

## 1 Introduction

The search for ways to eradicate poverty has occupied the minds and efforts of policymakers and practitioners in developed and developing countries for decades. During this time, different ideologies have shaped the design of strategies and policies to deal with this problem, yet the number of poor people in the world continues to increase. In the late 1970s, neo-liberalism became the dominant ideology guiding economic and social policy design in developed countries. Since then, international conventional wisdom on anti-poverty policy has been shaped by the overarching influence of neo-liberal principles, which has influenced policy-making throughout the developing world and provided continuity over the past two decades. However, the strategies endorsed by conventional wisdom have also experienced important changes during this time, which reflect its ability to respond to critiques and evidence of its limitations. Three broad phases can be identified: the support for a radical roll-back of the state from economic and social policy; the endorsement of compensatory programmes for poverty alleviation; and the proposal of the New Poverty Agenda (NPA) (see Toye, in this Bulletin). During the 1990s, the NPA emerged as the new conventional wisdom and its strategy has underpinned the design of many anti-poverty programmes.

The focus of this article is to show how the conventional wisdom is transferred into the design of national anti-poverty policies and programmes within specific country settings. For this purpose, the Mexican government's anti-poverty policy since 1982 will be analysed. Mexico makes an interesting case study because: the government has been implementing anti-poverty programmes since the

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<sup>1</sup> The information contained in this paper is the product of research conducted from January to September 1998. I wish to express my gratitude and acknowledgement to Stephen Devereux for working closely with me during all the stages of research, writing and revision that led to this article. I would also like to thank Jutta Blauert, Francis Hutchinson, Mónica Tapia, Jonathan Fox, Grainne Collins, Sarah Cook and Mick Moore for their help and support at different stages of this research. I am particularly grateful to the people I interviewed in Mexico, to all those in Mexico who provided documents, information, advice and support, and to CONACYT for financing my research. I am solely responsible for the analysis contained here and any mistakes it may include.

# The Changing Anti-Poverty Agenda

*What Can the Mexican Case Tell Us?<sup>1</sup>*

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IDS Bulletin Vol 30 No 2 1999

early 1970s (longer than many other developing countries); the federal government's anti-poverty policy since the 1980s has shared strong parallels with the three phases described above, culminating in the introduction of the NPA as a basis for strategy design, which is best represented by PROGRESA, the current government's key anti-poverty programme; and it also presents unique features. The Mexican case calls attention to the distinct national historical, economic, political and social factors that come into play as the strategies designed by international policymakers are put into practice in developing countries. It shows that the conventional wisdom should not be seen as a model which is always imposed on developing country governments, as is often assumed, and that it will certainly take different shapes under different settings. This analysis will serve as an example of how NPA-based programmes are put in practice, what factors influence their country-specific design, and their potential and limitations for alleviating and reducing poverty.

## **2 The Introduction of Neo-Liberalism in Mexico: A Partial Retreat of the State (1982–88)**

In 1982, the administration of President de la Madrid inherited a country sunk deep in economic crisis. The large fiscal deficit and increasing debt service, coupled with the unavailability of foreign lending or other sources of financing, left Mexico facing a balance of payments crisis with 'far-reaching consequences' (Friedman *et al.* 1995). As had been the case with developed countries and other developing countries confronting economic downfall, the government acknowledged the need to restructure the economy. It contracted policy-based loans with the IMF and the World Bank and started implementing stabilisation policies (initially) and adjustment policies (since the mid-1980s).

The de la Madrid administration put in practice a harsh orthodox reform package focused on demand restraint and a retreat of the state from its previously active economic role, including such measures as: the reduction of public expenditure, price liberalisation, restriction of credit, privatisation of state

enterprises, trade and financial liberalisation, devaluation and wage reduction (see Lustig 1992). Although this overhaul of the economy took place within the context of borrowing from the IMF and World Bank, it cannot be seen as an imposed package. The crisis coincided with the start of an administration led by the first in the line of technocratic presidents that have governed Mexico until today. This meant that the perception of the need to implement orthodox economic policies was shared by Mexico's new technocratic elite.

The change to a neo-liberal economic model had implications for social policy in Mexico. The government's social policy since the 1940s had been characterised by an incremental provision of social services to the population, though guided to a great extent by corporatist and clientelist patterns which privileged some sectors of the population (e.g. urban workers). Furthermore, in the 1970s two anti-poverty programmes (PIDER and COPLAMAR) were created to benefit the population (mostly rural) that had been left out from the general social policy.<sup>2</sup>

The reduction of public investment from 10.8% of GDP in 1982 to 4.9% in 1989 was the initial factor leading to a drastic change of the social policy model. There was a 6.2% annual contraction in social expenditure from 1983 to 1988. The education and health sectors were disproportionately hit, suffering reductions of 30% and 23% respectively while GDP per capita fell by 15% from 1982–88. Initiatives directed at the poor were especially hard hit, such as basic education and health programmes within COPLAMAR and other rural and regional development programmes. Most consumer and producer subsidies were eliminated and expenditures on general food subsidies fell from 1.25% of GDP in 1983 to 0.37% in 1988. Universal subsidies were substituted by targeted ones in order to maintain coherence with the new fiscal situation and the ideological approach guiding the economic model (Friedman *et al.* 1995).

