

2nd Annual Golden Plough Award for Innovative Project Design**Returning Young Mexican Farmers to the Land**ISSUE 23
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The 1917 Constitution, which formally ended the Mexican Revolution, set into motion a gradual process of land reform in which land was transferred from large farms to common lands known as *ejidos*. User rights to *ejidos* was assigned to beneficiaries known as *ejidatarios* who, together with indigenous farmers on common lands (*comunidades*) under communal or customary tenure arrangements (*comuneros*), comprised the so-called “social sector” which accounted for more than 50 percent of Mexico’s land. The transfer of user rights to *ejidos* was heavily restricted, and usufruct itself was conditional on the *ejidatarios*’ own active cultivation of the land, preventing the development of *functioning* land or rental markets. More specifically, the restrictions severely inhibited the transfer of land rights from one generation to another, leaving younger households to face chronic land shortages and insecure tenure. Many opted to migrate to urban areas or to the United States, which deprived Mexican agriculture of many potential innovative and productive farmers.

By the late 1990s, half of Mexico’s rural population was age 20 or younger, while the mean age of *ejidatarios* was 52. The generally older, less-educated *ejidatarios* with secure tenure found very few options as to what to do with the land they operated, and scant resources were available to improve productivity. Investment levels on *ejidos* were extraordinarily low. By 1995, a study found that being located on an *ejido* increased one’s probability of living in poverty by 50 percent (Velez 1995).

In 1992, Article 27 of the Mexican Constitution was modified and the agrarian legal framework was updated. The Government of Mexico began introducing a series of legal and policy reforms including a program of land rights regularization targeting the “social sector”—the National Certification Program of Ejido Rights and Urban Lots, widely known by its Spanish abbreviation PRO-CEDE—*Programa Nacional de Certificación de Derechos Ejidales y Solares Urbanos*. The program set out to process individual certificates to all 2.5 million *ejidatarios* in Mexico, while related reforms empowered *ejidatarios* to determine the type of property rights regime that applied to their *ejidos*, and authorized them to form joint ventures with private companies. The prohibition of renting land was lifted, and land sales were authorized with qualifications intended to keep the plot within the local community (Harvey 1996; Brizzi and Valdés 2001).

Establishing property rights proved to be a necessary, but insufficient, condition in developing a fully functioning land market. Other constraints remained outstanding and limited investment in the social sector, including lack of access to credit, insurance, and technical assistance. Policy makers regarded younger households, who had a higher level of education, as having a higher propensity to invest and a greater likelihood of adopting productivity-enhancing innovations. However,





development in Mexico during the 1990s did not see any significant transfer of land from older to younger households. By the early 2000s, the Government of Mexico and the Secretariat of Agrarian Reform, in particular, had come to see investment in “this more dynamic young segment of the population endowed with more human capital” as the key to revitalizing the moribund rural economy of the country’s social sector (World Bank 2005).

Approaching this objective programmatically would entail establishing a land fund from which to lend to young farmers, and creating effective incentives for older landholders to transfer their land. Careful analysis would be required, including examination of social welfare schemes, to assure that senior landholders who transfer their land to younger counterparts could do so without relinquishing their security.



THE ACCESS TO LAND FOR YOUNG FARMERS PROJECT

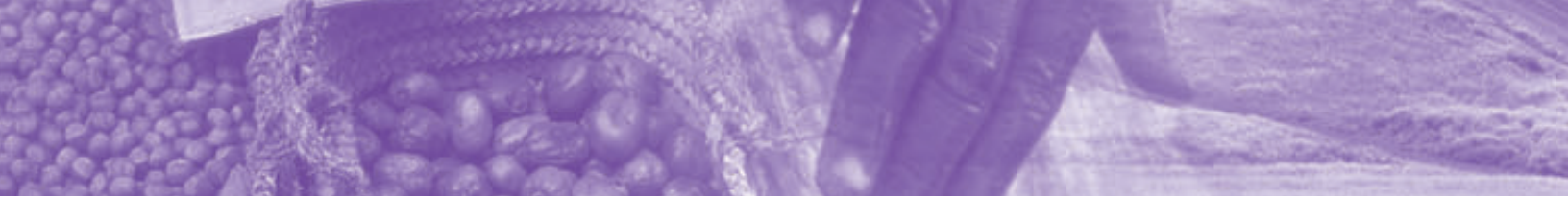
In 2003 the Mexican Ministry of Finance and Public Credit contacted the World Bank Country Director for Mexico on behalf of the Secretariat of Agrarian Reform, requesting Bank assistance to the Young Rural Entrepreneur and Land Fund Program. The Bank was in an excellent position to provide support, having recently approved its 2005-2008 Country Partnership Strategy

for Mexico and a variety of analytical work on rural poverty, land policy, land markets, and access to land on *ejidos* and indigenous *comunidades*.

The Access to Land for Young Farmers Pilot Project was approved in July 2005 to support young farmers with entrepreneurial potential in gaining access to land and other productive assets. It also facilitated access to social welfare schemes by senior landholders. The project consisted of three components. The first provided participating farmers with capacity building services to develop the practical knowledge and financial management skills needed to carry out productive activities on the land and to function effectively in an expanding and more dynamic rural economy. The second component focused on access to land and land transactions and other complementary productive assets and technical assistance. The third component related to day-to-day project management, with special attention to coordination with other programs targeting the social sector, and monitoring and evaluation.

