Report

Moving away from aid

The experience of Mexico

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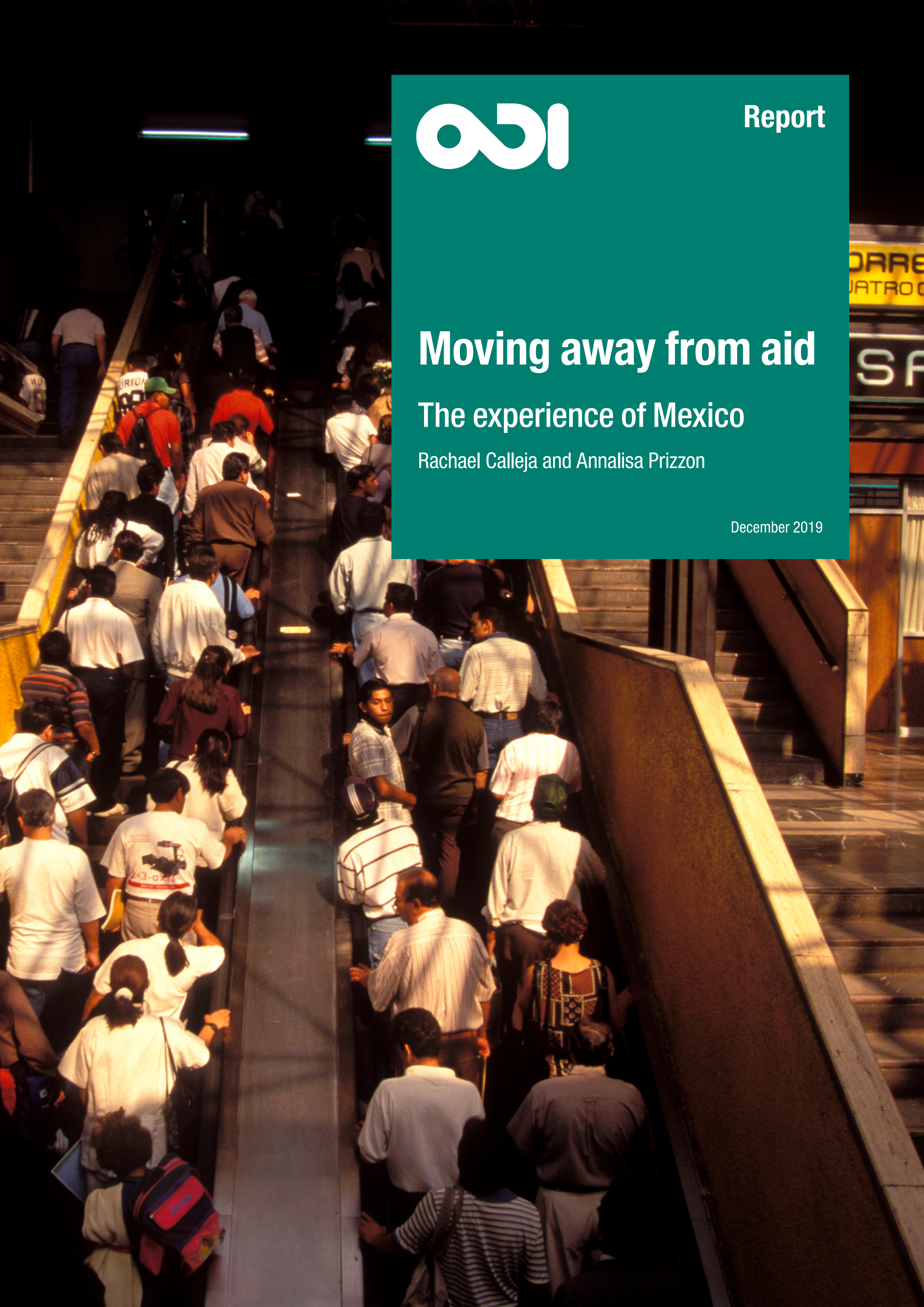

Cover photo: Passengers exit a metro station in Mexico City. Credit: Mark Henley/Panos Pictures.

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We have taken care to validate the information included in this report and any omissions, errors or misreporting are unintentional and the authors' own. The views in this report do not reflect those of ODI or GIZ. All information was gathered up to May 2019, with some specific updates until September 2019.

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Acronyms

AIDS	Acquired Immune Deficiency Syndrome
AMEXCID	Agencia Mexicana de Cooperación Internacional para el Desarrollo
BAPA	Buenos Aires Plan of Action
BMU	Federal Ministry for Environment, Nature Conservation and Nuclear Safety (Germany)
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
COP	Conference of the Parties
DAC	Development Assistance Committee of the OECD
DFID	Department for International Development (UK)
DGCTI	Directorate-General of International Technical Cooperation
FONCID	National Fund for International Development Cooperation
GDP	gross domestic product
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GHG	greenhouse gas
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)
GNI	gross national income
GPEDC	Global Partnership for Effective Development Co-operation
HIV	human immunodeficiency virus
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agriculture Development
IMEXCI	Mexican Institute for International Cooperation
KfW	Kreditanstalt für Wiederaufbau
LAC	Latin America and Caribbean
NAFTA	North American Free Trade Agreement
NDP	national development plan
NGO	non-governmental organisation
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OOF	other official flow
PPP	Plan Puebla Panama
PROCID	Mexican Program for International Development Cooperation
SDG	Sustainable Development Goal
UMIC	upper-middle-income country
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
USAID	United States Agency for International Development
WASH	water, sanitation and hygiene
WB	World Bank

Executive summary

Introduction

This case study analyses how the government of Mexico managed its transition from official development assistance (ODA) – or 'aid' – in order to sustain and broaden development outcomes. It also examines the type of cooperation the country had expected from development partners since the early 1990s and the evolution of relations with those partners beyond aid. It is one in a series of four case studies that form part of a larger project to investigate and learn from countries' experiences during the transition and graduation from aid. Calleja and Prizzon (2019) summarise the findings and lessons from this and the other three country studies – Botswana, Chile and the Republic of Korea – in the report, *Moving away from aid: lessons from country studies*.

A country graduates from the list of ODA-eligible countries when its annual income per capita exceeds approximately $12,000 for three consecutive years. After this, every aspect of its international development cooperation is likely to change. In 2014, the OECD estimated that 29 countries will graduate from the list of ODA recipients by 2030, including Mexico (OECD, 2014). Although ODA may become less important (and accessible) over time, countries still seek development cooperation in other forms to help them achieve their development aims and contribute to the global agenda.