Therefore, both general social policy and interventions directed specifically to the poor suffered during this period. The new economic model was

<sup>2</sup> These two programmes were not very successful in terms of their impact on poverty, but are relevant as predecessors of the anti-poverty efforts which followed.

translated into a decreased government capacity or will to provide for the welfare needs of its citizens, and the result was higher levels of poverty and inequality. According to official figures, the poverty growth rate for 1981–87 was 29% with 51% of the population (41 million) below the poverty line in 1987 and 21% below the extreme poverty line (Trejo *et al.* 1993: 84, 86). Meanwhile inequality increased from a Gini coefficient of 0.429 in 1984 to 0.469 in 1989 (PEF 1997: 16).

The overarching policy aims of this administration were macro-economic stability and growth. This was achieved by a roll-back from previous economic interventionism together with excessive and regressive cuts in social expenditure. In fact, economic stabilisation was achieved and the economy began to grow by the end of the administration. But the social costs were already having political consequences by fuelling dissent in the run-up to the controversial 1988 presidential elections.

### **3 Programa Nacional de Solidaridad (PRONASOL): Mexico's Compensatory Anti-Poverty Programme (1988–94)**

In 1988, President Salinas inherited a country submerged in one of its deepest legitimacy crises but with the benefit of a stable economy, growing at 2.2% annually from 1988–94. Like his predecessor, Salinas was a member of the new technocratic elite and a strong supporter of the neo-liberal agenda. At the same time he also had links with some 'leftist' groups within the country. This was to have powerful influence in the design of his anti-poverty policy.

The economic policy of the Salinas administration was purely neo-liberal. Trade and financial liberalisation, deregulation, deficit reduction and privatisation of state enterprises were consistently furthered during his administration (Lustig 1992). But unlike de la Madrid, Salinas made social policy a key element of his government's strategy. This was made possible by the improved economic situation and was considered necessary because of the country's deep social and political crisis. Social policy became central to Salinas' aim to regain the population's sympathy and their support for the ongoing economic reforms.

According to official figures, social expenditure grew by 85% in real terms between 1989–93, with increases of almost 90% in education and 79% in health care (Cornelius *et al.* 1994: 22). But the outstanding feature of Salinas' social policy was the creation of the National Programme of Solidarity (PRONASOL) which became the instrument set to compensate the social costs of the economic crisis and adjustment measures.

PRONASOL was presented by the government in 1988 as an anti-poverty programme 'designed to reach the 48% of the Mexican population that lived below the official poverty line, and especially the 19% (nearly 15 million people in 1989) who were classified by the government as living in *extreme poverty*' (Cornelius *et al.* 1994).

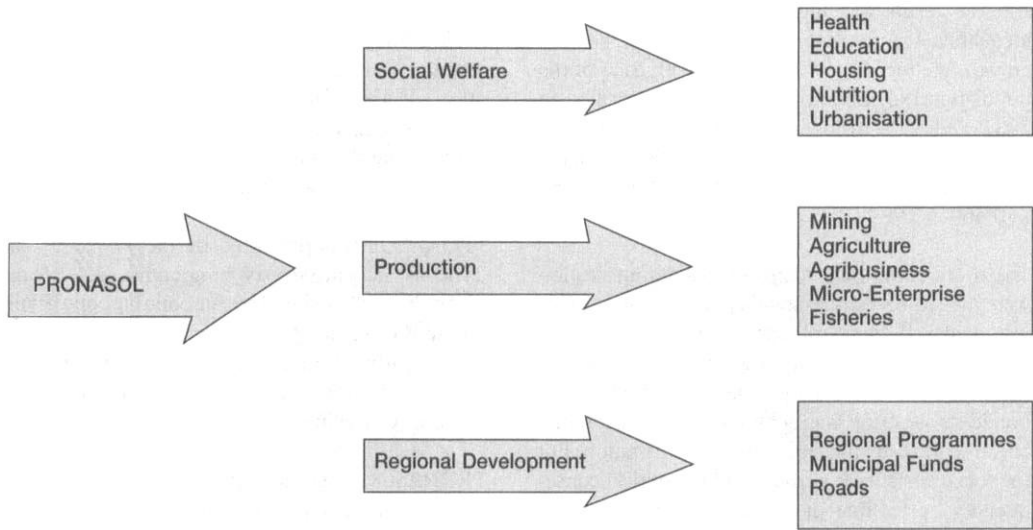
PRONASOL was not the only instrument for poverty alleviation. There were targeted subsidies on some basic goods (e.g. milk and tortillas) – mostly for urban areas – and general sectoral policies (e.g. education and health) also benefited some of the poor. But PRONASOL became an umbrella organisation in charge of coordinating specific anti-poverty efforts at federal, state and local levels (Lustig 1994: 83).

PRONASOL implemented sub-programmes within three spheres: *social welfare* which received approximately 70% of the total resources; *support for production* with 15% of the resources; and *regional development* with the remaining 15% (Trejo *et al.* 1993: 185). Figure 1 shows the main areas covered within each sphere. When PRONASOL was created it included 13 sub-programmes and by 1992 it had grown to 25 (CCPNS 1994).

