

# Is decentralization the answer?

## Lessons from *Alianza para el Campo*

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<sup>1</sup> This policy brief summarizes the findings of a more extensive field-based study (Palmer-Rubin 2010).

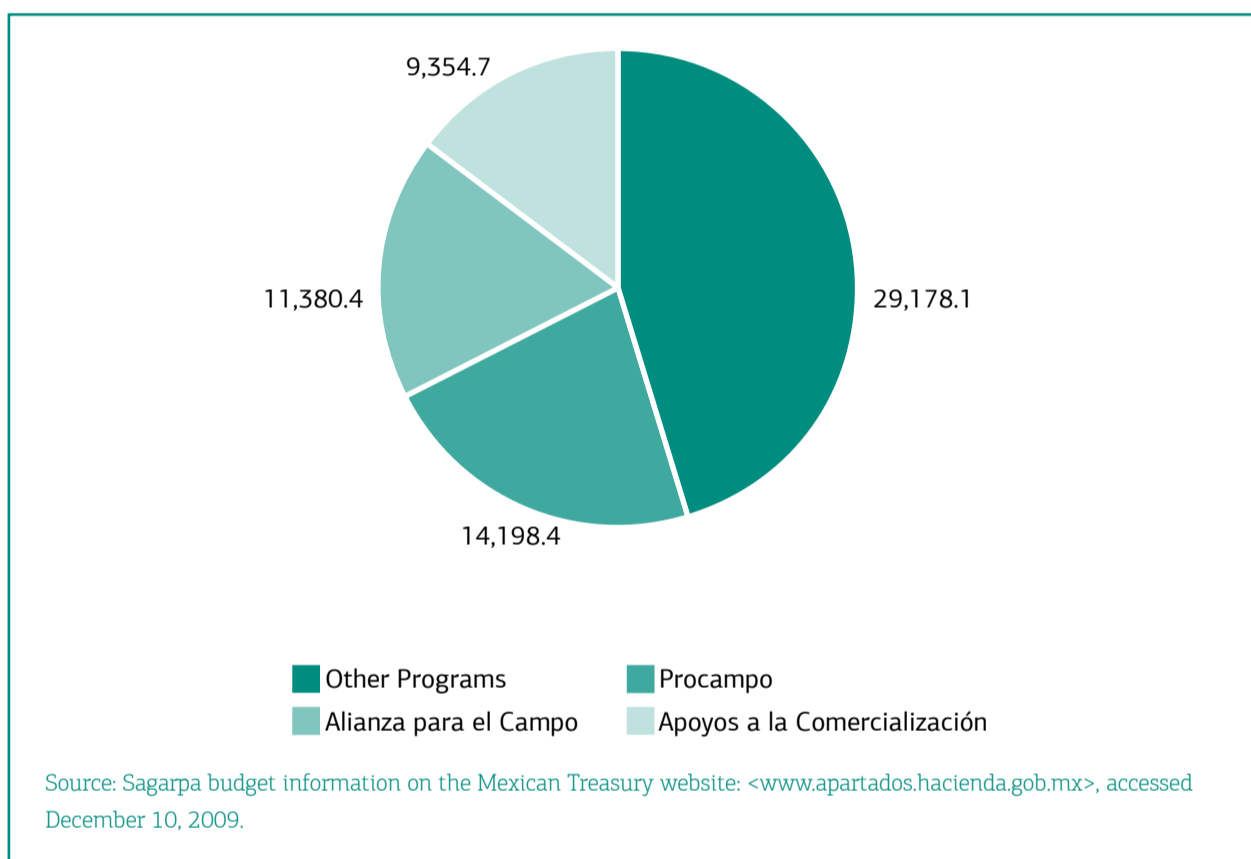




*Alianza para el Campo* (Alianza) is the name of the second largest federal agricultural program in Mexico. The stated goals of Alianza's many subprograms are to help farmers, ranchers, fishers, and other rural populations make capital investments to improve the value-added of their production. In contrast to Mexico's largest agricultural program, Procampo, Alianza is decentralized—many of the decisions about program design and implementation are made on the state level. Roughly two-thirds of the funds for these state-level projects, however, come from the federal government. State agricultural ministry officials and representatives of Sagarpa, the federal agricultural ministry, jointly undertake program planning and implementation.<sup>2</sup>

