taking a closer look at the characteristics of the five states with the largest decentralized agricultural budgets, one observes that the wealthier states—Jalisco and particularly Sonora—receive a much larger share per capita for populations that are employed in agriculture. As Graph 5 shows, Veracruz, with an agriculturally employed population of about 14 times the size of Sonora's (363,443 versus 25,694), receives only about 50 percent more federal Alianza money (MX$688 million versus MX$445 million). This disparity can be explained by the formulas broken down in Table 3. Sonora has roughly twice as much land dedicated to agriculture as Veracruz does. Second, Sonora has a more productive agricultural sector and a higher proportion of irrigated land than most other states, both factors that are favored by the distribution formulas.

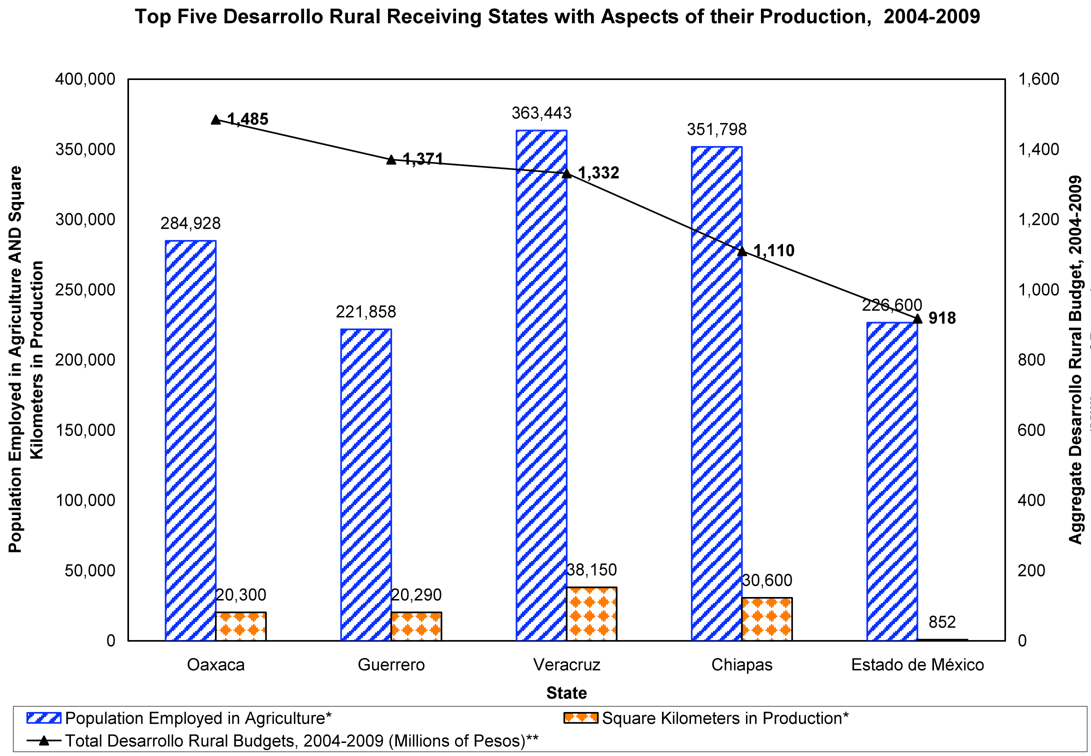
Graph 5



*Source: Agricultural Census on INEGI website: <http://www.inegi.org.mx/est/contenidos/espanol/proyectos/censos/agropecuario2007/defaultAgricola.asp?s=est&c=14581>, last accessed December 29, 2009. "Population employed in Agriculture" refers to the population that lists agriculture as its primary occupation." This census leaves out farmworkers, however, so these numbers are certainly low for each state.
**Source: "*Convenios de Coordinación*" between Sagarpa and state agricultural ministries, 2008

Sonora does not show up in a list of the five states with the largest budgets dedicated to Desarrollo Rural over a six-year period, 2004 to 2009. These five states, shown in Graph 6, all have large populations engaged in agriculture, and the average size of the landholders' plots in these states is much smaller than in Sinaloa or Sonora. This demonstrates that in terms of allocation to states, states with larger rural poor populations receive larger Desarrollo Rural budgets, as would be expected. This is not evidence, however, of a progressive distribution of Alianza as a whole, given that poorer states generally allocate a larger share of decentralized agriculture funds to Desarrollo Rural.

Graph 6



*Source: Agricultural Census.
**Source: "*Convenios de Coordinación*" between Sagarpa and state agricultural ministries, 2004-2009, figure includes all Desarrollo Rural Federal Spending 2004-2007 and Activos Productivos-Desarrollo Rural and Programa ASTECA 2008-2009

IV. Patterns of Distribution of Alianza Funds within States

According to Alianza's revised rules of operation (2008), the national Congress determines the federal contributions for each state under each of Sagarpa's eight main programs. Once the overall program budgets have been determined, there are two factors that affect the distribution of the federalized funds within each of Sagarpa's programs.

First, the state agricultural ministry establishes guidelines for the percentages of funding that must go to different strata of producers. (Formal criteria for targeting are explained in next section). Using a set of criteria that categorize producers based on their level of capital and the level of marginality of their locality (town or village), the agricultural ministry specifies the percentages of overall federalized funds that must go to each type of producer.

Second, once these guidelines are established, the *Consejos Estatales de Desarrollo Rural Sustentable* (State Councils for Sustainable Rural Development, CEDRS) are the bodies that are formally vested with the authority to decide how to allocate program resources among the different subprograms (Sagarpa 2008: 15). The CEDRS is a body within each state, made up of representatives of the state government (can be the governor, but definitely includes representatives of the state agricultural ministry and representatives of each of the state's Distritos de Desarrollo Rural) and representatives from the state delegation of Sagarpa. According to the 2003 Rules of Operation for Alianza, the responsibilities of the CEDRS include:

> "Approve state and regional plans in which regional programs and priorities are established for resource allocation. Approve the reallocation of the budgetary resources as proposed by the Technical Committees of State Trusts" (2003: 140-41).[9]

Once the CEDRS reaches an agreement about the distribution of funds, the terms are spelled out in the "*anexo técnico del convenio de coordinación*," a legal document signed by the state Sagarpa delegate and the state agricultural minister for the distribution of funds.[10] There is an *anexo técnico* for each program (*Activos Productivos, Programa Soporte*, etc.) and each one lays out the total budget for the program, the proportion to be paid by the federal government (65 percent), the proportion to be paid by the state government (35 percent), and breaks down the expenditure by sector (corn, soy, coffee, fruits, etc.). Within each sector, the *anexo técnico* includes a breakdown for the budget to be allocated for each type of support. (For example within the allocation for corn in the *Activos Productivos* budget, there's a line for irrigation systems, a line for tractors, a line for storage systems, etc.) Finally, each of these types of support is broken down into the amount destined for small, medium, and large producers as well as the amount destined for producers living in localities of high, medium, and low levels of marginalization.

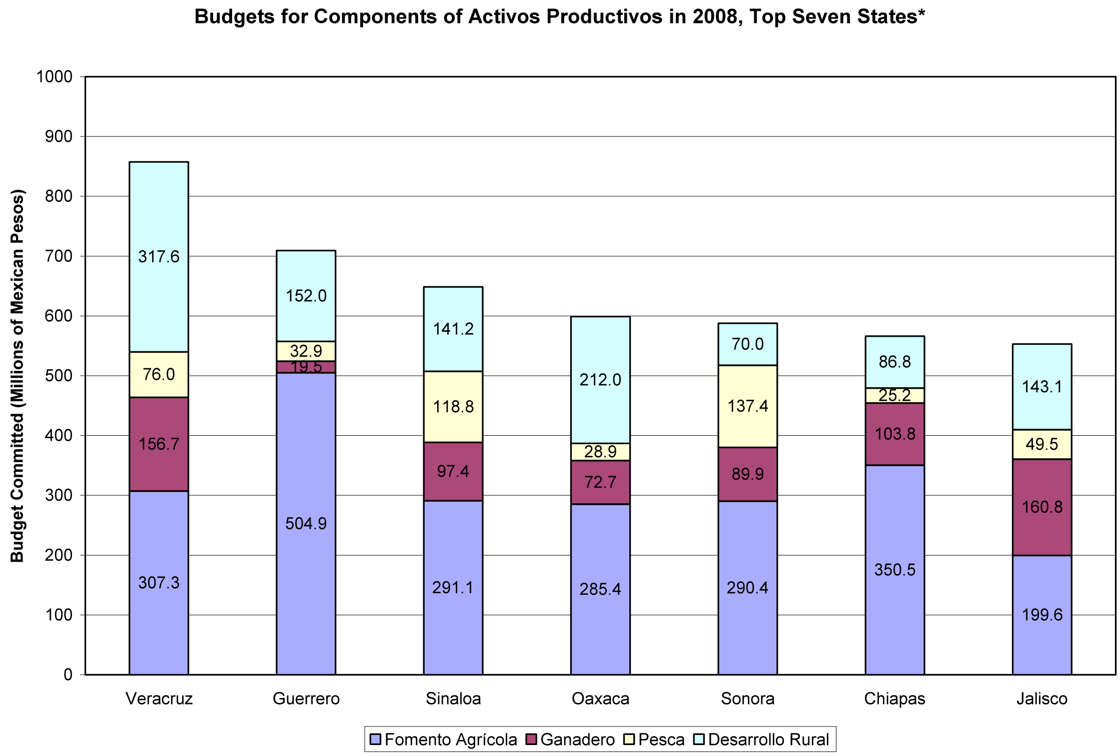
Graph 7 demonstrates the distribution between the different subprograms for each of the seven states with the largest Alianza budgets in 2008.[11] As one can observe, there is no standard regulation for what proportion of the budget must go to each subprogram. As an example, Chiapas, which is one of the poorest states in Mexico, allocates a relatively low percentage of its budget to Desarrollo Rural (15.3 percent), the subprogram that specifically targets poor populations. The explanation for this apparent inconsistency lies in the fact that federally regulated poor targeting can take place through any of the subprograms; a high percentage of beneficiaries of the *Fomento Agrícola* subprogram in Chiapas belong to the lowest income groups.