What held this array of sub-programmes together was a set of principles designed to guide the functioning of PRONASOL. Most important of all:

- It was a programme targeted at the *poor* and *extreme poor*. The diversity of sub-programmes led to the use of various targeting criteria to identify the beneficiaries, including the minimum wage as a poverty line; indices of social indicators; an index of marginality; and characteristics related to vulnerability (e.g. age, sex, pregnancy) (Levy 1991). Geographic targeting was used to guide resource allocation to state

Figure 1: PRONASOL's programme structure



governments so as to make resources correspond to the relative poverty of each state. Funds for some production sub-programmes were given only to women or indigenous people, while other allocations responded to demands presented by the communities.

- It was a demand-based programme whereby most government actions were expected to respond to the expressed priorities of the poor people. Demands were to be channelled mainly through community level bodies called *Comités de Solidaridad* in the form of explicit project proposals.
- It required the inclusion of community participation in all its interventions, mainly in the form of prioritisation and articulation of demands by the poor, and their 'co-responsibility' (i.e. cost-sharing) expressed in their contribution of labour for the implementation of projects. There was a strong discourse in the programme design linking the participation of the poor with self-sufficiency and poverty reduction.
- It decentralised the administration of funds by channelling them through the state and municipal governments.

The design of PRONASOL was the result of influences from various sources. First, it built on the previous experience of PIDER and COPLAMAR, particularly on their aims, project design and emphasis on participation and co-responsibility (Brachet-Márquez 1996; Fox 1997a). Second, the emphasis on the need for community participation within the context of anti-poverty actions was enhanced by the ideological influence of the leftist antecedents of Salinas and his team. Third, there was also the influence from neo-liberal ideology in the need to design a programme which did not contradict market-oriented principles, and focused on issues such as decentralisation of resource allocation, targeting, and cost-sharing. Fourth, there was a certain degree of international influence posed by the trend of compensatory programmes being implemented in adjusting countries, particularly the Emergency Social Fund in Bolivia (Graham 1994).

This set of influences shaped PRONASOL into a compensatory programme with specific features. Namely, it implied a greater role for the state in the social sphere than that assigned under initial reform strategies; it was planned as temporary (at least initially); it was demand-driven; it encouraged participation and co-responsibility; it was compatible with the economic model; and it was meant to boost the political sustainability of the economic reforms which remained the government's priority.

The term 'social liberalism' was coined by Salinas to describe how the economic and social components of his overall strategy fit together and reinforced each other. The ambition was to prove that economic liberalisation could go hand in hand with improvements in the standard of living of the population. But although the actions and high profile of PRONASOL were successful in gaining political support for the government's economic policy, its achievements as an anti-poverty programme have not been highly praised.<sup>3</sup> Although it benefited many poor people, PRONASOL was not very effective at targeting the *poor*, even less the *extreme poor*, or at tackling the causes of poverty. Official figures asserted that the number and percentage of *extreme poor* decreased from 14.9 million (18.8% of the population) in 1989 to 13.6 million (16.1%) in 1992. This remained higher than the figure in 1984 when 11 million (15.4%) were in extreme poverty (cited by Cornelius *et al.* 1994: 23). However estimates calculated by Székely and Pánuco-Laguette (1995: 23–25) argue that from 1989–92 *extreme poverty* increased by 0.1%. Within the context of a growing economy, these figures (even the official ones) are not comforting. Inequality also increased according to official figures from a Gini coefficient of 0.469 in 1989 to 0.477 in 1994 (PEF 1997: 16).

Some of the causes for this poor performance include:

- Its targeting of the poor was deficient because of the inconsistency of its methods and political influence (by federal and local government officials) in the allocation of resources.
- It failed to design sub-programmes which took into account the differences in needs between the *moderate* and *extreme poor*. Very few resources were allocated to direct transfer programmes, such as cash transfers, feeding programmes, and primary health care and education which are essential for combating *extreme poverty*. The design of most programmes made it more likely for those above the extreme poverty line to benefit. That was the case of social infrastructure projects (which constituted the majority of PRONASOL's investments) and

production projects (e.g. micro-enterprises), and is also the result of the urban bias of interventions whereas most of the *extreme poor* live in rural areas.

- Many sub-programmes had no clear link with poverty reduction – for example, the construction of super-highways, bridges, sporting facilities and renovation of an airport.
- Its temporary and compensatory nature did not attack the real causes of poverty, including issues of material and power inequalities, and it continued to rely on economic growth as the main solution to poverty.
- Its demand-driven nature prevented the poorest from benefiting since they were the least likely to be organised and to present project proposals.
- The ideal of community participation was not lived up to in most cases. While it was a strong element in the design of the programme, in practice it was seen in many cases (although not in all) either as a formal requirement or as limited to cost-sharing. The *Comités de Solidaridad* were often not autonomous representative entities but subject to clientelistic or semi-clientelistic relations.