This report looks at what we can learn from the experience of Mexico, a country mid-way through the process towards the graduation from ODA. This report is informed by a combination of data analysis, a literature review of the main academic and policy documents, and semi-structured interviews with government officials, development partners and experts in Mexico City (conducted in May 2019) and by phone.

Lessons from the experience of Mexico and of its development partners

Mexico's transition from aid follows an unusual trajectory compared to other countries reviewed for this project – Botswana, Chile and the Republic of Korea, where development partners reprioritised their activities away from these countries when they were reclassified as upper-middle-income countries (UMICs), if not earlier. In the case of Mexico, while ODA inflows dwindled throughout the 1990s and stagnated throughout the 2000s, they have been rising since 2008 to support the climate change and security agendas, nearly two decades after the country was reclassified as a UMIC.

These trends led many of our interviewees to question whether Mexico has actually been 'in transition' from ODA. The country's large size, its large potential market and growing middle class, its weight in climate change debates as a big greenhouse-gas emitter, its position within the North American continent – sharing a border with the United States in the north and Central America in the south – are all strong incentives for donors to maintain programmes and keep policy dialogue open with Mexico despite its UMIC status.

Our analysis was not intended to evaluate the approach of the Mexican government and of its development partners. Rather, we sought to identify lessons from their experience that might inform other countries 'in transition' and their development partners in the articulation of their own strategies to sustain development outcomes and foster policy dialogue within a renewed type of partnership.

Managing the transition process away from aid

Governments can leverage national development plans to manage the transition from aid. Mexico plans to sustain and broaden its development results via its six-year national development plan (NDP). The NDP provides a roadmap for addressing key bottlenecks and challenges, and development cooperation was expected to contribute to this strategy. NDPs have historically been used as the main policy instrument for setting priorities for ODA inflows and for channelling available resources (the ODA contribution to the government budget is rather too small to justify a separate strategy).

Development partners could work with UMICs to provide technical cooperation in specific demand-driven areas, especially the global public goods agenda (e.g. renewable energy, climate change, rule of law, scientific cooperation). Several government interviewees expressed a strong demand for technical cooperation from development partners to ensure the expansion of development programmes. Areas included the planning and implementation of projects in renewable energy, governance and security, the costing of sectoral development plans, innovative financing mechanisms, such as blended finance and carbon pricing, the development of legislation (for fintech, for instance).

Governments and development partners should not forget non-governmental organisations (NGOs) as they may transition earlier than the government when it comes to external development assistance. While the Mexican government had previously sought to fill the gap through introducing legislation that made it easier for NGOs to access government support, interviewees noted that the López Obrador government cut government funding to NGOs upon taking office. With only a few development partners continuing to support Mexico's NGO sector – notably the European Union (EU), Germany and the United States (US) – Mexico's NGOs are having to diversify funding sources to maintain their operations.

Cooperation with development partners

Development partners may look to support a government in strengthening its capacity to be a development partner itself. Institutional strengthening programmes in Mexico's development agency, Agencia Mexicana de Cooperación Internacional para el Desarrollo (AMEXCID), run by Gesellschaft für Internationale Zusammenarbeit (GIZ) and the United Nations Development Programme (UNDP), are important examples of the types of cooperation needed to develop the institutions to make Mexico more effective as a development partner. These programmes will remain important to support Mexico's transition from ODA to further reinforce capacities within the agency.

Development partners may consider supporting UMICs with financial resources beyond technical assistance to sustain development programmes and outcomes and to raise awareness of development challenges. First, line ministries that experienced budget cuts under the current government mentioned they would value additional financial assistance from development partners, especially grants, to sustain development programming. Second, loans from international financial institutions helped to raise the profile of issues related to renewable energy and climate change within Mexico, where some respondents suggested that the climate change narrative had not been accepted across the government or society.

Development partners should diversify the toolbox of development cooperation instruments and government actors as the country moves away from aid. According to senior government officials, Mexico's 'transition' from aid had facilitated the development of a 'new toolbox of international cooperation including knowledge-sharing, capacity-building, innovative financing for development mechanisms, and technology transfers'. Mexico has also seen more engagement from other government departments within donor governments, beyond development cooperation agencies. This approach expands the scope of development projects, especially during the transition from aid and for relations beyond ODA.

Governments may want to consider establishing joint funds for cooperation to manage the transition from recipient to development partner. Joint funds with developing and developed countries alike are a means to flexibly and predictably engage with a country in its dual role as development cooperation recipient and provider. For donors, the funds provide a forum for discussion around mutual priorities and sustained relations on development cooperation. For Mexico, they offer resources to advance South–South and triangular projects and programmes, share Mexico's experience and foster scientific and technical cooperation with regional partners.

Cooperation beyond ODA

Governments and development partners may want to boost triangular cooperation as a tool for continued policy dialogue. Mexico is one of the most active players in triangular cooperation. For Mexico, triangular cooperation financed (albeit not exclusively) through joint funds provides an opportunity to deepen its position as a regional actor. Development partners themselves saw triangular cooperation as a key tool to empower the Mexican government and to advance strategic partnerships.

Governments could take a strategic approach to international cooperation to raise the country's international profile. Mexico is an active supporter of multilateralism and, with the cooperation of development partners, has achieved great visibility on international agendas including financing for development, climate change and development effectiveness, and has boosted its international profile. This approach helped Mexico become an important player in international cooperation, also taking advantage of its brokering role between recipient and donor countries.

Governments and development partners could leverage international forums as an opportunity for peer learning and policy dialogue. These might include the Organisation for Economic Co-operation and Development (OECD), the G20, United Nations and the Pacific Alliance, among others. The working groups of the G20, in particular, were highlighted as a useful forum for exchange on environmental and climate change policy and were said to provide a space for learning and receiving feedback on Mexico's own strategy. On climate change and biodiversity agendas, the Conference of the Parties (COP) meetings were found to provide opportunities for Mexico to share good practices but also to increase cooperation in Central America and Latin America on the issues of biodiversity and climate change, both of which are considered regional priorities.

1 Introduction

1.1 Why this report

Over the past decade most developing economies have achieved strong and sustained economic growth. Some have moved rapidly up the income per capita ladder, particularly into the upper-middle-income country (UMIC) bracket (above $4,000 annual income per capita).[1] Typically, these are economies that have strengthened their macroeconomic management, played a stronger and more visible role in global policy, diversified their financing sources and received less and less external development assistance (or ceased to benefit materially from it).