[9] "*Aprobar planeación estatal y regional en la que se establecen programas regionales y prioridades para asignación de recursos. Acordar la reprogramación de los recursos presupuestales a propuesta de los Comités Técnicos de los Fideicomisos Estatales* (2008: 140-41)."

[10] Two versions of the *Convenio de Coordinación* are produced: first, during the budgeting state, when the CEDRS agrees on the distribution of funds ("*presupuesto aprobado*") and second at the end of the fiscal year, after modifications have been made in the overall budgets and distributions between programs ("*presupuesto ejercido*").

[11] Table 3 breaks down the spending into the subprograms *Fomento Agrícola, Fomento Ganadero, Fomento Pesca*, and *Desarrollo Rural*. These subprogram names were discontinued with the 2008 Rules of Operation. Nonetheless, the state agricultural budgets are still broken down into these categories for the *Convenios de Coordinación* for each of these states.

Graph 7



*Data drawn from *Convenios de Coordinación*, reflecting budget committed to each program, both federal and state spending, in March 2008. The final *Convenio de Coordinación*, showing the amount spent on each component had not yet been released at the time this report was written.

Representatives of state agricultural ministries and Sagarpa personnel have different opinions of the power sharing arrangement between the state government and the Sagarpa in the budgeting process. Octavio Jurado attested that state governments are not afforded enough autonomy in determining spending priorities for Alianza (interview). Jurado argued that state agricultural ministries should take the lead in rural development planning because they best know the needs and resources of their own states. He further claimed that a high degree of intervention on the part of federal Sagarpa personnel in Alianza planning and implementation results in the process being less efficient and less tailored to the needs of each state.

In contrast, Miguel Ángel López of Sagarpa claimed that most state governments are not well organized. Specifically, he contended that they lack the capacity to design appropriate long-term rural development plans, so in many states, the state agricultural ministry should defer to Sagarpa representatives in budgetary planning (interview). He cited several cases of state agricultural ministries that are understaffed and insufficiently funded to expediently carry out the complex tasks of budgetary allocation, application consideration, and project funding.

A somewhat ambiguous aspect of budget allocation process is the demand-driven side. There is no stipulation in the rules of operation that resources must be distributed in proportion to the number or size of proposals that are submitted by different strata of producers. Rather, applications are judged on a scoring system that the Technical Committee of State Alianza Trust (*Comité Técnico*) uses to score each proposal on a ten-point scale, based on a series of predefined criteria. According to interviews with representatives of Sagarpa and the FAO, this formula is not rigorously applied.

Rather, there is a great deal of discretion in the decision of which applications to fund, leaving leeway for local and state politicians to deliver Alianza funds as patronage. A modification included in the 2008 Rules of Operation allows state governments to adjust the application scoring formula to reflect the state rural development priorities. The scoring criteria developed at the federal level and included in the Rules of Operation allow for up to 35 percent of the total possible points allocated to applications to be determined on the state level. The latest Rules of Operation state:

> "For programs and/or components in "*coercicio*" (Modalidad 1), the state government, through the State Technical Committee can propose additional scoring criteria that reflect the state's interests, for approval and authorization. These additional criteria can constitute up to 35% of the total 100% of the maximum score possible. If this is the case, the State Technical Committee should publish and notify beneficiaries of the scoring system that applies to them prior to releasing the results of the proposal selection" (Sagarpa 2008: 62).[12]

V. Formal Criteria for Targeting

State agricultural ministries collect several types of information from Alianza applicants including their access to capital, the level of marginality of their locality, and whether they belong to a traditionally marginalized group, such as women, the elderly, or the indigenous. In addition to the application scoring procedure described above, Alianza's rules of operation include several provisions that describe the criteria for distinguishing among these different groups of producers. In principle, Alianza resources are targeted to marginalized populations through two mechanisms: first, a minimum percentage of funds must go to different strata of producers; and second, the higher marginality groups are reimbursed for a higher percentage of the cost of the investments that they make than lower marginality groups.

It is important to note that these formal criteria for targeting often go disregarded in practice. A 2010 World Bank study of agricultural expenditures in Mexico found that even for Desarrollo Rural, the ostensibly pro-poor subprogram of Alianza, only 32 percent of the 2004 budget was spent in high and very high marginality municipalities, despite the fact that the budgetary requirements for Alianza require that at least 70 percent of program funds go to these municipalities (World Bank 2010: 59, Scott). This study also found that 55 percent of Desarollo Rural funds in 2004 went to the highest income decile, despite the requirement that budget rules cap the percentage for the highest income category at 20 percent of the total program budget. These figures are particularly remarkable when one considers that Desarrollo Rural is the subprogram designed to target the poorest producers, yet its distribution substantially fails to meet the targeting criteria for Alianza as a whole. While such violations of program rules seem to be widespread, Sagarpa's subministry of Rural Development generally turns a blind eye. While states can be punished for not contributing their share to the Alianza budget, there appears to be no recourse for states that fail to meet targeting criteria.

[12] "*Para los programas y/o componentes en coejercicio el Gobierno de la Entidad Federativa podrá proponer para su acuerdo y eventual autorización en el Comité Técnico Estatal, la adición de parámetros de calificación que incorporen criterios de interés Estatal, en cuyo caso, estos últimos podrán alcanzar un valor de hasta el 35% del 100% de la calificación máxima a otorgar en el proceso, de ser este el caso, el Comité Técnico Estatal deberá publicar y dar a conocer a los beneficiarios, previo al proceso de dictamen, el esquema de calificación complementado que aplicará*" (Sagarpa 2008: 62). Translation by author of this report.

Criteria for Defining Marginalized Populations

Marginalized populations are identified with two different methods: geographic targeting and targeting on the basis of the producer's level of capital. Geographic targeting considers the marginality of the producer's locality, adopting the classifications of Mexico's National Population Council (*Consejo Nacional de Población*, CONAPO). For the purposes of Alianza, localities are split into three categories based on their levels of marginality "high or medium-high" "medium," or "low or medium-low." Classification of applicants on the basis of their level of capital considers the number of hectares in production for farmers and the number of heads of livestock for ranchers. Applicants' levels of capital are classified as "little to none," "medium," or "high." Table 4 lays out the nationwide criteria for classifying farmers and ranchers based on their level of capital.

Table 4: Definitions for Type of Producer based on Level of Capital

Producers' Level of Capital	Farmers	Ranchers
Little to None	Up to 20 hectares of rainfed land or up to 5 hectares of irrigated land	Up to 15 heads of large livestock or the equivalent in smaller livestock*
Medium	Up to 50 hectares of rainfed land or up to 10 hectares of irrigated land	Up to 35 heads of large livestock or the equivalent in smaller livestock
High	All other producers	All other producers

Source: Sagarpa, Rules of Operation for Alianza para el Campo, 2003, p. 152.
*Large livestock include cattle. Smaller livestock include goats, pigs, poultry and other animals. The Rules of Operation define the numbers of different types of livestock that are "equivalent to" cattle in value. For instance, a chicken farmer can have up to 100 chickens to qualify for the lowest category of capital.

Up until 2008, each state was required to implement the uniform national criteria for defining applicants' marginality. The 2008 rules of operation (8) describe a process by which state agricultural ministries can adjust the cutoffs in these two scales of marginality to more closely represent the distribution of producers in their states. By undertaking their own "*estudios de estratificación de productores*" (studies of producer stratification), state agricultural ministries can petition to redefine the cutoffs between the three categories of locality marginality and producer level of capital.

According to representatives of Sagarpa and the FAO evaluations team for Alianza, introducing flexibility in these criteria was a much needed step to improve targeting of Alianza funds (interviews, Miguel Ángel López, Sagarpa, July 29, 2009 and Leonardo Pérez Sosa, FAO, July 27, 2009). The cutoffs described above do not effectively capture the distribution of land and the preponderance of high-, medium-, and low-marginality localities in different states. In the poorest states, such as Chiapas, the vast majority of applicants live in high or very high marginality localities and own fewer than five hectares of land. In contrast, in the states where large-scale farming predominates, such as Sinaloa, a much higher proportion of applicants fall into the higher categories. For example, as shown in Graph 3, over 90 percent of the populations of Chiapas and Oaxaca live in localities of high or very high levels of marginality, whereas less than 50 percent of applicants live in these types of localities in Sonora.

The official cutoff for establishing producer marginality is very high, including the vast majority of Mexican farmers—both low income and many who would be widely considered to be middle-income. Therefore, the targeting criteria are designed in a way that makes it difficult to assess the degree to which Alianza funds are targeted to the poor in practice. In addition, in low-income, states, most rural localities are classified as high and very high marginality. As a result, even if the official targeting criteria are respected in practice, it would be possible for resources that appear to be targeted to the poor to actually be concentrated in the (relatively) wealthiest producers in low-income areas. Therefore, Sagarpa's requirement that at least 50 percent of the state agricultural budget must go to applicants living in marginal localities is an insufficient measure to ensure targeting of poor producers.

According to the head of Sagarpa's Chiapas delegation (José Ventura Aquino, interview, June 29, 2009) this shortcoming has led the delegation to collaborate with Chiapas' agricultural ministry to undertake an *estudio de estratificación de productores* (producer stratification study), a process that had been ongoing for almost two years at the time of the interview. This delay is not unique to Chiapas — according to FAO's 2007 report on Alianza's program design, although almost half of Mexico's states have undertaken these studies, very few have completed them and had them approved by Sagarpa (27).

Budgetary Distribution by Type of Producer

The rules of operation require that a minimum percentage of the program budget be dedicated to different types of producers as defined by locality and level of capital. Table 5, copied from Alianza's rules of operation demonstrates the requirements for budgetary distribution based on producers' levels of capital. Unless a state has undertaken an *estudio de estratificación de productores* and had it approved by Sagarpa, these two variables are divided based on the nationwide criteria described above.