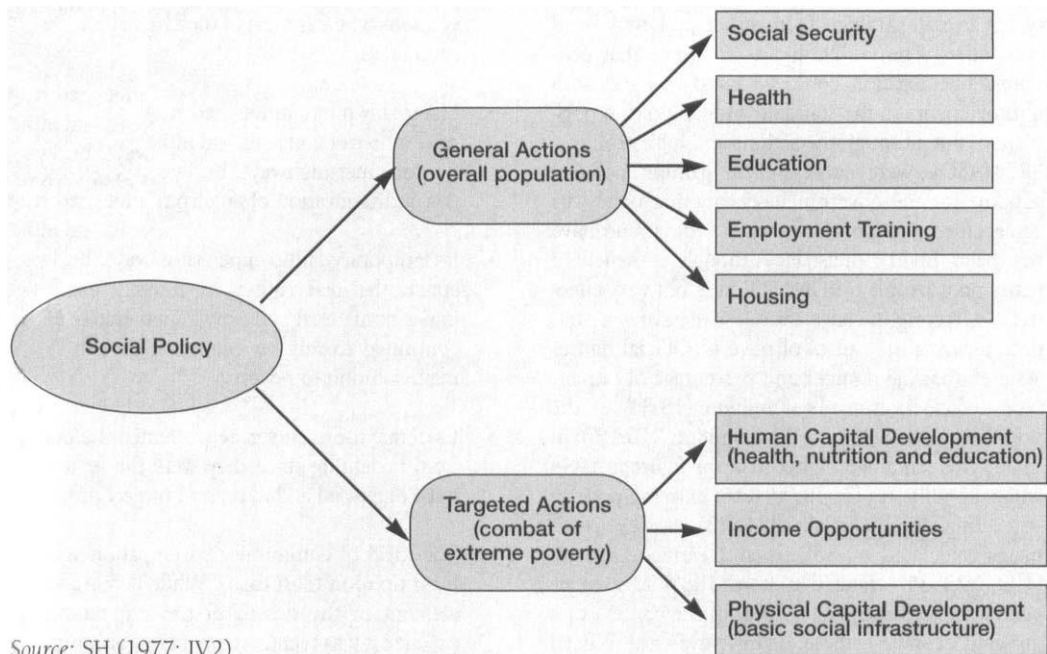
Some of these critiques recall those made about compensatory programmes in general, while others are specific to the way PRONASOL was designed and implemented. However, this programme was key in establishing a precedent for future policy by acknowledging the social and political need for greater state action to combat poverty within a neo-liberal economic model.

During the last year of the Salinas administration the spell created by the apparent wonders of 'social liberalism' was broken by the Indian rebellion in Chiapas (one of the poorest Mexican states and also one of the most favoured by PRONASOL resources) and political violence within the official party. The financial crisis of December 1994 came to obscure the ideal of economic recovery and sent Mexico back to the days of austerity.

<sup>3</sup> For an official evaluation of PRONASOL see CCPNS (1994) which is a quantitative account of the programme's work. For assessments of its poverty

reduction impact see Levy (1991); Trejo *et al.* (1993); Lustig (1994); Guevara (1996).

Figure 2: Mexican social policy under the Zedillo administration



Source: SH (1977: IV.2)

#### 4 Programa de Educación, Salud y Alimentación (PROGRESA): The New Poverty Agenda in Mexico? (1997–2000)

President Zedillo, another member of the technocratic elite, took office on December 1994 and soon found himself heading a country back into economic and political instability. The crisis was blamed on the previous administration, and a considerable effort was made by the Zedillo government to distance itself from its predecessor.

The Mexican economy had to be bailed out by an external financial support package which included agreements with the US government and the IMF. The economic policies implemented were reminiscent of the early 1980s, focusing on demand restraint to achieve stabilisation. Despite the change in fortunes being experienced, market economics were not abandoned because of the influence of international financial actors and the strong belief of the elite running this administration that the way forward lay in orthodox economics. These policies gradually began achieving their aims, but the costs

to the economy and population of this latest downturn have been high. In 1995, the economy shrank 6.2% in real terms and activity contracted in all sectors. Real wages continue to deteriorate and employment levels are still insufficient to provide work for the approximately 1.2 million new job seekers per year (González 1998).

Immersed in economic difficulties and political vulnerability, the new government focused on economic aims and was slow to come up with a consistent social policy proposal. This was a serious matter, particularly in a context where the population needed to be protected from the costs of the new crisis and further efforts to combat already high levels of poverty were essential.

The social policy proposed in the National Development Plan 1995–2000 (PEF 1995) was an ambitious proposal highlighting the need to act on two levels: improving the provision and quality of general social services, and providing specific attention to ‘the population with greater economic and social disadvantage’. Anti-poverty policy constituted this second level. Stress was put on benefiting

*individuals* and promoting the formation of *human capital* and the creation of *opportunities* (see Figure 2). But these general guidelines took time to materialise into a coherent plan and specific policy actions. During the first years of Zedillo's administration it was not uncommon to hear complaints about the vacuum in the social policy sphere, especially when compared to the high-profile actions of Salinas's government.

The strand of targeted actions was designed to complement sectoral social policy by implementing programmes directed to the 20% of the population (approximately 20 million) living in *extreme poverty* according to official figures. Given that the government recognises a 40% poverty incidence, this would mean that anti-poverty actions would not be benefiting the other 20% living in poverty. However, in government documents the concepts of *poverty* and *extreme poverty* seem to be interchanged at times. Thus, sometimes targeted actions are said to be aimed at combating *extreme poverty*, while on other occasions they are defined as a strategy to combat *poverty*. This is not surprising, since the government is moving towards targeting only the *extreme poor*, but some of its programmes have not yet narrowed their target and still benefit the overall *poor*.<sup>4</sup> Government officials interviewed asserted that many of the programmes also benefit the *moderate poor* (i.e. the poor living above the 'extreme poverty line'). This double standard serves to justify their strategy in the public eye by claiming that it does not abandon all the poor who are not extreme poor, while at the same time they continue to aim for a narrower target group.