When a country's income per capita[2] exceeds approximately $12,000 for three consecutive years, it is removed from the list of countries eligible for official development assistance (ODA), as per the policy set out by the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC). While this 'ODA graduation' does not mean donors must no longer provide development support to these countries, it does mean that their programmes cannot be counted towards ODA targets. At the same time, against a backdrop of growing scrutiny on public spending – particularly in relation to the provision of development assistance to wealthier countries – aid budgets in several donor countries have been cut and sometimes reprioritised towards poorer countries.

Several countries are expected to graduate from ODA. The OECD estimates that 29 countries will graduate from the list of ODA recipients by 2030 (OECD, 2014). However, we know little about how countries that have experienced or have started the transition and graduation process have managed it, particularly in terms of planning, implementation and financing of development projects, to ensure development results are sustained and expanded when ODA declines or is no longer provided. We also have little evidence about how development partners should support countries that are in transition from aid to maximise the effectiveness of falling resources and how these countries could engage in global dialogue when ODA falls or is no longer an option.

This report answers these questions by looking at the experience of Mexico, one of four country case studies. The other three countries studied are Botswana, Chile and the Republic of Korea. Findings and lessons from across all four case studies are summarised in Calleja and Prizzon (2019).

1.2 What we mean by transition from aid and graduation from ODA

Throughout this report, we use the terms 'transition' from aid and 'graduation' from ODA. 'Transition' from aid is used to describe the period during which donors start reducing their programmes in a recipient country because that country is considered less in need of aid. This is often associated with higher per capita income, rather than being a decision to withdraw from a country because of political or security reasons (see Jalles d'Orey and Prizzon, 2019). 'Graduation' from ODA, which happens in the late stages of the transition from aid, refers to the point at which a country is no longer included in the DAC list of ODA-eligible countries.

1 The number of UMICs has risen: in 2005, 39 countries were classified as UMICs; in 2017, this number rose to 56 (World Bank, 2019a).

2 Calculated according to the World Bank Atlas method.

Three points are worth noting. First, graduation from the list of ODA-eligible countries does not mean a country no longer receives international development assistance. Donors may choose to continue allocating funds to countries after graduation. It does mean, however, that a donor cannot count these funds against their ODA as a proportion of gross national income (ODA/GNI) target.

Second, graduation from the list of ODA-eligible countries is only one conceptualisation of 'graduation'. Graduation from multilateral development banks and vertical (climate and health) funds are driven by criteria other than only income per capita (Box 1).

Finally, we refer to transition from aid and graduation from the list of ODA-eligible countries primarily from the perspective of recipient country governments and not from those of civil society organisations.

1.3 About this case study

1.3.1 Research questions

With many countries moving away from aid and the graduation from the list of ODA-eligible countries, governments should learn from the experience of other countries that already went through this trajectory to ensure development results are maintained and sustained. Furthermore, development partners should review the type of approaches countries 'in transition' would demand during the phase, again to maximise the impact and results of falling aid resources. Finally, with ODA flows declining and often no longer being an option

Box 1 Different conceptualisations of 'graduation' and funding eligibility criteria

Each organisation usually sets its own criteria triggering and defining eligibility for and graduation from funding. The policy that informs graduation from the list of ODA-eligible countries is the only one that is based solely on income per capita – i.e. when a country's income per capita meets the high threshold for three consecutive years.

Multilateral development banks. The Inter-American Development Bank does not have a policy of graduation from its assistance. This decision reflects the institution's cooperative nature and the largest voting power in the hands of regional borrowing countries. In the case of the non-concessional arm of the World Bank, the International Bank for Reconstruction and Development (IBRD), the current policy on graduation is highly flexible, in part because it is widely recognised that the income threshold is an imperfect proxy for a country's economic and social development. Two substantive criteria were introduced to assess and quantify these conditions: (1) a country's ability to access external capital markets on reasonable terms; and (2) a country's progress in establishing key institutions for economic and social development (Prizzon et al., 2016a). Eligibility for IBRD funding also determines if a country can receive assistance from the Global Environmental Facility.

The graduation policy from regular assistance (or non-concessional lending) from multilateral development banks should not be confused with changes of the analytical classification (i.e. low income, middle income and high income). This classification reflects income per capita.

Vertical health funds, like the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), have specific eligibility criteria largely based on income per capita, usually focusing on low-income countries, but with exceptions for UMICs whose disease burden is high.

Other institutions have loose criteria – that is, eligibility may be based on the recipient being a developing country as defined by, for example, the Green Climate Fund.

Note: As this report focuses on UMICs, this box reviews the approaches to graduation from non-concessional assistance. For a review of bilateral donors and EU approaches to transition and graduation see Jalles d'Orey and Prizzon (2019).

after graduation, governments and development partners should map expectations and modalities regarding future bilateral and multilateral cooperation to continue engaging in global policy dialogue.

Box 2 sets out the research questions that guided this project and the country case studies. We respond to these in turn in Chapter 6 of this report.

1.3.2 Case study selection: why Mexico?

We chose Mexico as one of our four case studies for a number of reasons. Mexico is moving towards ODA graduation, but it is still at the early stages of the transition from aid. Mexico is a large UMIC in the midst of transition from aid, with gross national income (GNI) per capita of $8,610 in 2017 (graduation from the list of ODA-eligible countries occurs when a country is reclassified as high-income, with GNI at approximately $12,000 per capita).

Through its development cooperation agency, Agencia Mexicana de Cooperación Internacional para el Desarrollo (AMEXCID), Mexico plays a dual role as both a recipient of development cooperation and of a development partner. It is active in South–South and triangular cooperation programmes and in using these platforms to share expertise across Central America in particular.

Mexico has high geostrategic importance in Central and Latin America. For many development partners, this relevance is motivated by its large size, its large potential market and growing middle class, and its position within the North American continent – sharing a border with the US in the north and Central America in the south.

Our selection of case study country was also influenced by pragmatic considerations. For example, we looked for countries in which we had good access to local networks, where elections had taken place at least six months before our visit, and that were not in the middle of budget preparations so as to maximise the availability of government officials for meetings and interviews. See Calleja and Prizzon (2019) for further details on case study selection.