Table 5: Proportional Distribution of Government Resources to be Allocated based on Levels of Capital and Type of Locality*

Level of Capital/Locality's Level of Marginality	High and Very High Marginality Localities	Medium Marginality Localities ("in transition")	Low and Very Low Marginality Localities	Total by Level of Capital
Little to None	At least 25%	At least 15%	At least 10%	50%
Medium	At least 15%	Up to 10%	Up to 5%	30%
High	At least 10%	Up to 5%	Up to 5%	20%
Total by Type of Locality	50%	30%	20%	100%

Source: Copied from chart entitled "*Distribución Porcentual de Recurso Gubernamental a Aplicar por Estrato de Nivel Actual de Activos y Tipo de Localidad*," CEDRSSA: *Nuevas Reglas de Operación de Programas del PEC 2008*, January 2008, p. 37.

This distribution is built into the design of the program. Each year following the allocation of funds from the Congress, the Technical Committees in each state determine how much money to earmark for each of the nine categories of producers shown in Table 5. These amounts are listed in the *Anexo*

Técnico del Convenio de Coordinación and guide the process of determining which applications to approve.

Levels of Support for Different Classes of Producers

The other mechanism for targeting low-income producers functions by establishing different percentages of the costs of capital investments that are to be paid by Alianza for different strata of producers. Table 6 demonstrates the maximum amount of money that the state can contribute to any project for different types of producers. For instance, the poorest producers in the most marginalized municipalities can receive up to 70 percent of the cost of an investment, but the richest producers in the least marginalized municipalities can only receive 10 percent of the cost of an investment. There are further limits for specific types of investments. For instance, states often place a cap on the government contribution for an expensive investment such as a tractor. In Chiapas, the state will provide no more than MX$120,000 toward the purchase of a tractor, even for the poorest producers. These caps result in a more regressive distribution of funds for expensive capital investments, a particularly troubling outcome given the emphasis placed on the mechanization of the countryside in Chiapas in recent years.

Table 6: Maximum Percent of Investment to be Reimbursed by Alianza based on Two Criteria for Defining Producer Marginality

Strata of Producer by Marginality of Locality and Producer's Level of Capital	High and Very High Marginality Localities	Medium Marginality Localities (in transition)	Low and Very Low Marginality Localities
Little to No Capital	70%	60%	50%
Medium Capital	50%	40%	30%
High Capital	30%	20%	10%

Source: Reproduced from chart entitled "*Porcentajes Máximos de Apoyo Gubernamental*," CEDRSSA: *Nuevas Reglas de Operación de Programas del PEC 2008*, January 2008, p. 36.

Another change that has been implemented in the 2008 rules of operation is that states are now permitted to adjust the percentages shown in Table 6. As a result, many states have increased the upper left figure—the maximum reimbursement for the poorest, most marginalized producers—to 90 percent. Several states have also increased the percentage of the government contribution for producers with a high level of capital—from 30, 20 or 10 percent, depending on the locality as shown in Table 6, to higher levels. Ernesto Abraham, Director of the Rural Investment Program of the sub-secretariat of Desarrollo Rural at Sagarpa mentioned that these changes must be approved by the Sagarpa, but that modifications of this type are generally approved with little resistance on the grounds that they allow state agricultural ministries to better tailor the distribution of funds based on their own rural development plans (interview July 29, 2009).

VI. Budgetary Distribution in Practice: Evidence from Chiapas about Spending Trends

As described in the preceding sections, decisions about budgetary allocation on the state level are made in the CEDRS in each state. The CEDRS are responsible for assuring that funds are distributed in a way that satisfies the formal criteria for targeting described in the rules of operation. As this section demonstrates, the Chiapas government in 2008 fulfilled these requirements, according to official Sagarpa data. This section goes into greater detail to analyze spending and application trends in Chiapas.

In addition to distribution among different strata of producers, the CEDRS also have leeway to make several adjustments to the budgetary distribution, including: among subprograms (*Fomento Agrícola, Fomento Ganadero, Desarrollo Rural*), among sectors (e.g., corn, coffee, cattle), and among types of investments (e.g., tractors, irrigation systems, genetic material). Program planning along these three dimensions, as well as several others, is spelled out in the *anexo técnico del convenio de coordinación* agreed to between Sagarpa and the state government.

State-Federal Dynamic in Budgetary Distribution

Several policymakers and analysts interviewed conferred that the planning process that results in the *anexo técnico* plays out quite differently in different states. According to Manrrubio Muñoz, professor of the *Universidad Autónoma de Chapingo* and consultant to the FAO evaluations team for Alianza, the relationship between the agricultural ministry and the state Sagarpa delegation plays a large role in determining the planning dynamic (interview, July 24, 2009). Political factors are key: if the party controlling the state government is the same as the national party in power (or in some cases the alignment of intra-party *factions* is relevant), the determination of spending priorities and the budgetary allocation between different components is more likely to be amicable. If different parties control the state government and federal government, the meetings of the CEDRS are more likely to resemble a negotiation between state and federal government representatives regarding their competing priorities, according to Muñoz.

The relationship between the state agricultural ministry and Sagarpa has important implications for the transparency of program implementation, which in turns affects the efficacy of the allocation of resources and the potential for deviation of funds as patronage. Without close oversight by federal government officials, state agricultural ministries enjoy greater autonomy to allocate Alianza resources to reward their constituencies or political allies rather than distributing resources in a way that most closely meets rural development goals. For this reason, Muñoz posited that states governed by parties other than the PAN distribute Alianza funds with the least interference from political factors. Corroborating this hypothesis would require further comparative research.

According to analysts interviewed, Chiapas is a rare case in which the state government enjoys a high degree of autonomy in allocating Alianza funds despite the fact that Chiapas' governor nominally belongs to the opposition PRD. Ramón Martínez Coria, Director of *FORO para el Desarrollo Sustentable*, a Chiapas based NGO, attested that the incentives of electoral competition in Chiapas have led politicians to introduce distortions in state rural development strategies, leading to biases in spending patterns toward party-affiliated producer organizations (interview, July 6, 2009). As a result, Alianza's budgetary distribution reflects neither the most pressing needs of Chiapas' population nor Sagarpa's federal program priorities.

Interviews with state agricultural officials corroborated this finding. According to Aristeo Trinidad, the Coordinator of Decentralized Programs for Chiapas' agricultural ministry, the autonomy enjoyed by Chiapas' agricultural ministry has allowed this agency to channel a very large portion of state Alianza funds into purchasing large tractors over the past three years, through the *Fomento Agrícola* subprogram (interview, July 7, 2009). (See Box: "Year of the Tractor") While Trinidad and other Chiapas officials justify the emphasis on tractors on the grounds of increasing productivity, there is a strong case to be made that the "mechanization of the countryside" does not meet the needs of Chiapas' low-income producers, many of whom are unable to afford even the producer contribution for such a costly investment. Furthermore, state support for tractors is an example of discretionary private goods provision, the type of social program that is highly prone to deviation for partisan patronage. Indeed, the high cost of each individual tractor subsidy inherently limited the number of producers who could benefit from the program.

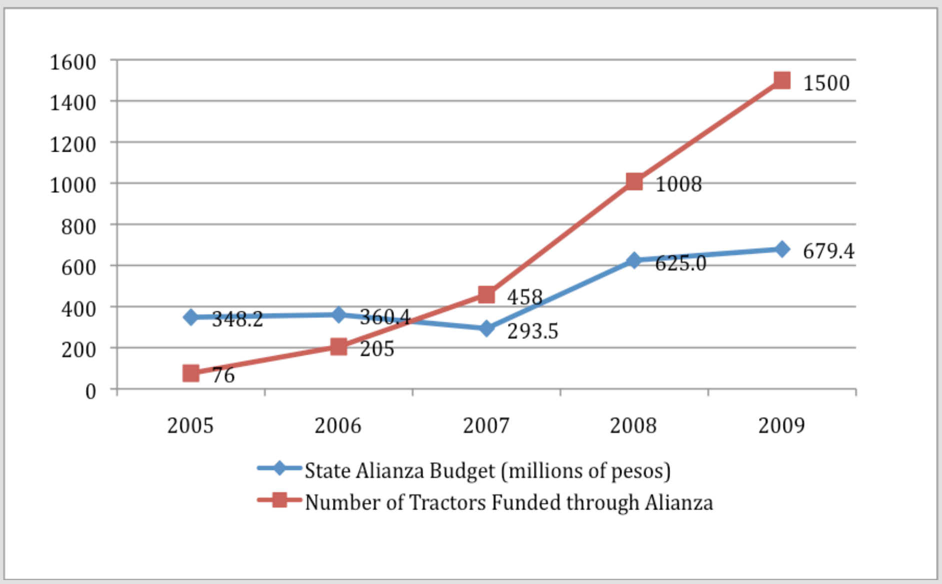
For the cost of each tractor subsidy for an individual farmer who is sufficiently well off to cover the counterpart contributions, the program could have supported more modest capital investments for dozens of lower-income farmers. Tractors can also displace manual labor, and therefore this program priority could have reduced farm employment. In addition, the government requirement that the tractors be purchased from one of a small number of officially approved distributors both eliminated competitive bidding and created significant opportunities for kickbacks. More generally, state subsidies for tractors are an example of discretionary private goods provision, a type of program that is highly prone to deviation for partisan patronage.

Box 2: Year of the Tractor in Chiapas

As discussed in the body of this report, state agricultural ministries have varying degrees of autonomy in allocating Alianza budgets. Several experts interviewed for this report said that Chiapas' agricultural ministry enjoys a high level of discretion in deciding how to spend Alianza resources, due to a harmonious relationship between this ministry and Sagarpa. The remarkable shift in spending priorities to funding tractors under the governorship of Juan Sabines (2006-present) is compelling evidence of this autonomy.

Beginning in 2007, the first full year of the Sabines administration, the number of tractors funded through Alianza steadily increased. Following an average of fewer than 200 tractors per year under the previous administration (2000-2006), the Chiapas government funded 458 tractors in 2007, 1,008 in 2008, and 1,500 in 2009. (*Diario de Chiapas*, July 8, 2009) The state government dubbed 2009 *El Año de la Mecanización del Campo* (Year of the Mechanization of the Countryside), holding several promotional events and advertising the tractor program in state media outlets. Aristeo Trinidad Velasco, Director of Decentralized Programs for Chiapas' agricultural ministry, explained that this shift in program emphasis responded to the need to improve productivity in Chiapas' grain industry and was made possible by a positive relationship between the state government and Sagarpa (interview, July 7, 2009). "The reality of the state calls for mechanization," said Trinidad. "With this program, Chiapas can become 'the breakbasket of the Southeast.'"[13]

Graph 1: State Alianza Budget and Tractors Funded in Chiapas, 2005-2009



Source: Number of tractors from *Diario de Chiapas*, July 8, 2009 and budget figures provided by Asociación Mexicana de Secretarios de Desarrollo Agropecuario, A.C. based on Convenios de Coordinación de Presupuesto Ejercido. The 2005-2008 figures are final exercised budgets and the 2009 figure is the proposed budget.