Over the course of the administration, the elements comprising the anti-poverty strand have gradually been put in place, as shown by Figure 3. One of the first steps taken was the dismantling of PRONASOL as an umbrella organisation and the restructuring of anti-poverty policy along the lines of the three sub-strands that integrate it.

From interviews with government officials, it became clear that the disarticulation of PRONASOL was seen as needed both for political and practical reasons. Politically, Zedillo needed to disassociate himself

from the Salinas government, and PRONASOL had been Salinas's trademark. Moreover, PRONASOL itself had been strongly criticised as an instrument of political manipulation and its legitimacy among various sectors of society was shattered. In more practical terms, Zedillo's high-ranked staff seem to have concluded that PRONASOL had not been an effective anti-poverty programme and that a new and more cost-effective approach was needed, especially under the prevalent financial constraints.

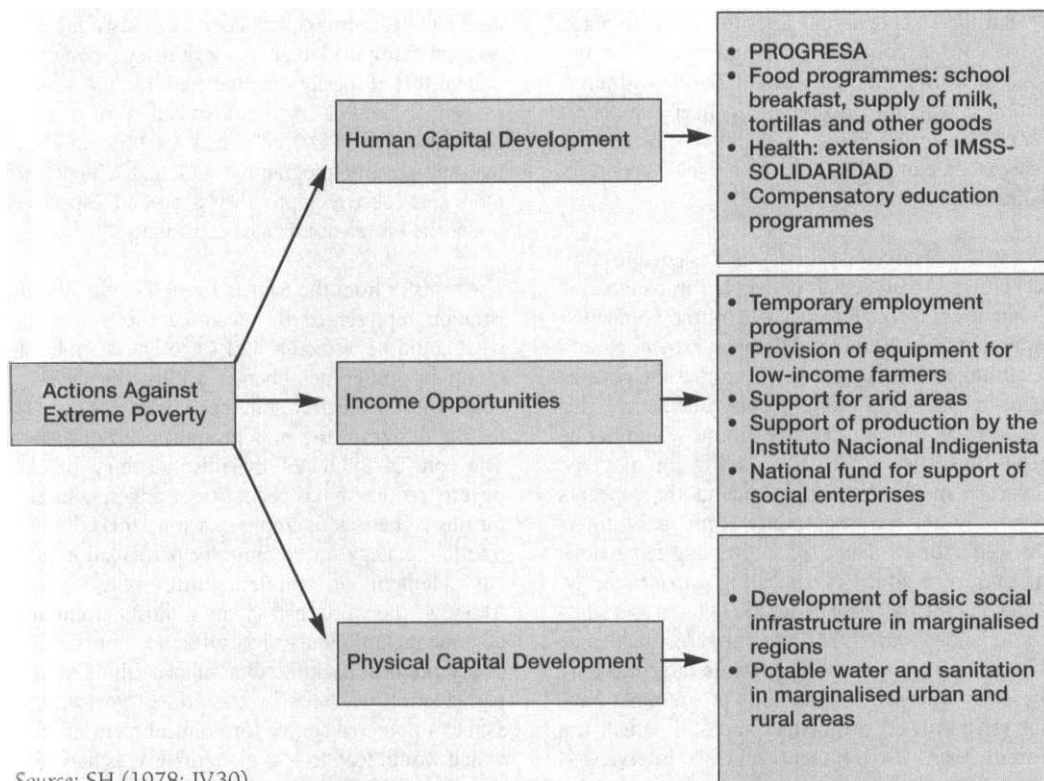
The transfer from the Salinas to the Zedillo administration represented the eventual substitution of what could be termed a 'leftist neo-liberal' political group by 'purer neo-liberals' within the political elite. This ideological shift has had consequences for the design of the present anti-poverty strategy. The core of PRONASOL's leftist ideology behind poverty reduction has gone. The strongest evidence for this is the lack of emphasis within this administration's strategy on community participation as a key element in implementing programmes. Although the word 'participation' floats around all documents, it no longer has substance nor the necessary political backing. One official admitted that participation was seen by the present government as: (1) a potential source for political manipulation which would lead to loss of credibility, as had happened with PRONASOL; and (2) a time-consuming effort which is incompatible with the effectiveness required from anti-poverty programmes. The government might even see community participation as a potential threat, since it may fuel political mobilisation and opposition.

In spite of the dismantling of PRONASOL as a 'super-programme', various of its sub-programmes still remain (although with different names) and are now the core part of the income opportunities sub-strand, which accounted for 16% of the anti-poverty budget in 1998. The physical capital development sub-strand can also be traced back to PRONASOL's regional development sub-programme. Within the human capital development sub-strand, which now receives 51% of all anti-poverty expenditure, lies the key trademark and one of the main innovations of this administration's anti-poverty strategy: the

<sup>4</sup> An example of this is the tendency towards eliminating the remaining targeted subsidies on milk, tortilla and other basic products (Zermeño 1998a;

1998c). However, these subsidies still benefit poor people who are not *extreme poor*.