Box 2 Detailed research questions

1. Managing the transition from development assistance, i.e. when development partners are phasing out their development assistance
   a. How have countries 'in transition' planned (and how will they plan) to manage, finance, sustain and broaden development results? To what extent are countries 'in transition' continuing or updating development programmes and in which policy areas?
   b. How has transition affected well-established relations with development partners (multilateral and bilateral donors)?
2. Cooperation with development partners
   a. What needs and requirements do countries 'in transition' have in managing their sustainable development independently from development assistance, for example with respect to planning, implementation and financing?
   b. What forms of cooperation do graduating countries consider helpful in successfully managing this phase of graduation and beyond ODA and in which areas?
3. Cooperation beyond aid
   a. What do countries 'in transition' expect from their development partners regarding the future extent and modalities of bilateral and multilateral cooperation?
   b. Which forums of global exchange and cooperation do they consider relevant and which global policy areas and global public goods appear most suitable for increased cooperation?

1.3.3 Methodology

We applied a combination of quantitative and qualitative data analysis and qualitative methods to tackle the main research questions of this project. We considered a similar methodology across the four country case studies to enable comparability of findings.

We first analysed and summarised strategy documents from Mexico's AMEXCID and the central government (national plans, sectoral plans), reports from international financial institutions, international organisations and bilateral donors as well as the literature on aid management and aid effectiveness in Mexico.

Next, we conducted semi-structured interviews with 44 informants, across central and line government agencies, bilateral development partners, multilateral development banks, multilateral organisations, academia and civil society organisations, to fill any gaps in our desk-based review and to triangulate information. We held 42 interviews between 6 and 10 May 2019, during a visit in Mexico City, and two phone interviews in May and June 2019. See Annex 1 for a list of those interviewees who agreed to their names being published.

1.4 Structure of the report

The following report on the Mexico case study is composed of six chapters:

- Chapter 2 reviews the main elements of the economic, political, governance, social and human development context in Mexico, especially since 1990. These factors can influence decisions on aid volumes and allocation based on a framework developed in Prizzon et al. (2016b).
- Chapter 3 outlines the evolution of the institutional arrangements for aid management in Mexico, both as a recipient and as a donor, since the 1970s – when the institutional roots of Mexico's development cooperation system trace back.
- Chapter 4 analyses the patterns of aid flows to Mexico across three different stages (i.e. the decline in inward ODA and the first stage of donors' exit in the 1990s; the stagnation of ODA in the first half of the 2000s; and its resurgence from 2008).
- Chapter 5 reviews the main elements of Mexico's horizontal or South–South cooperation and triangular cooperation strategies, priorities and allocation.
- Chapter 6 builds on this analysis by distilling lessons on the transition from aid from the case of Mexico to address the three main groups of research questions identified for this project.
- Chapter 7 concludes by summarising the main findings of the analysis and the lessons from the experience of the government of Mexico in the transition from aid.

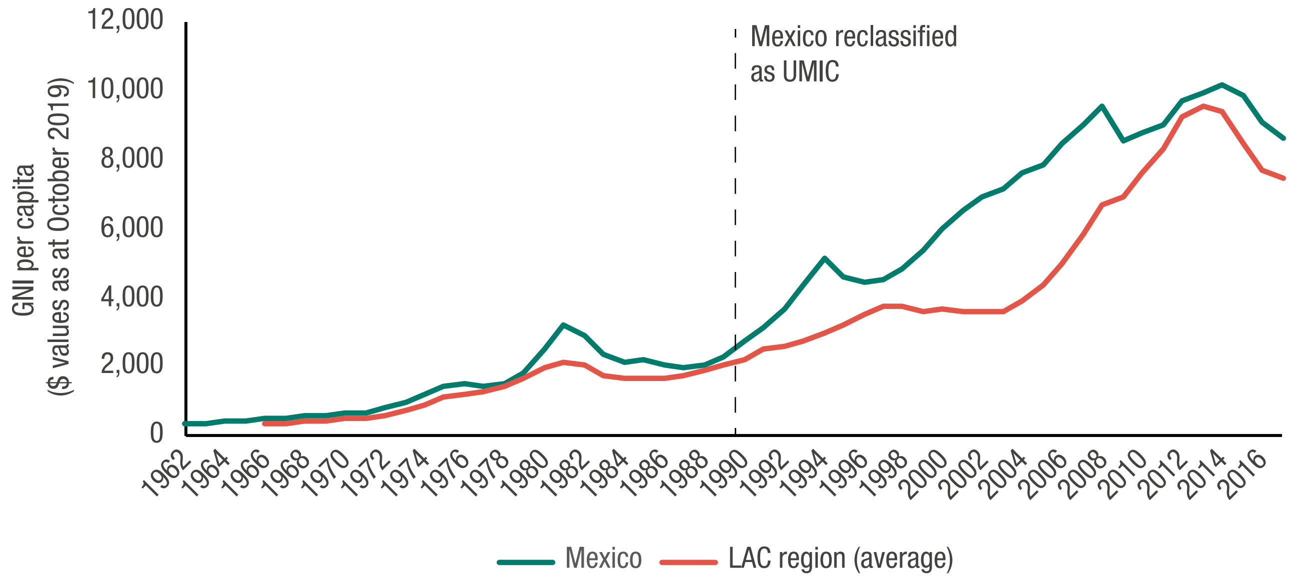
2 Factors shaping aid volumes and modalities in Mexico

A country's economic, governance, and social and development context can influence decisions about aid volumes, allocations and modalities – from the perspective of both the government and its development partners. In this chapter, we look at the factors shaping aid in Mexico, applying the political economy framework detailed in Prizzon et al. (2016b) and Prizzon and Rogerson (2017).

2.1 Economic context

Mexico's GNI per capita more than doubled over the past two decades, from $4,860 in 1998 to a peak of $10,180 in 2014. Since then, Mexico's GNI per capita declined to $8,610 in 2017, mainly driven by falling oil prices and production (see OECD, 2018a, and the following sections in this report); but this remains higher than the average GNI per capita for the Latin America and the Caribbean (LAC) region ($7,471 in 2017) (Figure 1).

Figure 1 A comparison of Mexico's gross national income per capita with the average across the Latin America and Caribbean region, 1962–2017



Note: GNI per capita calculated based on World Bank data, according to the World Bank's Atlas method, and given in US dollars, values as at October 2019. LAC region data excludes high-income countries. UMIC, upper-middle-income country.
Source: World Bank (2019a), accessed April 2019.