[13] "*La realidad del estado dice que se tiene que mechanizar. Con estos apoyos Chiapas se puede convertir en 'el granero del sudeste*.'" Translation by author of this report.

Despite this rosy picture painted by the state government, the tractor program entailed painful sacrifices for Chiapas' farmers. During this period, Chiapas' Alianza budget increased, as shown in Graph 1, but a large portion of these resources went to pay for these unprecedented numbers of tractors, each of which consumed MX$120,000 of government funds. Thus, the tractor program detracted from resources that could have been spent through other Alianza programs, including those that invest in rural public goods, pay to hire consultants to improve production techniques, promote the formation of cooperatives, support investment in storage or processing facilities, and generate non-agricultural rural employment.

The most remarkable public event promoting Alianza's tractor program was a fair held in Tuxtla Gutierrez, Chiapas' state capital on July 7, 2009. On this day, Tuxtla's central plaza was filled with tractors — the main event was a parade of 500 tractors down the central boulevard of the city. The governor delivered a speech in which he described the tractor program as evidence of the state government's "commitment to the countryside." Alberto Cárdenas, then Secretary of Sagarpa attended the event and lauded the tractor program as a prime example of Sagarpa's efforts to increase rural productivity and promote rural development.

In the days leading up to and following the tractor fair, the government's tractor program featured prominently in state newspapers and on the radio. Several of Chiapas' highest distribution daily newspapers featured front page stories mentioning the number of tractors funded in their headlines and featuring photographs of the tractors and of the governor speaking to crowds of citizens. The state government also took out full-page color advertisements in several newspapers.

This excitement over tractors is troubling when one considers that investment in heavy machinery is a highly inefficient and regressive use of rural development funds. Evaluations of Alianza by the Food and Agriculture Organization of the United Nations (FAO) have repeatedly argued that too great a share of Alianza funds is spent on private goods because many of these investments would have been made by the farmers anyway (FAO 2007: 35). They attest that these funds would more effectively increase productivity and profitability through investment in public goods such as roads, storage facilities, or processing plants. Also, tractors are useful mainly for low-value cash crops such as corn and soybeans and Sagarpa has stated as one of its goals to promote the cultivation of higher value crops that are grown in greenhouses or require a higher degree of manual labor.

Further, support for tractors is among Alianza's most regressive types of investment. The tractor program circumvents provisions that allow for state governments to pay for up to 90 percent of investments for the poorest beneficiaries because the government contribution for tractors is capped at MX$120,000. Tractors funded under Alianza typically cost over MX$300,000, meaning that all producers must pay over 60 percent of the cost of the investment. Further, in Chiapas, applications for tractors are only considered in the potential beneficiary or group owns at least 35 hectares of land, limiting the pool of beneficiaries to the wealthiest producers and groups of small-scale producers that overcome the difficult obstacles to forming cooperatives. Finally, as Leonardo Pérez Sosa of the FAO attested, tractors actually have destructive effects for rural development in poor states such as Chiapas because they replace manual labor rather than generating rural employment (interview, July 27, 2009).

Given these problems, why does the Chiapas government place such a great emphasis on funding tractors? One likely explanation is found in the electoral logic of clientelism. When the state government enjoys discretion over such social programs, politicians are tempted to deviate resources to reward loyal constituencies, to bolster the image of their party, or to bribe social groups that threaten disruptive social movements. Tractors are ideally suited to fulfill these goals because they are easily targeted to individuals or groups, they are highly visible, and quantifiable. Further, funding for Alianza projects is highly discretionary due to the nontransparent process for deciding which proposals to fund. To the average citizen of Chiapas, a tractor parade is a much more impressive display of state development policy than the construction of grain silos or the hiring of agronomists to consult with farmers.

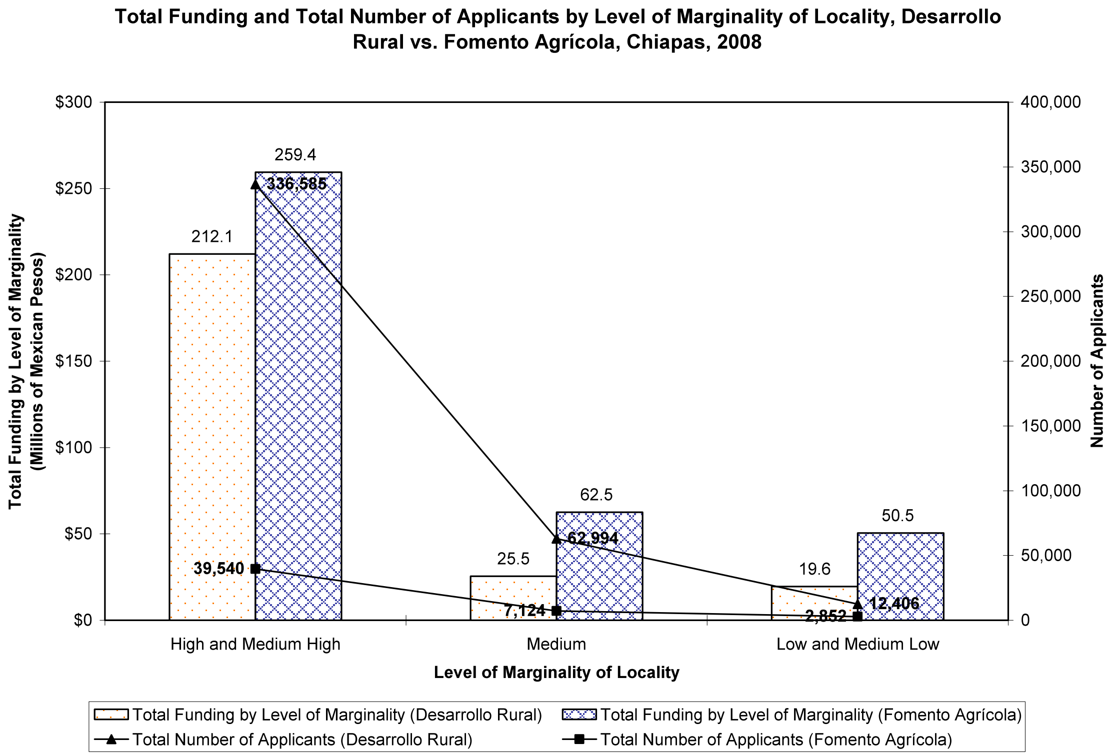
In this example, one finds evidence that the autonomy of state governments in allocating agriculture funds is not necessarily beneficial for rural development goals. Rather, as this evidence suggests, such an arrangement is prone to sacrifice the needs of poor farmers for political objectives. Without doing away with the decentralized design of Alianza, this problem could be alleviated by the establishments of more explicit requirements imposed by Sagarpa for the allocation of Alianza resources. Further, if program planning responded to the recommendations of rural development experts and the needs of rural producers—through a participatory policymaking framework—resources would potentially be less vulnerable to such abuses for political purposes.

Poor Targeting?

This section analyzes data provided by the Chiapas Sagarpa delegation for the 2008 program to evaluate the level of targeting of Alianza funds to marginalized groups in Chiapas in practice. First, aggregate funding figures are analyzed, inquiring whether the amount of the budget allocated to poor or indigenous producers is commensurate with the proportion of applications that come from these groups. Second, the prospects of applicants of different strata who apply to Alianza are analyzed, looking at both the percentage of applicants funded in different income groups and the average amount of funding per beneficiary. For each of these indicators of targeting, this report considers variation among different groups of applicants based on their level of capital, the marginality of their locality of residence, and whether they are indigenous or not. Finally, the budgetary distribution of the *Fomento Agricola* and *Desarrollo Rural* subprograms are compared, the latter of which is designed to meet the needs of poor producers.

Graphs 8 and 9 demonstrate data about the amount of Chiapas' Alianza budget that went to different types of producers, divided by the marginality of their locality and by their level of capital. These graphs show figures for both of the two subprograms mentioned above, to allow for a comparison of the different priorities of these two subprograms.

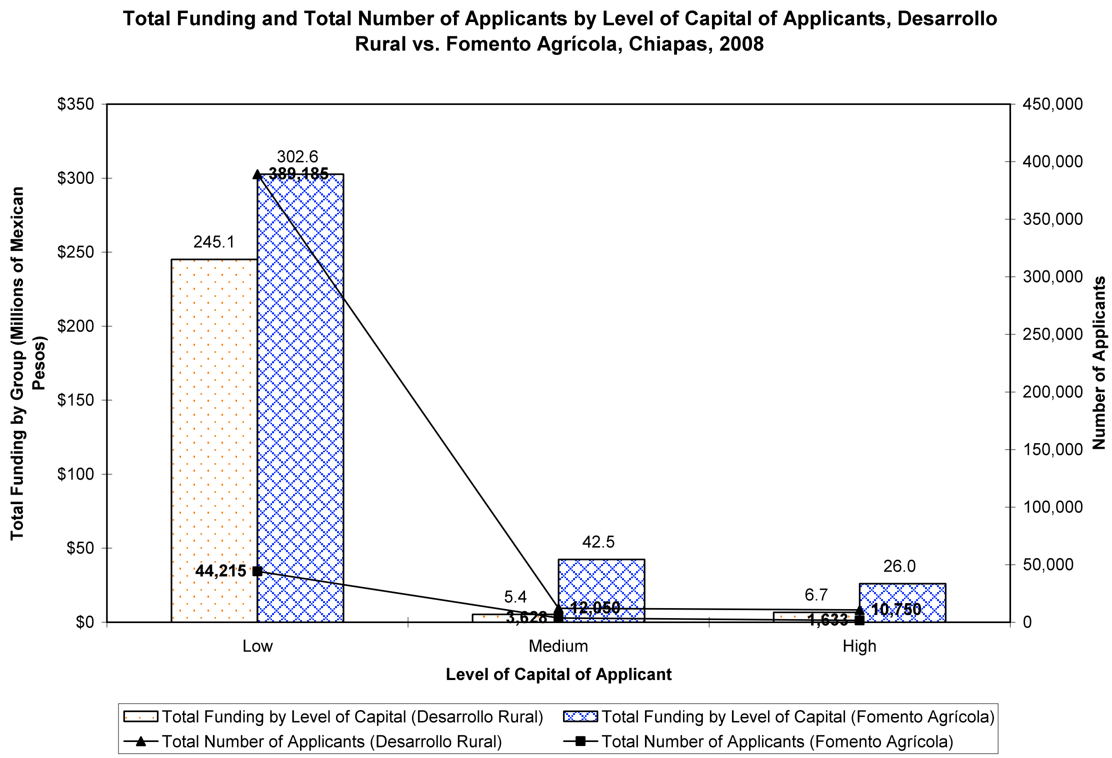
Graph 8



Source: Data provided by Sagarpa Delegation in Chiapas.