Figure 3: Main actions of the anti-poverty strategy of the Zedillo administration



Source: SH (1978: IV.30)

Programme for Education, Health and Nutrition (PROGRESA).

PROGRESA only began to be officially implemented in July 1997, after three years of trial and error with its design.<sup>5</sup> During 1997, PROGRESA reached nearly 400,000 households in rural areas and it planned to reach 2 million by the end of 1998, 500,000 of whom would be in urban areas. By the end of the administration it aims to reach 5 million families which, according to official calculations, would be most of the *extreme poor*.

The selection of PROGRESA beneficiaries follows a three step process: (1) Localities are selected

according to geographic targeting which considers their relative marginality; (2) Extensive household surveys are conducted in the chosen localities to gather data on a number of welfare indicators;<sup>6</sup> (3) The data are fed into a computer that selects the beneficiaries according to a formula that determines who are *extreme poor*, defined as those 'households that do not have enough resources to satisfy their basic food needs' (PROGRESA 1997). According to government officials, this allows a 'scientific' selection of beneficiaries, transparent use of resources, and greater cost-effectiveness.

PROGRESA's aim is to improve the 'basic capabilities' of the *extreme poor* by integrating actions aimed at

<sup>5</sup> Press coverage in *La Jornada* and *El Financiero* 1995-97 describe the antecedents of PROGRESA.

<sup>6</sup> Although the poverty line is set according to income/consumption criteria, PROGRESA claims to have a multi-dimensional understanding of poverty. This

is put in practice through a survey which considers not only income but other social indicators such as: size of household, type of housing, level of schooling, economic activities, access to social services and asset holdings.



simultaneously raising their education, health and nutrition levels. Poverty is understood as a 'vicious circle' of undernourishment, high morbidity and low education which prevents the poor from developing their 'productive potential'. Following this understanding, PROGRESA frames its anti-poverty objectives as being 'the development of the capabilities and potential of the poor families' and to 'ensure that all Mexicans have access to a minimum welfare in terms of nutrition, basic health care and basic education' (author's translation PROGRESA 1997: 38). The core of these actions are cash and food handouts given to each selected household in exchange for the beneficiaries' responsibility to attend health and nutrition check-ups and ensure their children's school attendance. It is assumed that these actions will build the human capital and productive potential of beneficiaries and thus increase their opportunities for earning higher incomes.

PROGRESA's strategy can thus be seen as having two overall streams of action, one of them geared towards short-term poverty alleviation and the other towards sustainable poverty reduction in the long-term.

The poverty alleviation stream comprises public transfers which are given to the selected beneficiaries in order to ensure the achievement of their basic capabilities in the short-term by allowing them to gain command of a minimum bundle of commodities and services (mainly food, health care and education). These transfers are:

- Monthly cash allowances given to the families of children attending from third to sixth grade of primary school and any of the three secondary school levels, to compensate for the costs of sending children to school. The amount of this 'scholarship' increases as the education level advances and is higher for girls in secondary school, so as to reverse the gender bias in education. School materials are also given to each child.
- Monthly cash allowances to contribute to the improvement of the families' food consumption.
- Nutrition supplements given to all children between 4 months and 2 years, to undernourished

children between 2 and 5 years, and to pregnant and lactating women.

These transfers are given on a bimonthly basis to the mother (or other female member in charge) of the family as a way of avoiding the gender and age bias of intra-household distribution of food and other commodities. There is a maximum level of cash transfers that a single family is allowed to receive, so as to avoid the creation of dependency on public aid and to 'not discourage their self-improvement efforts' (author's translation PROGRESA 1997: 51). The logic also implies that transfers may take the beneficiaries up to the poverty line (at the most) but not above it. Selected families are entitled to three years of transfers and after this time they have to reapply. Only if they are still eligible (i.e. still *extreme poor*) can they continue to receive the transfers.

The poverty reduction stream of PROGRESA can be linked to its emphasis on improving beneficiaries' nutrition, health and education standards. This is seen as a long-term effort to improve the human capital of the poor so as to raise their productivity and their income-generating potential, and thus allow them to escape poverty through their own efforts and in a sustainable way. Specific actions for this second stream are concentrated around the beneficiaries' use of health and education services and their attendance at talks on preventive health, nutrition and sanitation.

Clearly, PROGRESA's design shares some of the principles guiding the NPA. It integrates two NPA components – building human capital and the provision of transfers – though it does not address the NPA's emphasis on labour intensive growth and the provision of safety nets for temporary shocks (Trejo and Jones 1998), and it is worrying that the overall anti-poverty strategy fails to provide these. The similarities between PROGRESA and the NPA are the result of the influence of conventional wisdom, which seems to have been carried forward in Mexico by the current under-secretary for expenditure, Santiago Levy. Levy is credited for being the intellect behind the design of PROGRESA and of much of the restructuring of this administration's social policy. Working for the World Bank, he produced a report in 1991 titled 'Poverty Alleviation in Mexico' which contains the basis for PROGRESA. It

endorsed the need for human capital development, better targeting and specific attention to the *extreme poor* (Levy 1991).