Mexico was reclassified as a UMIC in 1990 but its graduation from the list of ODA-eligible countries is a long way ahead. Based on OECD (2014) projections, the country would be expected to graduate from ODA by 2030 – reaching high-income country status by this point. However, this scenario is unlikely: the economic downturn since 2014 has meant income per capita has fallen from $10,180 in 2014 to $8,610 in 2017. For the OECD's projection to materialise – which although unlikely, may still be possible – income per capita would need to grow at least at 3% each year until 2030, based on our approximations.

While Mexico's income per capita has steadily increased over the long term, economic growth rates have failed to keep pace with other countries within the region. Mexico's growth 'has largely been driven by capital and labour accumulation and not by growth in productivity, measured by either average output per worker or combined efficiency of labour and capital' (World Bank, 2013: 6). Mexico's productivity 'collapsed' in the 1980s, while recurrent shocks throughout the 1990s and 2000s prevented full recovery. Despite reforms, the country has underperformed in terms of inclusive growth and poverty reduction compared to its peers in the region (World Bank, 2018). According to the World Bank (ibid.), by 2017 countries like Chile, which had a lower GDP per capita than Mexico in 1980, had achieved higher income levels and had closed the gap with the US.

Mexico joined the North America Free Trade Agreement (NAFTA) with the US and Canada in 1994.[3] This saw Mexico remove tariffs and quotas on imports from the US and Canada, and the reduction of other trade and service barriers as well as those on foreign direct investment. The result was a surge of US investment to Mexico.

Furthermore, as Figure 1 shows, Mexico had experienced several severe macroeconomic shocks since the 1980s. These include the 1982 debt crisis, during which Mexico was the first Latin American country to default on its public debt, the 1994 peso crisis (though this was a result of investors' perceptions rather than being driven by macroeconomic fundamentals, see Sachs et al. (1996)), and the global financial and economic crisis in 2008.

Income per capita also affects eligibility for funding from international organisations. Mexico can only borrow at non-concessional terms from the IBRD and the Inter-American Development Bank (IADB) (and, in stock terms, the country is the World Bank's third largest borrower and the second largest for the IADB – see Engen and Prizzon (2018)). Because its income per capita places Mexico in the UMIC bracket, United Nations offices in Mexico have to be funded directly from the Mexican government rather than from UN core resources, moving the country towards being a net contributor.[4] Box 3 elaborates on Mexico's eligibility for funding from multilateral development banks.

Mexico is oil-rich and tax revenues are highly dependent on oil exports. The main natural resource in Mexico is petroleum. According to the Natural Resource Governance Institute (NRGI), 'oil production has been one of the most important sources of public revenue and exports in Mexico, generating 33 percent of government income and 20 percent of exports in 2013' (2017: 1). However, Mexico's oil exports have declined, from more than 50% of total exports in 1980 to less than 10% by 2015 (NRGI, 2017).

Mexico's fiscal revenues are rising, but are still far lower than the OECD average. Mexico's total tax revenues have increased by 50% between 2008 and 2016, from $111 billion in 2008 to almost $150 billion in 2016. Mexico's government revenues as a share of GDP rose from 10% in 2008 to about 13.5% in 2016. This rate is slightly above the average for Latin America at 13.1% in 2016, but it is far below the OECD average of 35% (World Bank, 2019a).

3 In January 2019, Mexico was the first country to ratify the updated NAFTA Agreement (United States-Mexico-Canada Agreement, or USMCA). At the time of writing, the agreement was yet to go through the US Congress for approval.

4 According to the UNDP integrated resources plan and integrated budget estimates for 2018–2021 (UNDP, 2017), core contributions to country offices tend to fall progressively during the transition to a net contributor country, which starts when a country is classified as a middle income and is completed when it attains high-income country status.

Box 3 Mexico's eligibility for multilateral funding

Mexico has been eligible for IBRD funding at full terms (initially at 17-year IBRD terms) since 1979 and borrows at non-concessional terms from the IADB. In the case of the IBRD, to reduce the concentration risk of World Bank exposure, a single borrower limit applies to Mexico, as well as to Brazil, China, India and Indonesia. In other words, for total lending exposure above $20 billion, a surcharge of 50 basis points per annum on loan balances above the country's standard exposure limit is applied (so there is a higher interest rate on lending stock above $20 billion).

Mexico's graduation from IBRD lending was not under discussion at the time this study was conducted (May to June 2019). The IADB does not have a graduation policy from non-concessional assistance: regional borrowing countries remain, at least based on income per capita, always eligible for lending operations.

Mexico has never been eligible for assistance from Gavi as its income levels were consistently too high.[i] However, the country has benefitted from assistance from the GFATM for HIV/AIDS support programmes in 2010 because of the high disease burden. In 2012, a new rule was introduced for GFATM assistance that excluded G20 member countries, which meant the programme in Mexico had to be phased out earlier than planned (Flanagan et al., 2018). The implications of this graduation process are described in greater detail in sub-section 6.1.1.

Finally, Mexico can also benefit from assistance from the Global Environmental Facility (IBRD countries are eligible) and since 1994 has implemented more than 100 projects. In principle, Mexico is also eligible for Green Climate Fund assistance, due to its classification as a developing country (although, at the time of writing, only two projects were in place and these were either regional or multi-country).

Note: [i]Eligibility is based on an income per capita below $1,580 (at least based on 2018 figures).

Budget cuts loom with the government's increasingly prudent debt management. Since 2016, the Mexican government generated fiscal surpluses after running a budget deficit each year following the 2009 financial crisis. However, the return to fiscal surplus is largely driven by declining levels of public spending rather than the abovementioned rise in tax revenues. In the draft version of the 2019–2024 national development plan, released in May 2019, the Mexican government proposed a very prudent approach to debt management. It committed to keeping public debt at its 2018 baseline (51.2%) in the medium term, so that borrowing can only expand as much as GDP growth, which is affecting preferences for development assistance across the government (see section 4.3).

2.2 Political and governance context

Mexico's democracy was dominated by a single party until 20 years ago, and it is still in the process of developing and strengthening its own institutions. Mexico's democracy dates from the revolution of 1917 but, between 1929 and 2000, the country was dominated by a single party – the Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI) (Klesner, 2001). Mexico's multiparty democracy began with the election of Vicente Fox of the Partido Acción Nacional (PAN) in 2000. Figure 2 summarises the timeline of the four Mexican administrations since 2000 that we reference throughout this report.