Both graphs 8 and 9 tell a similar story: the vast majority of applicants to both *Fomento Agrícola* and *Desarrollo Rural* come from the most marginalized localities and belong to the lowest category based on their level of capital. Given the available data, however, it is impossible to document the share of funding that reaches the most marginalized populations because of the exceedingly high cutoff for “low capital” producers and because over 96 percent of localities in Chiapas fall in the highest marginality category. With this caveat in mind, Graph 8 demonstrates that the most marginalized localities receive a higher proportion of total *Desarrollo Rural* funds than total *Fomento Agrícola* funds. Graph 9 demonstrates an even greater difference — over 95 percent of *Desarrollo Rural* funds went to producers with little to no capital (fewer than 20 non-irrigated hectares), whereas only about 83 percent of funds from *Fomento Agrícola* went to these types of producers.

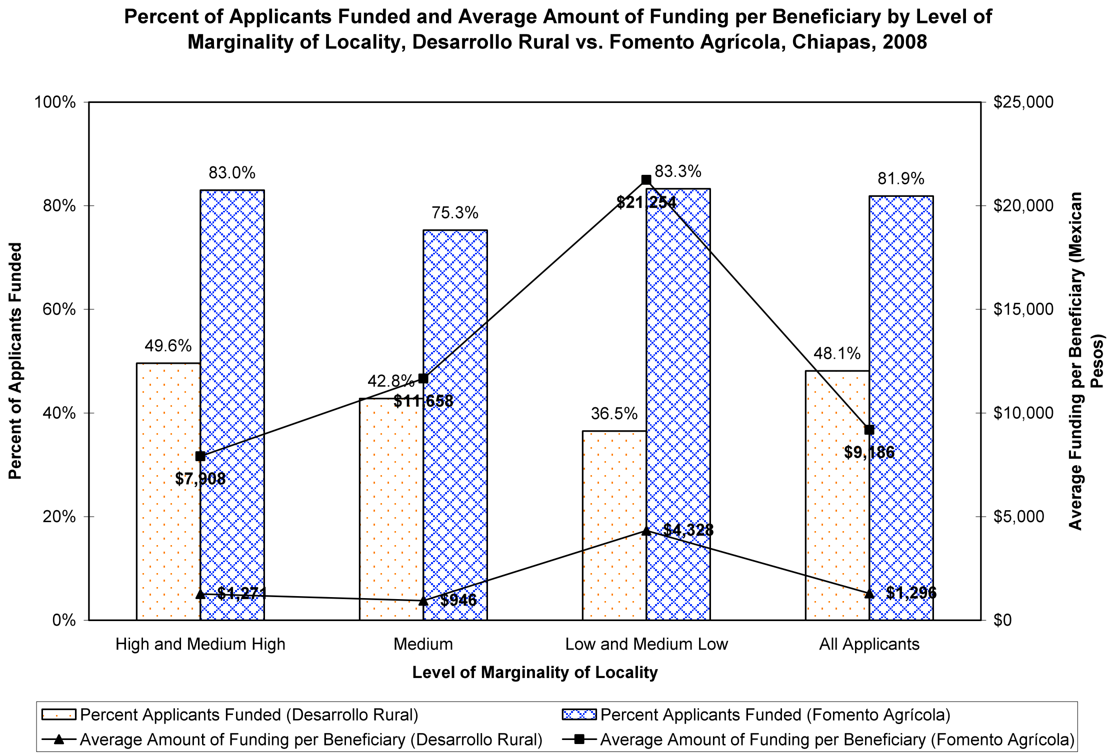
Graph 9



Source: Data provided by Sagarpa Delegation in Chiapas.

Another interesting way to analyze the breakdown of the budget for different types of producers is by looking at the rates of success for applicants who fit into these different categories. Graphs 10 and 11 show the percentage of applicants funded, as well as the average amount of funding received by applicants in different types of localities and of different levels of capital.

Graph 10

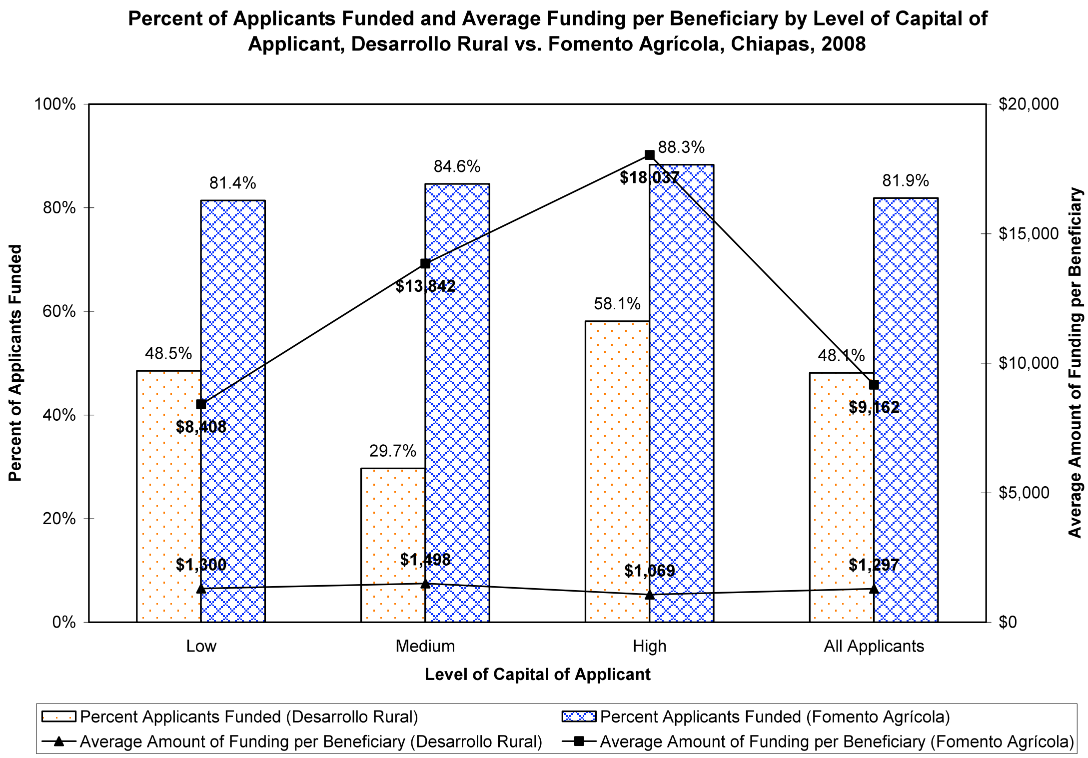


Source: Data provided by Sagarpa Delegation in Chiapas.

The reader can draw two interesting insights from these graphs. First, the average amount of funding per beneficiary increases for the higher income groups. This holds for both subprograms analyzed and it holds for both indicators of poverty — locality marginality and applicant's level of capital. This difference is more notable for the *Fomento Agrícola* subprogram. For example, beneficiaries of *Fomento Agrícola* living in the least marginalized localities receive an average of more than MX$21,000, whereas beneficiaries in the most marginalized localities receive less than MX$8,000 on average. This difference suggests that, despite the measures taken to decrease the financial burden of small-scale producers for participating in Alianza, they still cannot make use of Alianza support for expensive investments, such as tractors, to the extend that better-off producers can.

Second, the success rate (percentage of applications funded) of applicants to the *Desarrollo Rural* subprogram is considerably lower than that of applicants to *Fomento Agrícola*. This comparison also suggests that the Fomento application process has higher barriers to entry, or government officials are more selective in their outreach, leading to fewer proposals. Graph 11 shows that producers with the highest level of capital had the highest likelihood of having their application accepted under the *Desarrollo Rural* subprogram (58.1 percent), although these beneficiaries received about the same amount of funding as poor applicants.

Graph 11



Source: Data provided by Sagarpa Delegation in Chiapas.

Finally, the same methods of data analysis comparing indigenous and non-indigenous applicants suggest different biases in *Desarollo Rural* and *Fomento Agrícola* regarding indigenous and non-indigenous applicants. As Tables 7 and 8 illustrate, indigenous producers make up about 35 percent of the applicants to the *Fomento Agrícola* subprogram in Chiapas, but only about 16 percent of applicants to the *Desarrollo Rural* subprogram. Applications submitted by indigenous producers to *Desarrollo Rural* also had a lower chance of being accepted than those submitted by non-indigenous producers (35.4 percent versus 50.5 percent), whereas indigenous applicants had a slightly higher success rate than non-indigenous applicants for *Fomento Agrícola* (84.6 percent versus 80.5 percent). The average indigenous beneficiary of *Desarrollo Rural* receives 60 percent more money than the average non-indigenous applicant (MX$1,964 versus MX$1,222), but for beneficaries of *Fomento Agrícola*, a much more generous program, indigenous beneficiaries receive less than half the amount as non-indigenous applicants on average (MX$5,853 versus MX$11,215). These figures reinforce other findings in this report that indigenous applicants encounter greater obstacles in accessing Alianza support for high-value investments than non-indigenous applicants.