The project began with promotional dissemination of information about the project in the *ejidos* and *comunidades* selected for the pilot. Eligible young entrepreneurs then attended workshops in which project details were laid out and options for different project activities in the local *ejido* or *comunidad* were discussed. This preliminary subcomponent of capacity building dealt principally with the identification of viable market opportunities in the local economy. The Secretariat of Agrarian Reform was active in seeking to identify “clusters” of business opportunities around which groups of young rural entrepreneurs can one day organize.

After introducing the project and identifying potential income-increasing ventures in the local economy, the project turned to capacity building. Some participants advanced to intensive, three-to-six month training programs in the business area identified in the previous workshops, such as the construction and operation of a greenhouse or fish breeding pond. Others were authorized to “fast track,” bypassing the intensive month training period to present a proposal directly to the National Trust Fund for the Development of the *Ejido* Sector (FIFONAFE). FIFONAFE was established in 1992 to administer funds



belonging to *ejidos* and *comunidades* and served as the project's co-implementing agency, along with the Secretariat of Agrarian Reform. The project also piloted additional land fund mechanisms, including rural development financial partners, both public and private.

Guaranteeing the legality of land transactions was essential to long-term tenure security, and required landholders to have a working understanding of how the land market functions and how to formalize contracts. Legal advice for land transactions is, therefore, provided, along with workshops conducted together with the Agrarian Juridical Bureau and the National Agrarian Registry. Those participants accredited with completing the succession of workshops and steps could then become eligible for a combination of grants and credits. The National Trust Fund for the Development of the *Ejido* Sector and other rural development financial partners offer credits for land transactions or rentals, as well as grants and credits for the actual productive projects undertaken, followed by technical assistance that is partly covered by grants.

INNOVATION

The project pilots an innovative approach in Mexico and in Latin America and Caribbean (LAC) that supports the access of young rural entrepreneurs to land, other productive assets, training, and technical assistance, through the establishment of a beneficiary-driven, efficient land transaction model, while at the same time facilitating the access of senior landholders to social welfare schemes.

The project supports mechanisms that allow landless young rural entrepreneurs in poor marginal areas to receive training and technical assistance, to acquire or rent underutilized and potentially more productive land, and implement productive and environmentally sustainable on- and off-farm investment projects that significantly increase their income and welfare. It also assists older landholders who transfer their lands to young farmers to access social welfare schemes for their retirement. By late 2006 mechanisms were already being successfully piloted in ten states of the country, and were slated to be scaled up to reach a broader range of beneficiaries under the incoming Calderón Government.



SUSTAINABILITY

The capacity of young rural entrepreneurs is in itself a matter of long-term sustainability, far more extensive than the life of the project. The knowledge and abilities young farmers gain by participating in project activities are applicable to land-related production more generally. Their project experience also, notably, entails operating in a market environment and understanding and responding to signals of supply and demand. The skills cultivated by the project are the same ones instrumental to participating in and contributing to a diversifying rural and peri-urban economy with functioning credit markets and a variety of specialized financial services.

The welfare and livelihoods of older *ejidatarios* who sell their user rights is likewise relevant to the sustainability of project outcomes. Social welfare systems that reliably serve people during their retirements are an invaluable asset for a form of rural development that utilizes the human capital of its most productive citizens while providing sufficient security that households can invest their resources instead of saving for an utterly uncertain old age.

In terms of financial sustainability at the project level, a new institutional arrangement is being piloted that should provide effective mechanisms for sharing risks and

a sophisticated system of guarantees. This arrangement has the Secretariat of Agrarian Reform and the National Trust Fund for the Development of the *Ejido* Sector collaborating with a variety of experienced financial agencies, both public and private and will ensure the recovery of credits in the medium term. At the farm level, the economic and financial sustainability of project activities have been confirmed by financial analysis—assuming that effective screening mechanisms are employed to monitor for quality, outreach, and environmental sustainability.

REPLICABILITY

In 2007, they reduced the number of states at the demand of the Bank who did not want scaling up too quickly. The incoming government included the program among its 100 priority actions for the next six years. Building in the project, the Government is designing a National Program and Public Policy, aiming to increase its present annual target from an average of 1,000 beneficiaries to tens of thousands beneficiaries. This will be done progressively, learning from the experience of the pilot.

The success of the Project carries enormous potential for replication elsewhere in countries and regions facing similar conditions. These conditions, indeed,

prevail throughout much of Latin America and the developing world.

- High levels of migration of young rural people who have no alternatives in the places where they live and, therefore, opt to migrate to cities or emigrate in order to find livelihoods.
- Increasing numbers of elderly people left alone in the rural areas with very low levels of productivity.
- Complex land tenure situations with the eldest in charge of the land and difficult mechanisms for transferring tenure to younger generations.

RECOGNITION

In November 2006, the Access to Land for Young Farmers Pilot Project received the World Bank's Golden Plough Award for Innovative Project Design. The community-level land-market mechanisms developed represent a set of innovations of direct relevance to the Bank's rural development strategy. These contribute directly to the Country Partnership Strategy for Mexico, which sees a revitalized private sector and access to assets, markets, and financial services as important conditions for increasing rural incomes and reducing rural poverty.

SOURCES

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