Figure 2 Mexican administrations since 2000

The electoral map changed even more dramatically in 2018 with the landslide victory of the National Regeneration Movement (Movimiento de Regeneración Nacional, MORENA) party. The election of its leader Andrés Manuel López Obrador as president in July 2018 (term beginning December that year) marked a new set of policy priorities. The new government had a stronger focus on domestic issues, particularly on the fight against poverty, corruption and drugs, and on inclusive growth. This signified a paradigm shift from the previous National Development Plan 2013–2018, 'Llevar a México a su máximo potencial' ('Achieve Mexico's maximum potential'), which was implemented under President Peña Nieto (GoM, 2013). This previous plan had sought to advance Mexico's international standing as a global actor by assuming 'global responsibility' – being a positive and proactive force in the world, a nation at the service of the best causes of humanity – and included commitment to development, free trade, regional integration and protecting migrants, with development cooperation being one of the tools of foreign policy.

Mexico is a geostrategic partner in the region. Mexico has large influence in Central and Latin America and in international relations. Its large geographic size and population of nearly 130 million inhabitants, its potentially large market and growing middle class, its position in North America – where it shares a border with the US in the north and Central America in the south – are all factors motivating the high geostrategic relevance of Mexico for many development partners.

Mexico's performance on governance indicators, especially on the control of corruption, has been relatively poor. According to the World Bank's World Governance Indicators, Mexico's lowest performance in 2017 was against the control of corruption measure, on which it scored within the 16th percentile (the lower the score the poorer the performance for an indicator), making it the third worst performer in the region after Venezuela and Haiti (World Bank, 2019b). Mexico's score on the indicator has worsened since the World Governance Indicators were first measured in 1996, when it scored within the 32nd percentile. The results of Transparency International's Corruption Perception Index confirm Mexico's challenges related to domestic corruption: while Mexico is not among either the worst or the best performers in the region, its score has declined sharply since 2012.

Mexico also performs poorly on other dimensions of the World Governance Indicators, including political stability and the absence of violence (23rd percentile in 2017), rule of law (32nd percentile), voice and accountability (43rd percentile) and government effectiveness (52nd percentile). Moreover, these indicators have generally worsened since the mid-1990s (World Bank, 2019b).

Key policy priorities have been the war on drugs and tackling inward and outward migration. In the mid-2000s and in response to rising violence and homicide rates, President Felipe Calderón declared war on the cartels controlling the drug market. While slightly lower than the Latin America average, Mexico's homicide rates tripled in nearly four years during the decade, from eight intentional homicides for every 100,000 inhabitants in 2007 to 23 in 2011 (rates had decreased by 35% since 2011, but have been rising since 2014). Migration has historically been an issue in the region since the 1970s, with Mexico acting as a source, host and transit country for migrants. Between the 1970s and 1990s, migration to Mexico was the result of conflict and civil wars in neighbouring countries in Central America. The 1990s and 2000s saw an increasing number of migrants transiting through Mexico to the US from the Northern Triangle (El Salvador, Guatemala and Honduras). The management of migration flows between the Mexican and the US border remains a controversial issue and a priority for the Mexican government.

Mexico is an innovator and champion in the design and implementation of social protection programmes. Mexico's Progresa programme for education, health and nutrition is considered the original conditional cash transfer. Renamed Programa de Desarrollo Humano Oportunidades in 2002, it was transformed in 2014 into the PROSPERA Social Inclusion Program, later abolished by the López Obrador government. The programme provided non-reimbursable support to families in poverty and extreme poverty, conditional on compliance with co-responsibilities, such as school attendance or periodic health check-ups for young children, with the aim of developing human capital (World Bank, 2017). The programme not only had broad coverage in Mexico, benefiting more than 6 million families, but has since been replicated in 52 countries across the rest of the region, Asia and Africa (ibid.).

Mexico had a reputation as an active supporter of multilateralism, with great visibility on the international agenda, on various fronts. Firstly, Mexico hosted the first United Nations International Conference on Financing for Development in Monterrey in 2002 (and former Mexican President Ernesto Zedillo led the High-Level Panel on Financing for Development). Mexico continues to engage in the financing for development agenda, for example by regularly organising the retreat of the Friends of Monterrey with support from Germany and Switzerland (the fourth and latest iteration of the group took place in 2019). As reported in Cerda Dueñas (2016), the government of Mexico considers itself as 'el guardian del espiritu de Monterrey' – the guardian of the spirit of Monterrey. Secondly, the Mexican government championed the development effectiveness agenda, hosting in 2014, the First High-Level Meeting (HLM) of the Global Partnership for Effective Development Co-operation (GPEDC) (GPEDC, 2014). Mexico has been an active member since this time, as co-chair in preparation for the second HLM in Nairobi in 2016; AMEXCID is in the GPEDC steering committee at the time of writing this report. Thirdly, while not being a member of the OECD Development Assistance Committee (DAC), Mexico is a DAC observer (the government does not plan to become a fully fledged member). Mexico has often played a leadership role among emerging and Global South donors, for example in the negotiations of the Buenos Aires Plan of Action (BAPA +40) in 2019, which included developing tools to advance the measurement and quantification of South–South cooperation.

Furthermore, Mexico made an explicit commitment to support the 2030 Agenda, backed by an implementation strategy that provides the basis for aligning efforts across the federal, state and municipal level (OECD, n.d.a). In 2017, the government established a national council for the 2030 Agenda for Sustainable Development, chaired by the Mexican president. The council acts as a 'bonding mechanism' between federal and local governments, academia, civil society organisations and the private sector, coordinating actions for the design, execution and evaluation of policies in compliance with Agenda 2030. The national strategy for implementing Agenda 2030 is to be developed under the coordination of the President's Office.

Mexico is a G20 country and hosted the 2012 G20 Los Cabos summit under the administration of President Calderón. It has been a member of the OECD since 1994 and is active in climate change negotiations, hosting the 2010 UN Climate Change Conference (COP16) in Cancun.