Table 7: Conditions for Access for Indigenous versus Non-Indigenous Applicants, Fomento Agrícola, Chiapas, 2008

	Indigenous	Non-Indigenous
Total Funding by Group	MX$80.5 million	MX$292.2 million
Total Number of Applicants	17,133	32,383
Percent of Applicants Funded	84.6%	80.5%
Average Funding per Beneficiary	MX$5,853	MX$11,215

Source: Data provided by Sagarpa Delegation in Chiapas.

Table 8: Conditions for Access for Indigenous versus Non-Indigenous Applicants, Desarrollo Rural, Chiapas, 2008

	Indigenous	Non-Indigenous
Total Funding by Group	MX$42.8 million	MX$214.4 million
Total Number of Applicants	64,742	347,243
Percent of Applicants Funded	35.4%	50.5%
Average Funding per Beneficiary	MX$1,964	MX$1,222

Source: Data provided by Sagarpa Delegation in Chiapas.

VII. Producer Access in Practice: Evidence from Chiapas about Obstacles for Low Income Producers

This section uses evidence collected from interviews with Alianza applicants and other small-scale farmers in Chiapas s to uncover the informal on-the-ground factors that condition who receives support. Interviews were conducted with low-income producers and groups of producers of corn and coffee. The data collected during field research points to the general conclusion that most low-income producers find it close to impossible to successfully submit applications for government agricultural support programs unless they belong to organizations that guide them in the following steps: identifying the appropriate program to which to apply and the deadline, gathering documents, filling out application materials, acquiring and submitting land titles, and gaining access to credit to pay for the capital investments in the period before the reimbursement check arrives. Producers, agricultural experts, and even Sagarpa personnel acknowledged that these challenges lead to an unjust and inefficient system for allocating funds.

In addition to these bureaucratic and economic challenges, political factors are also at play. Experts attested that applicants or organizations with a greater level of political influence tended to be more successful in receiving state agricultural support. This political influence could take the form of connections to politicians or to the ruling party or the capacity to credibly threaten to engage in disruptive protests.

These problems lead to obstacles for applicants to state agricultural support programs and an inefficient allocation of funds. Sagarpa officials cited two specific problems. First, the high premium placed on group applications leads to the formation of "*organizaciones de membrete*," organizations of producers that do not actually operate as joint business ventures, but rather only unite for the purposes of submitting an application. Second, agricultural consultants sometimes advertise their services to groups of producers by promising that they will "clone" a proposal that they submitted for a neighboring organization and was successful in receiving funding in exchange for a percentage. Project cloning yields projects that are not well designed for the specific environmental, economic, cultural, and organizational conditions of each group.

According to Roberto Cedeño Sánchez, Director of Regional Programs and Rural Organization for Sagarpa's Sub-secretariat of Rural Development, fraudulent producer organizations and project cloning are serious problems for Alainza (interview, July 29, 2009). Cedeño stressed the importance of groups of poor producers uniting to construct "*redes de valor*," or networks of value, that allow them to invest in introducing more added value to the agricultural production process by storing, processing, and packaging their own products, bargaining with buyers, and even marketing their products. Cedeño said that Sagarpa is in the process of introducing more stringent requirements for projects that are submitted for state resources and a better system for training and evaluating agricultural experts that help producer organizations to design these projects. These measures are meant to reduce the extent to which producers apply to Alianza to fund investments that they would have made otherwise.

Such changes are certainly not without merit. As this section demonstrates, however, state agricultural support problems face even greater problems in the area of producer access, especially for low-income producers. Obstacles for low-income producers to access Alianza range from the onerous requirements of official documentation and paperwork to be filled out to limited access to credit. Many of these challenges can be addressed if potential beneficiaries belong to organizations that offer them greater bargaining power and the ability to gather resources to hire technical experts who assist them in designing projects for improving productivity and applying for government support.

Table 9 demonstrates that the poorest producers are more likely than others to apply to Alianza programs in groups. For applicants of all levels of capital, the success rate of applications is increased when applications are submitted by a group rather than by an individual applicant. The average amount of funding per beneficiary is considerably lower for groups of applicants than for individual applicants, can be partially explained by the fact that group applications are so much more common than individual applications. This table shows only the applications submitted through the *Fomento Agrícola* subprogram of Alianza because almost all of the components of the Desarrollo Rural subprogram exclude individual applications.

Table 9: Conditions for Access based on Individual vs. Group Applications for Different Strata of Producers: Fomento Agrícola, 2008, Chiapas*

Level of Capital of Applicants	Total Number of Applicants	Individual Applicants			Group Applicants		
		Percent of Total Applicants	Success Rate	Average Funding per Beneficiary (Mexican Pesos)	Percent of Total Applicants	Success Rate	Average Funding per Beneficiary (Mexican Pesos)
Low	44,215	3.3%	76.8%	$94,634	96.7%	81.6%	$5,637
Medium	3,628	12.3%	64.1%	$82,142	97.7%	88.1%	$6,393
High	1,633	15.7%	87.1%	$68,722	84.3%	88.5%	$8,765
Total	49,476	4.3%	75.4%	$88,851	95.7%	82.2%	$5,792

* Columns labeled "Percent of Total Applicants" disaggregate group applications by the number of members applying with the group. "Average Funding per Beneficiary" is a calculation of the total amount of the grant divided by the number of persons in the group application.

Source: Data provided by Sagarpa delegation in Chiapas

Table 10 demonstrates that more indigenous applicants applied as members of groups than did non-indigenous applicants. Only 0.3 percent of indigenous applicants applied with individual applications, compared with 6.5 percent of non-indigenous applicants. This finding supports information gathered in field research that suggests that indigenous farmers are less prepared to navigate the complex Alianza application process without the support of an organization. Further, applications submitted by groups of indigenous producers have a slightly higher success rate than those submitted by non-indigenous groups (84.6 percent versus 80.8 percent), demonstrating that applying for Alianza support with a group helps indigenous producers counter the imbalance in individual application funding. However, indigenous beneficiaries from successful group applications received less funding on average than non-indigenous beneficiaries (MX$5,359 versus MX$6,090).

Table 10: Conditions for Access based on Individual vs. Group Applications for Indigenous and Non-Indigenous Applicants: Fomento Agrícola, 2008, Chiapas*

	Total Number of Applicants	Individual Applicants			Group Applicants		
		Percent of Total Applicants	Success Rate	Average Funding per Beneficiary (Mexican Pesos)	Percent of Total Applicants	Success Rate	Average Funding per Beneficiary (Mexican Pesos)
Indigenous	17,113	0.3%	55.0%	$116,109.89	99.7%	84.6%	$5,359.16
Non-Indigenous	32,363	6.5%	76.0%	$89,587.98	93.5%	80.8%	$6,090.47
Total	49,516	4.3%	75.6%	$89,974.71	95.7%	81.8%	$5,820.82

* Columns labeled "Percent of Total Applicants" disaggregate group applications by the number of members applying with the group. "Average Funding per Beneficiary" is a calculation of the total amount of the grant divided by the number of persons in the group application. Total figures differ slightly from Table 9 due to incomplete data.

Source: Data provided by Sagarpa delegation in Chiapas

The information in this section is not meant to represent the experiences of all organizations of producers in accessing funds from state run agricultural support programs. Rather, interviews with organizations of low-income coffee and corn farmers in Chiapas were conducted to uncover some of their on-the-ground challenges in accessing Alianza. Several of the corn producers interviewed belonged to community cooperatives that were integrated into *Empresa Integradora Campesina, SA* (EICSA), a state-level commercial organization of corn growers associated with the *Asociación Nacional de Empresas Comercializadoras de Productores del Campo, AC* (ANEC). The coffee farmers interviewed belonged to Majomut, FIECh, and CoopCafé, cooperatives that bring together thousands of coffee farmers to process and market coffee and to process applications for government programs. See the Box "Tractors versus Trimmers" for a more detailed look into the experiences of organizations of small-scale corn and coffee producers that attempted to access Alianza in Chiapas.

Box 3: Trimmers versus Tractors

Much of Alianza's funds go to farmers to support a wide range of capital investments, including items as inexpensive as hedge-trimmers or as costly as tractors. Organizations of small-scale farmers implement a variety of strategies to access support from Alianza to make these investments. Depending on the amount of money sought and characteristics of the farmers receiving the funds, poor farmers who seek to access Alianza's resources face different kinds of obstacles. However, this study's results suggest that for all poor farmers, belonging to a producer organization is a necessary though not sufficient condition for accessing Alianza support.

Two cases from Chiapas are illustrative of the variation in experiences of organizations of small scale producers: the purchase of hundreds of pairs of handheld tools for Majomut, an organization of coffee growers in the highlands municipality of Chenalhó and the purchase of a tractor by a corn farmer organization called Totikes, based in the municipality of Venustiano Carranza. These smallhollders would not have been able to access Alianza funds without the support that their organizations provided, in order to manage the highly bureaucratic application process, provide access to credit, and wield political influence with state agricultural officials. Most smallholders are unable to surmount these numerous hurdles and therefore cannot access the Alianza matching funds.

Majomut is an organization of roughly one thousand indigenous tzeltal coffee farmers based in the highlands municipality of Chenalhó. The average member of Majomut farms about 1.5 hectares of coffee land, using the most labor intensive and low capital techniques. The members of Majomut rely on the organization in many ways, including providing access to agricultural support programs such as Alianza. Lorenzo Sántiz Gómez, President of Majomut explained that successful protests in the past have led the organization's members to view government support as an entitlement rather than as a benefit (interview, July 3, 2009). If the state or federal agricultural ministry withdraws support in a given year, Majomut is ready and willing to protest their exclusion. Sántiz Gómez and other members of Majomut's leadership structure serve the important roles of negotiating with agricultural ministry officials, filling out paperwork, and assisting members in gathering the required documents—birth certificates, voting documents, and land titles.