The purported benefits of decentralization for agricultural support programs are that it allows for resources to be more efficiently allocated, based on the economic needs of the population and environmental conditions for farming than for programs that are administered on the federal level. The potential drawbacks, however, are that decentralized programs are more prone to being diverted as patronage or misspent due to the lack of administrative capacity and often-nontransparent policymaking process of state governments. Further, the involvement of both federal- and state-level officials in policy design and budgeting introduces greater opportunities for administrative delays and malfeasance.

**Graph 1**  
LARGEST AGRICULTURAL SUPPORT PROGRAMS IN 2008  
(MILLIONS OF MEXICAN PESOS)



Alianza's programs support farmers through matching grants for investments aimed at improving rural productivity, including machinery such as tractors or irrigation systems; facilities for storage or processing; inputs such as seeds, chemicals, or stud animals; or consultants to improve production methods. Beneficiaries must contribute between ten and ninety percent of the cost of an expense that is supported by Alianza, depending on the type of investment being made and the producer's level of marginality. Each state is required to set aside a certain percentage of funds for small-, medium-, and large-scale producers. The *Desarrollo Rural* (Rural Development) subprogram is the only subprogram within Alianza that is specifically designed to target poor producers and makes up between roughly ten and forty percent of Alianza budgets in each state. Nationwide, about 17.4 percent of Alianza funds went to *Desarrollo Rural* in 2009 (Mexican Treasury, *Presupuesto de Egresos de la Federación*, 2009).

The study combines three methods of data collection: institutional analysis of Sagarpa and the agricultural ministry of the state of Chiapas; statistical assessment of budgetary figures and trends in applications for Alianza subprograms; and interviews with poor coffee and corn farmers in Chiapas. This brief summarizes the paper's findings in four areas: federal allocation of Alianza funds to states, allocation of funds within states, producer access in practice, and the program evaluation process carried out by the Food and Agriculture Association of the United Nations (FAO).

<sup>2</sup> In 2008, through an administrative reorganization of Sagarpa's programs, Alianza's subprograms were divided given new names such as *Adquisición de Activos Productivos* and *Programa Soporte*. This reform has not had significant impacts on program design or implementation on the federal or state levels. In this report, to avoid confusion, I refer to these programs as "Alianza."

## 1. FEDERAL ALLOCATION OF FUNDS TO STATES

- **Sagarpa’s system for allocating Alianza funds to the states has been inconsistent and changes frequently.** Allocation of federal funds to states has followed a variety of formulas since the inception of Alianza, leading to inconsistent levels of funding for each state, therein undermining long-term rural development planning on the state level. As Table 1 shows, the overall Alianza budget varies dramatically, introducing greater variability in the amount of funds received by each state.

**Table 1**  
NATIONAL ALIANZA BUDGET

Year	2005	2006	2007	2008	2009	2010
Amount Allocated to Alianza (millions of Mexican pesos)*	7,234.0	6,269.7	8,729.3	11,380.4	16,042.2	7,500.0
Percent of Total Sagarpa Budget	15.6%	12.8%	15.3%	17.8%	22.6%	12.3%