The role of Mexico's NGOs is changing as the country transitions from aid. Mexico has a large and vibrant NGO community. From the interviews for this project, we understood that the wave of development partners closing their development programmes in Mexico in the 1990s and early 2000s reduced the level of assistance available for NGOs. Traditionally, Mexican NGOs had a greater focus on service delivery and project implementation rather than on advocacy and policy. In 2004, the Mexican government introduced a new law and funding support (INDESOL, Programa de Coinversión Social), which provided NGOs with more access to government support (and made tax-deductible donations easier). This helped to partly fill the gaps left by development partners when they phased out their cooperation programmes. However, at the beginning of 2019, direct government funding to NGOs through INDESOL had ceased, with the federal government aiming to reach out to beneficiaries directly. Respondents for this project noted that this was motivated by a number of things, including the need to review the funding system to NGOs to increase transparency and accountability or reducing policy space for those actors. With only a few development partners still supporting Mexico's NGOs (notably the EU, Germany, and to, an extent, the US), funding options are restricted. This is especially so for service-delivery NGOs (some interviewees have pointed to 'a major crisis'), which is creating further incentives for diversification towards private sector assistance (e.g. philanthropic organisations and high-net worth individuals).

2.3 Social and human development context

While declining, inequality remains high and a challenge for Mexico, with broad regional variations. Mexico's Gini coefficient had fallen in recent years from 0.514 in 2000 to a low of 0.434 in 2016 (the closer the number is to 1, the more unequal income distribution). Income is more equally distributed in Mexico than other countries in the region, like Argentina, Brazil and Chile (World Bank, 2019a). However, high inequality remains a challenge for Mexico, as 'inequity of opportunity in access to key economic and social services (such as education, credit, and infrastructure) prevents a large segment of the population from fully realizing their economic potential' (World Bank, 2013: 7). Furthermore, income inequality across regions is stark. In the mid-2010s, the average income per capita in one of Mexico's richest states (Nuevo Leon) was comparable to that of Poland, while that of the poorest state (Chiapas) was similar to that of Honduras or Timor-Leste (World Bank, 2018).[5]

Poverty is also declining, but rural areas continue to be the most affected and a large number of Mexicans are vulnerable to falling back into poverty. In Mexico, the share of people living below the extreme poverty line of \$1.90/day had fallen from 11.2% in 1998 to 2.5% in 2016; so too has the share of the population living below \$3.20/day, which had declined from 26.2% in 1998 to 11.2% in 2016 (World Bank, 2019a). However, while poverty rates in Mexico have dropped in absolute terms, 11.2% of the Mexican population is the equivalent of more than 14 million inhabitants – slightly less than the entire population of neighbouring Guatemala. Furthermore, 7 out of every 10 Mexicans are 'living in poverty or vulnerability' (OECD, 2018b).

Mexico's human development indicators have improved but education quality remains a challenge. The Human Development Index summarises indicators for health, education and economic performance. Mexico's Human Development Index score has steadily improved over time, and the country is classified as having achieved 'high human development' (Mexico was ranked 74th in 2017 (UNDP, 2018)). Mexico's life expectancy at birth has increased from 70.8 years in 1990 to 77.3 years in 2017, higher than the LAC average of 75.7 years. Mexico's expected years of schooling increased by 3.5 years from 10.6 years in 1990 to 14.1 years in 2017, more or less in line with the LAC average of 14.4 years. However, some of the productivity constraints of the Mexican economy can be associated with the country's 'low quality of education' (World Bank, 2013: 7);

5 In 2016, 58.2% and 17.4% of Mexico's rural population lived in poverty or extreme poverty, respectively. In the same year, 39.3% and 4.7% of urban populations lived in poverty or extreme poverty (World Bank, 2018: 54).

access to education is near universal, yet student performance lags behind and quality remains an issue (World Bank, 2018).

Mexico is a large emitter of greenhouse gases (GHGs) and is highly vulnerable to the consequences of climate change. Given the large size of the country and its industries, Mexico ranked as the world's 12th largest emitter in 2013 (GoM, 2016a). The previous administration under President Peña Nieto (2012–2018) set a target of reducing GHGs by 30% by 2021.

The country is highly vulnerable to the effects of climate change because of its location between two oceans, and its 'latitude and topography increase the country's exposure to extreme hydrometeorological phenomena' (GoM, 2016a: 39), with declines in rainfall – particularly in Mexico's southeast – and increasing temperatures in northern Mexico, up to 3–4°C (GoM, 2016a: 40). Furthermore, Mexico is prone to a range of natural hazards, with 41% of its territory and 31% of its people exposed to hurricanes, storms, drought, floods, earthquakes and volcanic eruptions (World Bank, 2018).

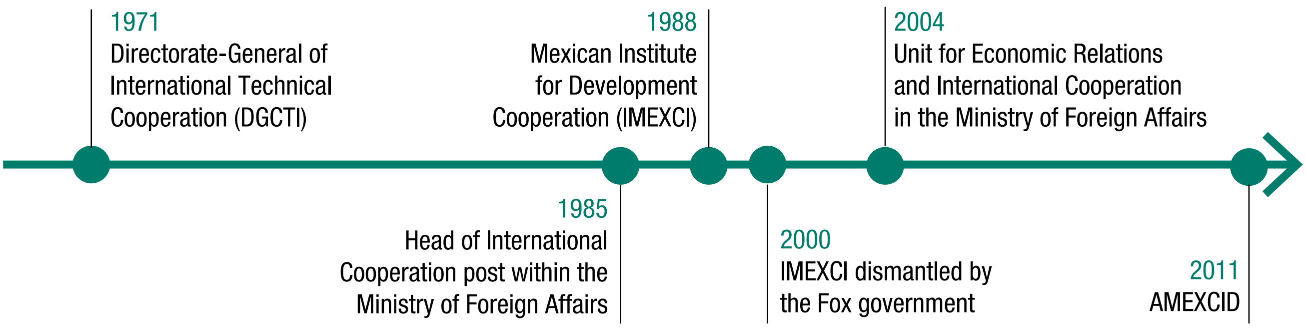
Institutional arrangements for aid management are reviewed in Chapter 3.

3 Management structures of development cooperation: a historical overview

Since 2011, the Mexican Agency for International Development Cooperation (Agencia Mexicana de Cooperación Internacional para el Desarrollo, AMEXCID) has been the main institutional actor responsible for managing and coordinating Mexico's inward and outward development cooperation. However, the institutional roots of Mexico's development cooperation system can be traced back to the early 1970s.

This chapter maps the institutional evolution of Mexico's development cooperation landscape over time to understand the changing role, responsibility and objectives of the development management system throughout Mexico's transition from ODA recipient to both recipient and provider. We focus on the creation and change of three main structures within the Mexican system over time – the Directorate-General of International Technical Cooperation (DGCTI), the Mexican Institute for International Cooperation (IMEXCI) and AMEXCID. In doing so, we highlight that in the Mexican case the creation of an agency responsible for development cooperation has not been a linear process, with various iterations of development management units ebbing and flowing in terms of relative importance based on the political imperatives and priorities of the day. Figure 3 provides a summary of the major organisational changes in Mexico's aid management system over time.