Because of the extremely limited financial resources of Majomut's members, large-scale investments in machinery are practically unheard of. The farmers benefit from Alianza by using its resources to buy the basic hand-held tools that make planting and harvesting coffee easier: trimmers, shovels, and hole-diggers. In 2008, for instance, Majomut submitted an application for Alianza to fund the purchase of these hand tools for all of its members. They were approved for roughly one-half of the tools that they requested. Because Majomut's farmers are classified in the poorest category defined by Sagarpa and live in high-marginality villages, Alianza funded 90 percent of the cost of the tools, which were distributed among members through a raffle. Due to its size and longevity—the organization was founded in 1983—Majomut is among the most influential organizations of small-scale coffee growers' in the state, according to Ramón Martínez Coria, Director of the

Foro para el Desarrollo Sustentable, AC, a Chiapas based NGO that specializes in rural development (interview, July 6, 2009). In contrast to the experience of Majomut, most coffee farmers in Chiapas do not have access to Alianza because they do not belong to an organization that is as effective at navigating these administrative and political channels.

Conditions are even more difficult for low-income farmers who try to make a living growing more capital-intensive crops, such as corn, as they attempt to access Alianza support for more costly investments. The process for applying for support to buy a tractor is demonstrative of these challenges. A high percentage of resources in the Agricultural Support subprogram of Alianza go toward the purchase of tractors, demonstrating a bias toward capital-intensive agricultural sectors. Small-scale farmers that grow these crops, however face many challenges—both formal and informal—in accessing this support, however. For example, several corn farmers interviewed in Chiapas complained that the most inexpensive tractor for which they could get their application accepted cost over MX$300,000—only MX$120,000 of which is covered by the program. The state government's rationale for excluding smaller, more affordable tractors from the program is not clear—even though small tractors at half the price are formally eligible for Alianza support (for list of investments covered, see http://www.sagarpa.gob.mx/agricultura/PreciosJustos/Paginas/default.aspx). Part of the explanation is found in the fact that the tractor program of the past two years required applicants or groups of applicants to have at least 35 acres of land that was farmable with tractors.

The experience of Totikes, an organization of small-scale corn farmers based in the municipality of Venustiano Carranza, is particularly illustrative. Totikes was founded in 2000 and represents roughly 5,000 corn farmers, most of whom are indigenous tzotzil with fewer that five hectares of land. Much like Majomut, Totikes has a vertical leadership structure that helps members in the administrative process of applying for support from agricultural support programs such as Alianza. Totikes also is able to access some degree of political capital on the state level through its affiliation with the Empresa Integradora Campesina (EICSA), a statewide corn cooperative that belongs to ANEC, a national network of agricultural marketing organizations.

Even with the help of the organization's leadership and EICSA, however, the members of Totikes face daunting obstacles in accessing support from Alianza to help buy a tractor. According to Ruly de Jesús Coello Gómez, president of Totikes, groups of farmers affiliated with Totikes often submit applications to Alianza several years in a row without success (interview July 2, 2009). Some groups' applications fail because their members live on communally held hand and thus do not have possession of land titles, a requirement of the application. Others simply cannot gather the minimum amount required to purchase a tractor—roughly MX$350,000 (about US$27,000) while awaiting reimbursement from Sagarpa. In the handful of successful cases, members took advantage of the line of capital secured through Totikes and a great deal of administrative support and political influence provided by EICSA personnel. After this arduous process, the corn farmers still must invest large amounts of their own funds, as Alianza support for tractors is capped at MX$120,000 in Chiapas.

In comparing these two cases, we can draw three main conclusions. First, accessing support from Alianza is extremely difficult for small-scale farmers, due to logistical, administrative and financial obstacles. Second, the state government's interpretation of the federal program is biased towards especially expensive, capital-intensive investments, such as large tractors, that are both inappropriate and inaccessible for low and middle-income producers. Finally, the political, administrative, and financial support provided by producers' organizations is an essential precondition for poor farmers to access Alianza.

There are several steps to the process of applying for and receiving funds from state agricultural support programs. Alianza's rules of application establish certain benchmarks for the program calendar within each state. For instance, the state agricultural ministry must begin receiving applications by March 15 and must allocate all of the funds for the year by November 30. However, some of these guidelines are often violated due to considerable administrative delays. The following list lays out the steps in this process and mentions some of the common pitfalls that lead to delays and the suboptimal distribution of resources. The rest of this section recounts some experiences of low-income farmers in Chiapas in navigating this process.[14]

- The state agricultural ministry must begin accepting applications for Alianza's subprograms by March 15 of each year. The period for submitting applications must be at least one month long. When an application is submitted, the personnel at the CADER (local agricultural ministry office) verify that the documentation is complete. If it is not, the applicant has five to ten days to fix the problem before the application is automatically rejected.
- Once the application submission period ends, completed applications are sent to a working commission, which classifies them according to the program applied to, characteristics of the applicant, and the amount of money requested and then sends the applications to the *Comité Técnico Estatal* (state technical committee) to be scored.
- The *Comité Técnico* decides which applications to fund and what level of funding the state will provide. Once these decisions are reached, the *Comité Técnico* notifies all applicants and also publishes a list of the beneficiaries in a local newspaper. Results are typically announced in April or May.
- Once applicants receive notification of the approval of their applications, they may make the approved purchases. In most states, they pay the full price up front and then submit proof of purchase to the agricultural ministry. In Chiapas, applicants also have the option of making the approved purchases from certified vendors, paying only the applicant contribution and the state reimbursement goes to the vendor.[15]
- After proof of purchase is submitted to the agricultural ministry, the funds for reimbursement are allocated from the state trust. The beneficiary (or vendor in the Chiapas case described above) receives a check at the CADER for the amount approved. Checks are typically sent out beginning in September or October, but this step can often extend into the following year because beneficiaries delay in purchasing the approved products. These delays are especially common when the investment in question requires significant labor to implement, such as the installation of an irrigation system.[16]
- Formally, all funds are to be allocated to beneficiaries and the state agricultural ministry is to provide an accounting of the projects funded by November 30. Due to delays in project implementation and processing of reimbursements, however, this deadline is often extended well into the following year.

Obstacles related to Paperwork and Bureaucracy

[14] These dates are taken from Alianza's Rules of Operation and an interview with Miguel Ángel López, Director of Agricultural Investment for Sagarpa's Activos Productivos.

[15] According to Leonardo Pérez Sosa of the FAO, this arrangement is quite uncommon. In most states, the beneficiary must front the total cost of the investment until the reimbursement arrives.

[16] Miguel Ángel López explained that the delay of reimbursement causes great difficulties in accounting for these support programs because they make it difficult for the state agricultural ministry to report how much of their total budget they have spent in a given year by the end of that year. These delays also complicate the process of the reinvestment of unspent funds. According to the rules of operation, those funds that go unspent because beneficiaries withdraw their applications are to be redistributed through a second application submission period in the final months of the year, but this rarely results in the approval of many more grants, due to difficulties in determining the amount of resources available.

Applicants are required to submit several official documents with their applications to Alianza. These documents include copies of each applicant's birth certificate, voting identification document, CURP, and proof of landholding. For group applications, the group of producers must also submit documentation of the organization's legal status. The application requires applicants to identify the number of indigenous, women, and physically disabled members of the group. Each applicant also must report the amount of land or number of livestock owned, the type of product grown or livestock raised, and their average yearly income. Low-income producers interviewed cited much difficulty in accumulating the required documents and the requested information, particularly in cases where groups of applicants were applying.

Leaders of producer organizations in Chiapas explained that they have submitted applications several years and been turned away for not having all of the documentation in place. This is a step in the process where the presence of a community-based organization with a close connection to its members in addition to a peak-level organization with technical expertise about the application process is very useful. Leaders of several corn and coffee growing organizations in Chiapas explained that they begin the process of helping their members acquire their CURP, voting documents, and land titles months before the applications for Alianza programs are due. (interviews with corn farmers from Portaceli de la Frailesca, SPR and Totikes; and coffee farmers from Majomut and FIECh). Low-income corn and coffee producers interviewed claimed that they would never have been able to decipher the application and accumulate all of the necessary documents if they had not had the help of technical experts that worked for their organizations, such as those that work full time as support staff for large scale integrating cooperatives, such as EICSA and CoopCafé.

The requirement to submit a land title is particularly daunting for many producers. Small-scale producers often do not have individual titles to their land because it is communally owned by an agrarian community or an ejido. The official land titling process did not reach all producers. State delegations are capable of making accommodations to help groups of producers with communal membership to submit applications, but some indigenous producers still reported being turned away because they did not have titles to their land. Several of the producers interviewed cited the problem of access rooted in not having a land title. In addition to the challenges faced by communal landholders, individual landholders often do not have up-to-date documentation of land ownership because in marginalized rural areas it is common for a parcel to be bequeathed or sold without the legal transference of the title.

> "Reciently they have required a document that demonstrates land ownership, a title. A large portion of the members of Totikes do not have this document. In the past, they submitted land titles of the initial *ejidatarios* (communal landholders), the *ejidatarios básicos*, but now our population is too large and not everybody has this document."[17]
>
> -Ruly de Jesus Coello Gómez, representative of the Totikes Organization of indigenous corn farmers, based in the municipality of Venustiano Carranza (interview, July 2, 2009).

The representatives of the organization Totikes explained that after negotiations with authorities from the Chiapas delegation of Sagarpa, they reached an agreement that in a group application, at least one of the members of the organization had to have title to land registered under their own name.

[17] *"Recientemente están pidiendo un documento que avale la posesión de la tierra, un título. Gran parte del cuerpo de Totikes no cuenta con este documento. En el pasado, se entregaron documentos de posesión de la tierra a los ejidatarios iniciadores, los ejidatarios básicos, pero ahora nuestra población es demasiado grande y no todos cuentan con este documento."* Translation by author of this report.

The severity of these obstacles is compounded by the strict policy for the resubmission of applications that are missing documents. If the personnel at the CADER identify elements missing from an application, they notify the applicants, after which time the applicants have between five and ten days to submit the needed materials. If they do not meet this deadline, the application is automatically rejected. According to David Pozo Vázquez and Vacillio Llave García, leaders of Portaceli de la Frailesca, their organization was only able to successfully submit an application for a tractor after three years of trying (interview, July 7, 2009). The first two years, they were turned away for missing documents. Obtaining the necessary documents to complete the application implied a costly legal process of getting land registered in the names of the applicants, rather than the names of their family members from whom the applicants had inherited the land.