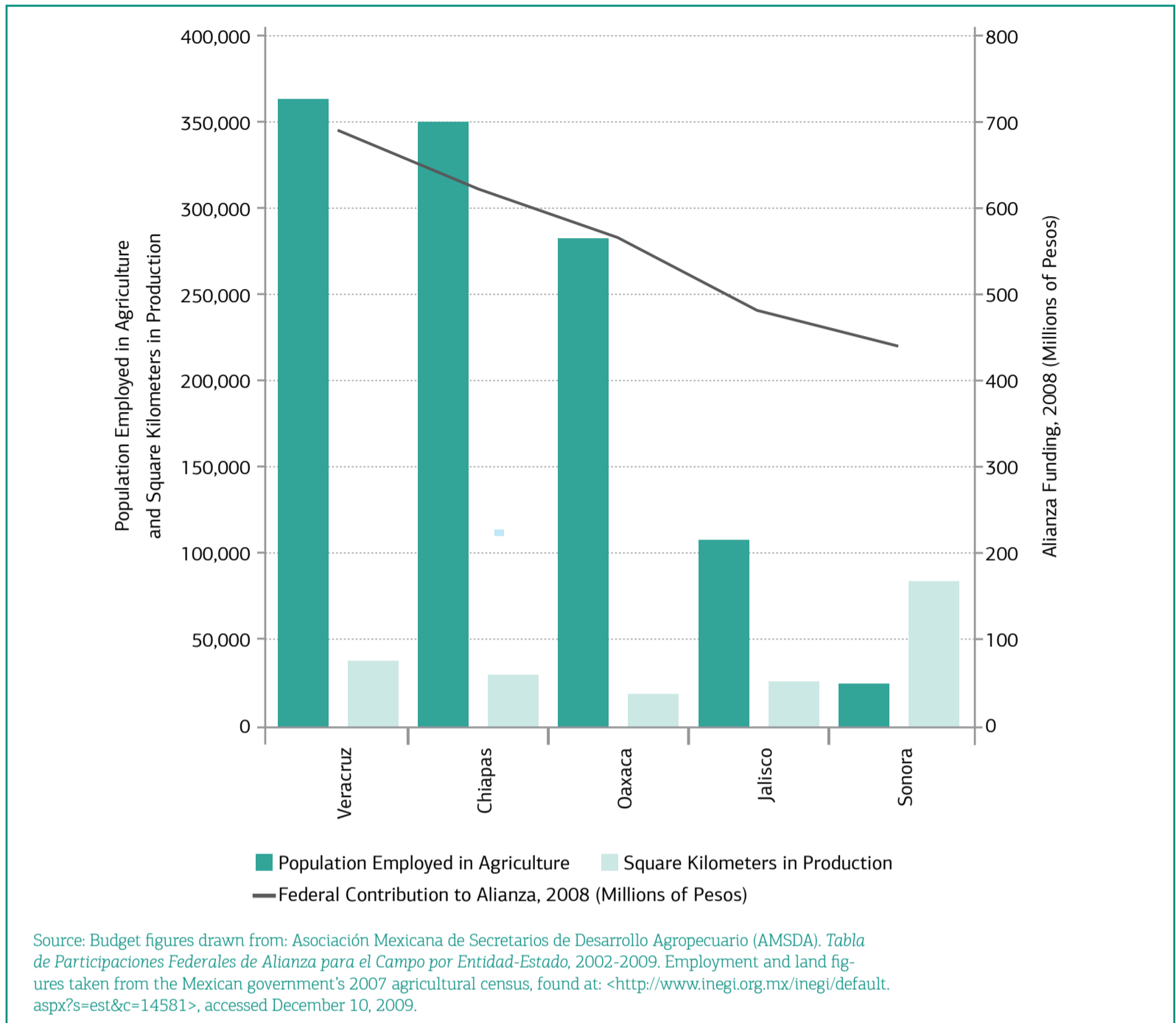
Source: Sagarpa budget information on the Mexican Treasury website: [www.apartados.hacienda.gob.mx](http://www.apartados.hacienda.gob.mx), accessed December 10, 2009.

\* Figures for 2005 through 2009 reflect the final reported budgets (*presupuestos ejercidos*) in the *Programa Especial Concurrante* (PEC). Figure for 2010 is the proposed budget (*presupuesto aprobado*) from the *Propuesta Presupuesto de Egresos de la Federación* (PPEF), dated Sept. 8, 2009.