This points to the fact that PROGRESA is the outcome of national design, but was also influenced by the ideological ties that its designer had with the World Bank – which does not mean that it was imposed from the World Bank. According to a PROGRESA official, some meetings were held between those who designed PROGRESA at the ministry of finance and officials from the World Bank, the Inter-American Development Bank and even the Chilean government (since PROGRESA is very similar to some well-known Chilean programmes). However, these meetings seem to have been strictly for advice on planning and not a source of impositions. Furthermore, PROGRESA is intended to run only on federal funds and has no World Bank funding. This exemplifies how international ideological trends and national elite ideology went hand in hand in the design of PROGRESA.

Critiques of Zedillo's anti-poverty strategy have flourished. They centre, among other issues, on its reduction of the beneficiary group and accuse it of being *asistencialista*, a term meaning that its actions are limited to charity and fail to address the real causes of poverty or to promote sustainable poverty reduction.<sup>7</sup>

Although it is still too early to engage in a comprehensive impact assessment of PROGRESA, a preliminary analysis of its strengths and limitations can be advanced. Three aspects will be examined: its targeting and coverage, its short-term poverty alleviation component, and its long-term poverty reduction component.

#### 4.1 Targeting and coverage

The use of methodical targeting mechanisms to identify beneficiaries can be seen as a positive factor. As PROGRESA officials argue, this should contribute to using resources more effectively and avoiding their discretionary allocation on partisan lines, as was the case with previous anti-poverty programmes.

The definition of the *extreme poor* as the target group can be seen from two perspectives. On one hand, this is perhaps the first time that many of the *extreme poor* will receive direct benefits from the state, having been neglected before in favour of more vocal and organised groups. The fact that actions are predominantly carried out in rural areas (where most of the poor live) should also be welcome, as urban settings had been favoured previously. On the other hand, the narrow definition of the target group raises some concerns. Firstly, all the *moderate poor* – about 20 million people according to official figures – are excluded from the benefits of the programme. According to the under-secretary for expenditure, 'the core problem is the insufficient availability of resources' (Levy cited in Zamarripa 1998), but critics claim that the problem lies with the government's priorities (Zermeño 1998a; 1998b). Second, left-wing opponents of the government claim that the official poverty figures are too low and that the *extreme poverty line* should be raised to reflect their view that 45% of Mexicans live in *extreme poverty* and not 20% as the government contends (Arroyo 1998: 9). Nonetheless, these disagreements should not completely overshadow the programme's positive contribution if, in fact, it does reach 5 million families by the year 2000.

#### 4.2 Short-term poverty alleviation component: transfers

Preliminary assessments have found that PROGRESA's cash transfers are predominantly used for buying food (PROGRESA 1998; CDSCD 1998). Clearly, these transfers do have the potential to impact positively on the immediate needs of those *extreme poor* who are reached. On the other hand, the possibility of exchanging the cash transfers into food may be limited by problems of food supply in the remote rural areas where many of the beneficiaries live, the unexpected inflation which may be brought about by the sudden inflow of money into these communities, and the cost for transportation that beneficiaries have to pay in order to receive their cash – which in some cases takes up to 40% of their transfer (CDSCD 1998).

<sup>7</sup> It is interesting that in an explanatory video of PROGRESA, both the interviewees and the beneficiaries interviewed, refer to the programme's benefits as *ayuda*, which means *aid*. It is clear that beneficiaries do not perceive PROGRESA as something they have a right to

receive, but as aid given by the government, which could be taken away at any moment. Fox (1997b) provides a good analysis of the relationship between the World Bank and Mexico.

### 4.3 Long-term poverty reduction component: development of human capital

The long-term poverty reduction perspective that PROGRESA takes is valuable in itself as it gives a place for policies aiming at sustainable improvements in people's well-being which are not solely dependent on state transfers. However, five factors can be identified that may weaken PROGRESA's poverty reduction impact.

First, building human capital requires that the necessary social services will be available. PROGRESA itself does not include a social service provision component. Instead it concentrates on tackling demand-side obstacles to the poor's access to social services (i.e. through the transfers) and counts on existing social services (as provided by state governments and the health and education ministries) to cover the expected increase in demand. But a recent assessment concluded that there are simply not enough health clinics and schools in the areas where the *extreme poor* live to meet their needs (CDSCD 1998). Some of the most destitute families in Mexico live in areas so remote that no services are accessible to them at all. Thus, many beneficiaries are not receiving the health care and education that the programme is said to guarantee. It is difficult to foresee how their human capital will be built in such a way that allows them to be integrated on equal terms into a very competitive national economy.

Second, it could be argued that the *extreme poor* will benefit mostly from poverty alleviation interventions but will find it more difficult to take advantage of long-term investments in their human capital, such investments would probably generate better outcomes if the *moderate poor* were targeted. This is not to say that long-term investment should not be geared towards the *extreme poor* but to suggest that it should be expanded to cover the *moderate poor*.

Third, the success of the long-term aim of the programme is based on two factors: building of human capital and the productive use of that capital by the poor. But efforts to support and diversify the poor's productive activities are limited, and there are no convincing policies for generating employment for low-skilled citizens. The government is counting on economic growth to create jobs, but Mexico's growth pattern predominantly generates employment for

skilled labour, which will certainly not be the case of the *extreme poor* even after finishing secondary school. Furthermore, these jobs are mostly available in the urban areas, whereas most of PROGRESA's beneficiaries live in rural settings. Without productive income-generating activities and employment opportunities for the rural poor, PROGRESA's success in terms of sustainable poverty reduction will be negligible.