When large groups of applicants apply as a group for Alianza, missing paperwork often means that some members of a community get excluded from the benefits. This occurrence could be observed at a meeting of over one hundred members of Majomut, a coffee growers' cooperative based in the northern municipality of Chenalhó. Representatives of Sagarpa were handing out checks to each of the organization's members to cover the cost of farming implements such as shears and hole diggers. Community members who held leadership posts in Majomut were present to assist the indigenous Tzeltal coffee farmers, many of whom spoke limited Spanish, in preparing their personal identification documents to present to the Sagarpa officials. Several of the members were turned away, however, and were not able to receive their checks, because they had not brought the correct papers with them.

In its evaluation of Alianza's program design, the FAO recommended that state-administered agricultural support programs allow for producers to apply to several of the government's many programs with a single application. (FAO 2007: 36) The FAO evaluation argues that the transition to a new crop or to a new technique requires support from several different Sagarpa programs, including support for new machinery, the assistance of technical experts, access to credit, and genetic material for new species. Sagarpa includes a separate program designed for each of these purposes, each requiring a separate application, creating obstacles for producers wishing to transfer to a new technique. The disaggregated nature of applications for these programs creates a system wherein producers have to submit four or five separate applications for programs that meet the separate needs of implementing a new project and are unlikely to be approved for all of them. This system also make producers more reliant on technical experts who design projects and fill out the extensive documents necessary to apply to all of these programs.

Financial Burden of Applying for Alianza para el Campo

Another challenge cited by producers is the issue that receiving funds from the government is often conditioned on putting one's own money forward first. In most cases, Alianza is a reimbursement-based program. Once applicants receive notification that their applications have been accepted, they are required to purchase the capital themselves, only to be reimbursed months later when the money is finally released by the state trust. This creates a Catch-22 for low income producers. If they truly need the government support, then it is unlikely that they will be able to access the necessary funds to cover the total cost of the product that they are purchasing. The delay before the government reimbursement is typically at least three months. Producers interviewed cited that this problem led them to not apply at all or to only apply for support for investments that they were already planning on making.

Furthermore, caps are placed on the amount of money that the state can contribute toward the price of certain capital investments. In addition to caps shown in Table 6, which set a maximum *percentage* of the price of an investment that the government will cover, there are also limits established by the each state's technical committee that place a maximum on the total amount that a producer can receive for a particular type of investment. For instance, in Chiapas, the government will not pay more than MX$120,000 toward the price of a tractor for any producer. Several corn producers interviewed cited that the least expensive tractor that they were able to find at the approved retailer in their region of the state was about MX$350,000. Gathering the roughly MX$200,000 that represented the producer's contribution proves impossible for these groups of fewer than twenty farmers, each with less than ten hectares of land.

The members of corn farmers' organizations respond to this challenge in different ways. Producers in the organization Unión de Maiceros de San Juan de Grijalva tapped into a line of credit secured by EICSA in order to pay their portion of the contribution, but at a high interest rate (interview, June 30, 2009). Their loan payments now constitute a significant drain on their net income. Other corn farmers belonging to the Totikes organization acquired a single tractor to be shared between several different dispersed communities in a large ejido (interview, July 2, 2009). They claimed that they would be able to produce much higher yields with two or three tractors, but that between the hundreds of members of their organization, they were only able to gather together the money to pay their share of the price of a single tractor. Finally, farmers from the organization Portaceli de la Frailesca, based in the municipality of Villaflores exhibited a defeatist attitude. "We don't have the money to participate," one producer said. "Alianza para el Campo is only for the rich" (interview, July 7, 2009).[18]

The reimbursement-based design of Alianza makes the program inaccessible to lower income producers and hinders the potential of the program to foment investment in technology to improve productivity. Because farmers must pay their own money up front for machinery, they often only are able to take advantage of Alianza to lower the price of capital investments that they were already planning on making. According to Leonardo Pérez Sosa of the FAO, approximately forty percent of Alianza grants are used to pay for investments that producers would have made even if they had not received government support (interview). For this reason, Alianza funds do not lead to as great an increase in productivity as it could if more beneficiaries used the funds to improve their production methods.

In Chiapas, the state government has reached agreements with vendors of farm equipment that allow beneficiaries to buy the equipment by paying their own contribution and by submitting a letter of authorization provided by Sagarpa. This system is effective at lowering the upfront costs to be paid by producers, but introduces other problems. Few vendors have been approved by Sagarpa, which often results in applicants having to travel long distances to reach an approved vender. Also, if approved vendors do not have the machinery needed by producers in stock, beneficiaries may have to wait for extended periods or settle for products ill suited for their production techniques. Corn producers interviewed cited that the only tractor that they were able to access from the preapproved vendor in their region of the state was much more expensive than they would have preferred to pay: roughly MX$350,000 when a "minitractor" costing MX$150,000 would have been sufficient for the number of hectares that they farmed.

According to Sagarpa's website, smaller tractors are approved for purchase under the program — and even recommended for producers with small plots of land.[19] The experience of

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[18] "*No tenemos el dinero para participar. Alianza para el Campo es solamente para los ricos*."
[19] Sagarpa's website has a list of approved vendors in each state and the types of machinery that are approved for reimbursement through the Activos Productivos Program: http://www.sagarpa.gob.mx/agricultura/PreciosJustos/Paginas/PreciosdeMaquinariaAgricola.aspx, last accessed December 30, 2009.

several organizations of corn producers in Chiapas interviewed, however, was that the only tractors available to them cost them more than MX$300,000 (US$24,000). Miguel Ángel López said that this was an issue that was the responsibility of the state government to resolve (interview). Chiapas' state government has contributed to the purchase of over 2,000 tractors between 2007 and 2009 through Alianza, yet the distribution mechanism is not advanced enough to make inexpensive tractors available to the producers that most need them.[20] (See more about the funding of tractors in Chiapas in the box: Tractors vs. Trimmers).

In the case of ASTECA, the program designed to help producers hire technical experts, the reimbursement system forces experts to work for several months without receiving pay until the trust releases the funds. This arrangement exacerbates the problems of project cloning and consultants who bill themselves on their ability to get money for organizations of producers rather than on their ability to improve their production methods.

The problem associated with the redistributive design of these programs is exacerbated by their rigid calendar, which often does not align with producers' harvest cycle. Generally, applications are approved in April or May and producers must make the investment themselves by August of the same year. For many agricultural sectors, this is the leanest time of the year, as the producers have invested their funds into planting and tending crops, but the harvest does not occur until the fall. In order to pay the entire price of a tractor or other technical equipment, they must take out short-term financing, which is often unavailable or only available at high interest rates. This problem was salient for both the corn farmers and coffee farmers interviewed. The corn farmers were particularly badly affected, as they are typically very low on financial resources during the summer months because their greatest source of income comes from the fall harvest. Coffee farmers are slightly better off because their harvest is most intense during the winter or early spring in Chiapas. In an interview, Ángel López confirmed that Alianza's application and funding cycles is designed to mesh with the national budgeting calendar, and not with the harvest cycle of producers.

Given the extensive financial requirements for receiving state support for capital investments, an important criterion for access for low income producers is access to credit. The importance of credit comes into play in two regards: first, producers often require short term credit options in order to be able to cover the full cost of a capital investment in the period before the reimbursement check arrives. Second, even in cases where the investment is not set up on a basis of reimbursement, low-income farmers still often need loans to cover their portion of the cost of an investment. Large organizations bringing together several local groups of producers addressed this problem by gaining access to credit for their farmers. These organizations interviewed for this study executed this function for many of their members. Producers interviewed who were associated with EICSA, CoopCafé, Majomut, and FIECh all acknowledged that they would have been unable to make large investments in improving productivity if it were not for the credit that was available to them as a result of belonging to a large cooperative.

Conclusions about Producer Access in Practice

This section has provided evidence to demonstrate that low-income producers and organizations of producers with different characteristics face different challenges for accessing Alianza funds. The overall conclusion for poor producers is that accessing state agricultural funds is impossible unless they belong to an organization. The design of state agricultural programs provides

[20] Diario de Chiapas. "En el Sexenio del Campo: tecnificar para producir más y vivir mejor," July 8, 2009.

great incentives for poor farmers to organize, but not in the type of organization that is necessarily most conducive to poverty reduction and increased production efficiency. Organizations of producers tend to execute three roles: they employ technical experts who specialize in constructing applications that are successful at securing funding; they bring together enough producers to be able to secure credit and effectively share the benefits of the state support; and they wield political influence with the state by forming partisan alliances or threatening protest.

VIII. Conclusions

This report has addressed several trends in *Alianza para el Campo*'s program funding and implementation that prevent effective targeting of low-income producers. It has also described the experiences of low-income producers in Chiapas, surveying the obstacles that they encounter in accessing Alianza programs. On the federal level, the allocation of funds for Alianza to state governments is regressive, favoring higher producing states and is inconsistent from year to year. On the state level, decisions about which applications to fund are made in a nontransparent way, and data from Chiapas has suggested several forms of bias against low-income and indigenous producers in budgetary allocation. The program criterion for defining small-scale produers—owners of less than 20 hectares of land—is high, preventing program funds from reaching the most needy applicants. Finally, marginal populations encounter several obstacles to accessing Alianza funds on the ground due to the financial barrier owing to the reimbursement basis of the program and the highly bureaucratic application process.

These results can be addressed in light of Alianza's decentralized design. In contrast to other agricultural support programs, the majority of the decisions about Alianza planning and budgeting take place on the state level. The purported benefits of decentralization for agricultural support programs are that they allow for resources to be more efficiently allocated, based on the economic needs of the population and environmental conditions for farming than programs that are administered on the federal level. While some of these benefits are surely achieved, the shortcomings in program design and implementation described above lead to suboptimal trends in budgeting and producer access. State governments' often-nontransparent policymaking processes and lack of administrative capacity is another key factor that leads to inefficiency and the deviation of funds as patronage. This report's findings suggest that these deficiencies result in a budgetary distribution that disfavors low-income applicants.

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