- **The federal criteria for allocating Alianza funds to the states is regressive, favoring higher producing, lower poverty states.** While states with large poor rural populations are among the largest recipients, states where more efficient large-scale farming proliferates (typically in the North), receive more Alianza money on a per rural capita basis. Federal Alianza funds are distributed among states based on indicators that measure agricultural production and poverty. Factors that reward higher producing states tend to “cancel out” factors that reward poorer states, resulting in a regressive allocation of funds. Graph 2 demonstrates this disparity with data for the five highest-receiving states of 2008. Sonora ranks fifth, receiving about 65 percent as much money as Veracruz, the top receiving state (444.7 versus 688.1 million pesos) with only about seven percent as many agricultural producers as in Veracruz (25,694 versus 363,443 farmers).

Graph 2

TOP FIVE ALIANZA RECEIVING STATES IN 2008 WITH ASPECTS OF THEIR PRODUCTION



## 2. ALLOCATION OF FUNDS WITHIN STATES

- **Decisions about allocation of Alianza funds to different projects are made in a non-transparent fashion using inconsistent criteria.** Within states, the process that determines the allocation of funds among and within Alianza subprograms varies widely from state to state. Decisions about which types of programs and which applicants to prioritize are made behind closed doors in committees made up of both federal and state-level representatives. Both Sagarpa officials and state-level agricultural ministry officials interviewed explained that partisan alliances between state and federal-level politicians are an important factor in determining the level of autonomy of state ministry officials in designating Alianza funds. This discretionality, combined with the lack of transparency in budgeting, leaves openings for Alianza funds to be used for clientelistic purposes.
- **There is little evidence that low-income producers receive a significant share of Alianza funds.** This applies even for Desarrollo Rural, Alianza's ostensibly pro-poor subprogram. Recent analysis by the World Bank and John Scott finds that nationwide in 2004, 55 percent of Desarrollo Rural funds went to the richest producer decile, despite the fact that budget rules require that at least 50 percent of funds go to the lowest income producers (World Bank 2010: 59, Scott 2009: 56). 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. Investigation of Sagarpa and Chiapas' state agricultural ministry carried out for this report uncovered no sign of policies for addressing these widespread violations in targeting criteria.
- **The program's criterion 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.**<sup>3</sup> This aspect of policy design prevents the official data from revealing the degree to which the program reaches low-income farmers. In Chiapas in 2008, for instance, almost 95 percent of applicants fit into the “low capital” category, defined as having fewer than 20 hectares of land (Sagarpa 2009).<sup>4</sup> States are only required to allocate 50 percent of funds to low capital producers, even though in states like Chiapas they make up the vast majority of applicants.

- **The process for evaluating applications is nontransparent and highly subjective.** The state committees that receive and review Alianza applications decide which applications to fund using nontransparent criteria. The Rules of Operation include a system for scoring applications based on project design and demographic characteristics of the applicants (Sagarpa 2008). However, Sagarpa officials interviewed, including Miguel Ángel López, Head of Investment and Capitalization for Sagarpa’s Subsecretariat of Agriculture, explained that in many states, application scores are not a decisive factor in funding decisions and that some states do not implement the scoring system at all. This study’s evaluation of a list of applicants in Chiapas confirmed this fact—applications that are approved for funding often receive lower scores on these criteria than other applications that are denied. Further, denied applicants generally are not given a reason for the denial.