Fourth, the history of anti-poverty programmes in Mexico has taught us that although there is some continuity, they are always vulnerable to changes in political administration. All PROGRESA officials interviewed were confident that the programme would be continued by the following administration if it proves to function effectively and efficiently, and if it receives the support of the beneficiaries. Nevertheless, the programme has been criticised by the two main opposition parties, and some groups within the official party also disagree with some of its principles. In light of this, the continuation of PROGRESA beyond the year 2000 is not ensured. If the programme were to be discontinued, the long-term investment of today could not be interpreted as more than a short-term gain.

Fifth, PROGRESA suffers from the same shortcoming as the NPA itself. It fails to recognise the role that unequal power relations and socio-economic structures have played in constructing and perpetuating poverty in a country in which economic inequality goes hand in hand with social and racial discrimination. By neglecting these factors and avoiding to consider far-reaching social and economic reforms which would challenge such inequalities, it is difficult to foresee a real solution to poverty in Mexico.

## 5 Conclusions

Mexico's anti-poverty policy since the initiation of economic adjustment has reflected the uninterrupted dominance of neo-liberal ideology as the basis for economic and social policy reform. Within this context, the priority of economic policy has gone unquestioned and anti-poverty policy has been subordinated to it, becoming a compensatory mechanism for the social costs of the economic model.

The anti-poverty policies implemented by Mexico have had comparable results and are subject to similar critiques as those recommended by the World Bank. The introduction of stabilisation and structural adjustment policies in Mexico contributed to worsening welfare indicators and increased poverty, as occurred in many other countries following adjustment programmes. Critiques of the World Bank over the social costs of its policies also applied to the Mexican government in the mid-1980s. Moreover, some of the criticisms of PRONASOL were similar to those made of the World Bank's endorsement of compensatory programmes, because of their limited potential for poverty reduction. The changes in the poverty indices for this period in Mexico indicate that these criticisms were correct.

But it would be too simplistic to assert that the Mexican government replicated the conventional wisdom because of the World Bank's imposition, as is usually claimed for adjusting countries. Mexico is relatively powerful *vis-à-vis* the World Bank since it is one of its largest borrowers (holding up to 12% of its total portfolio) while World Bank loans represent a relatively small share of Mexico's external loans.<sup>8</sup> Whilst there has certainly been direct World Bank influence, this has been limited mostly to ensuring acceptable economic policy and has not ventured to the anti-poverty area as such. The influence on Mexican anti-poverty policy has come more from the international ideological shift, than from obedience to policy guidelines prescribed by particular institutions. It is more accurate to say that the parallels outlined above are the result of the confluence of ideology between the actors dictating the international trend and the technocratic political elite that has ruled Mexico since 1982. Many of the shifts in economic and anti-poverty policy during the last two decades can be credited to the influence of this new national elite and the differences between the groups that constitute it.

The Mexican case shows how anti-poverty policies that are designed according to the principles of neo-liberalism and implemented alongside market-based economic reforms are unlikely to lead to sustainable poverty reduction. The current anti-

poverty strategy in Mexico suffers from several defects which will limit its impact, including the following:

- The government is certain that sustained economic growth will result from its neo-liberal economic policies, and that this growth will benefit all sectors of the population by generating income-earning opportunities that will enable poor people to rise from poverty. As a result of this naive belief, it has failed to implement policies directed at creating employment opportunities for unskilled workers or promoting productive activities in low-income urban and rural areas.
- Based on arguments of resource constraints and cost-effectiveness, the government has narrowed the target population to the limit. By targeting only those it acknowledges as *extreme poor*, at least 20 million poor Mexicans are excluded from the benefits of its anti-poverty interventions. The priorities for resource allocation should be rethought in order to allow the expansion of the anti-poverty efforts to include the poor who have been excluded.
- Poor people are now seen as passive recipients of aid, and not as agents capable of expressing their priorities and participating in the design and implementation of policies intended to benefit them. Contrary to what the government expects, it is likely that this anti-participation approach will reinforce the poor's dependence on public assistance, in which case, PROGRESA cannot aspire to be more than *asistencialista* – that is, its actions will resemble charity more than being a real solution to poverty.
- While the current strategy aims to improve the standard of living of the *extreme poor*, it does so with a set of policies which do not tackle the structural causes of poverty. The difficult issues underlying unequal power relations, entrenched economic inequality and racial discrimination are left untouched. While the lives of many poor people may improve as a result of these anti-poverty actions, most of the benefits

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<sup>8</sup> Fox (1997b) provides a good analysis of the relationship between the World Bank and Mexico.

are likely to be short-term: beneficiaries will have their poverty alleviated but not eradicated.

This article has shown that the overall anti-poverty strategy of the Mexican government is too limited to generate a sustainable poverty reduction process. While the international conventional wisdom seems to be moving towards a more progressive agenda which builds on the recognition of the limitations of

the model previously endorsed (although this means a 'flexibilisation' and not a denial of neo-liberal principles), the Mexican government appears to be moving in the opposite direction, by reaffirming its neo-liberal stance with greater rigidity and refusing to accept the need for policies to reverse the country's serious socio-economic inequalities, which are at the core of the poverty problem.

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