### 3. PRODUCER ACCESS TO ALIANZA FUNDS IN PRACTICE

**With few exceptions, for small-scale farmers, belonging to an organization of producers is a necessary, though not sufficient condition for accessing Alianza support.** In Chiapas, for instance, over 95 percent of applicants to the Agricultural Support subprogram applied as members of groups in 2008 (Sagarpa 2009). Applying as a group rather than individually helps to address the following challenges for poor applicants:

- Many producers are excluded from receiving Alianza funds because the funds are paid out as a reimbursement for investments already made, representing a significant financial burden. This core feature built into program design is a particularly daunting obstacle for producers who must purchase costly capital such as irrigation systems or tractors to compete in agricultural markets. Producer organizations can more easily access credit to cover these upfront expenses, yet many members of such organizations interviewed still cited this as the main factor that prevents them from accessing Alianza funds.
- The application process is bureaucratic, making the program inaccessible for farmers with limited formal education. Groups of producers often hire consultants, at great cost, to help them gather the required documents and fill out the complex application.
- Communal landholders, including most 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 opaque; and individual land titles are a requirement of applying for many Alianza subprograms and are needed to use as collateral for bank loans. While legally constituted groups of producers can apply for Alianza programs and access credit with a certificate for communally held land, the bureaucratic process of legal constitution and applying for this certificate is difficult.

### 4. FAO EVALUATIONS OF ALIANZA PARA EL CAMPO

**Despite weaknesses in the evaluation process, official evaluations of Alianza have criticized the program for being overly bureaucratic and for inefficient allocation of resources.** Since 1999, the Mexico delegation of the Food and Agriculture Association of the United Nations (FAO) has carried out yearly evaluations of Alianza. These evaluations address program design and the success of Alianza in meeting its stated objectives. This report’s main conclusions concerning the FAO evaluation process are the following:

- Despite the fact that the FAO is hired by Sagarpa to carry out evaluations of Alianza, the evaluation process is hindered by a lack of access to Sagarpa documents, statistics, and

<sup>3</sup> The latest Rules of Operation for Alianza, put in place in 2008, allow for state agricultural ministries to decide which producers are classified as small-, medium-, and large-scale based on their states’ demographic makeup, but ministries are still in the process of undertaking “Estudios de Estratificación de Productores,” a step required to get Sagarpa’s approval for a change these categories.

<sup>4</sup> Because low-income producers face greater obstacles in submitting applications for Alianza support than higher-income producers, the percentage of *eligible* producers with fewer than 20 hectares is even larger than the percentage of applicants.

personnel. 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. Also, FAO evaluations of yearly Alianza implementation begin in August of each year, not allowing time to pass to be able to observe the results of the programs.<sup>5</sup>

- 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.<sup>6</sup> 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 recommended that Alianza could more efficiently contribute to rural development by allocating a greater share of funds to small-scale farmers. They point out that Sagarpa's standard criteria for distinguishing among small, medium, and large-scale farmers are inappropriate for the farming populations of several states (FAO 2007: 29).
- 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 program 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 (Grupo Interagencial de Desarrollo 2009: 21-22).

## 5. CONCLUSIONS

This study has addressed some of the major obstacles that stand in the way of small-scale farmers benefitting from *Alianza para el Campo*. Many of these problems with access are similar to the shortcomings in federally-administered agricultural programs, such as Procampo. Others, however, are directly related to Alianza's reliance on state governments to administer the program and allocate resources. The purported benefits of decentralization for agricultural support programs are that they allow for resources to be allocated by decision-makers who are more aware of the economic potential of the target groups and the environmental conditions for farming. While some of these benefits are surely achieved, this study found aspects of program design and implementation that lead to regressive trends in budgeting and lack of access for low-income producers. Furthermore, the discretionality and lack of transparency in state government resource allocation decisions create opportunities for the deviation of funds as patronage. This report's findings suggest that these deficiencies result in a distribution of agricultural investment resources that disfavors low-income applicants.

<sup>5</sup> For a summary and assessment of the FAO evaluation process of Alianza, see Grupo Interagencial de Desarrollo (2009: 22-25).

## BOX 11: TRIMMERS VS. TRACTORS

**Brian Palmer-Rubin (UCB)**

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 smallholders 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 overcome 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 more efficient: 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 organizations that are 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 [160](http://www.sagarpa.gob.mx/agricultura/PreciosJustos/Pagi-</a></p>
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nas/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 than 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 exercise some degree of political leverage 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 land 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.

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