Figure 3 Evolution of Mexico's institutional and management structures of international development cooperation



Note: The milestones reflected in this table are major organisational restructurings only. It is common for agencies to undergo internal changes and reorganisations more regularly as political and fiscal circumstances evolve.
Source: Authors' elaboration

3.1 Directorate-General of International Technical Cooperation

As both a provider and recipient of development assistance, Mexico's development cooperation system was first formalised in 1971 with the creation of the DGCTI. Situated within the Ministry of Foreign Affairs, this unit was responsible for managing Mexico's inward cooperation from bilateral partners and UN agencies and its emerging outward cooperation programme (Prado Lallande, 2014a). Specifically, the DGCTI was in charge of negotiating and implementing cooperation agreements, coordinating scholarships and technical and scientific exchanges (Figeuroa Fischer, 2014). During this period, Mexico's Ministry of Finance and Public Credit (Secretaria de Hacienda y Crédito Público) managed development flows from international financial institutions and regional development banks including the IADB, the International Monetary Fund and the World Bank.

The DGCTI was created to streamline the management of Mexico's growing outward cooperation, as part of broader efforts to promote a more active foreign policy by the Echeverria Álvarez government[6] (Figeuroa Fischer, 2014; see also section 5.1). Before DGCTI, two main actors within the Ministry of Foreign Affairs – the Directorate-General of International Organizations and the Directorate General of Bilateral Affairs – were in charge of development cooperation, in particular the coordination of technical assistance from international organisations and bilateral donors, respectively (Prado Lallande, 2014a; Figueroa Fischer, 2014). In the early 1970s, international cooperation was becoming an important component of Mexico's foreign policy, with the Echeverria Álvarez government launching 'an unprecedented international campaign aimed at expanding Mexico's prestige and influence'. It included a concerted effort to diversify relations away from those with established partners (such as the US) and towards 'Third World [sic]' countries and causes (Fauriol, 1987: 82). The result of this campaign was the expansion of Mexico's outward cooperation, particularly within Central America, the Caribbean and South America (Prado Lallande, 2014a).[7]

These institutional arrangements of Mexico's development cooperation programme were reformed in the late 1980s when the government of Mexico prioritised even further international cooperation and consolidated its role as a development cooperation provider. The reorganisation was partly driven by increased concern over the deteriorating security situation within Central America, which was driving Mexico's engagement in the region through a range of tools including development cooperation and humanitarian support (see section 5.1). To help coordinate these efforts, in 1985 the government created a Head of International Cooperation post within the Ministry of Foreign Affairs and passed legislation that formalised the promotion of development cooperation as a guiding principle for its foreign policy within the Mexican Constitution in 1988 (Prado Lallande, 2014a; Figueroa Fischer, 2014; Villanueva and Hernández, 2019). According to Figueroa Fischer (2014), this elevation of Mexico's development cooperation within the Constitution provided the impetus for a more complex administrative system that eventually followed.

3.2 Mexican Institute for International Cooperation

The growing importance of international cooperation as a contributor to peace and global development led President Ernesto Zedillo to create IMEXCI in 1998 as a decentralised body within the Ministry of Foreign Affairs. The Institute served as the national focal

6 Echeverria Álvarez was Mexico's President between 1970 and 1976.

7 For example, between 1971 and 1973 the Ministry of Foreign Affairs had signed more outward cooperation agreements for technical and scientific cooperation than in the decade prior (Figeuroa Fischer, 2014: 39; see section 5.1 for more on the expansion of Mexico's horizontal cooperation).

point responsible for coordinating inward cooperation to Mexico from bilateral sources and UN agencies, as well as for designing and implementing Mexico's outward development cooperation policy. In the context of Mexico's growing engagement in outward cooperation, IMEXCI was created to improve coordination among its bilateral development activities (Figueroa Fischer, 2014). IMEXCI was initially composed of four units to cover: scientific and technical cooperation; educational and cultural cooperation; economic cooperation; and cooperation with Central America and the Caribbean (Villafuerte Solís and Leyva Solano, 2006). Previously, responsibility for these areas had been distributed among different actors.

As a provider of cooperation, IMEXCI focused on 'strengthening horizontal cooperation with developing countries', particularly in Central America, and was responsible for maintaining Mexico's presence and participation in multilateral organisations including the UNDP and the Organization of American States (Figueroa Fischer, 2014: 52). As a recipient, IMEXCI coordinated incoming cooperation on the part of the government, while inward development funding through multilateral development banks continued to be the responsibility of the Ministry of Finance and Public Credit.

In 2000, IMEXCI was dismantled by the government of President Vicente Fox due to changing political priorities and as part of the new government's efforts to give greater visibility to other areas of foreign policy. The general directorates that formed IMEXCI were separated and relocated within the Ministry of Foreign Affairs. In 2004, the Ministry of Foreign Affairs created the Unit for Economic Relations and International Cooperation. This included within its structure the former DGCTI (renamed the Directorate-General of Technical and Scientific Cooperation in the 1990s) (Prado Lallande, 2014a). According to Prado Lallande (2014a), the joining of economic relations and international cooperation within a single unit could have reflected the plan to subordinate development cooperation to economic interests and priorities. This unit remained responsible for Mexico's development cooperation until the formation of AMEXCID in 2011.

3.3 Agencia Mexicana de Cooperación Internacional para el Desarrollo

AMEXCID was created via legal decree to serve the dual role of coordinating Mexico's inward and outward cooperation, under the Ministry of Foreign Affairs. The agency emerged as the result of a 2007 initiative by then-opposition party member Senator Rosario Green, who proposed a law designed to institutionalise Mexican development cooperation and strengthen its standing as a tool for foreign policy (Prado Lallande et al., n.d.: 6). The President at the time, Felipe Calderón, was notably against the creation of an agency; AMEXCID was ultimately the result of a coalition of politicians that championed the policy. The law on international development cooperation, which passed in 2011, gave rise to the institutionalisation not only of AMEXCID as the primary agency responsible for Mexico's cooperation activities including funding to multilateral organisations[8] but to a range of structures that would have formed Mexico's development cooperation system (GIZ, 2014; AMEXCID and GIZ, 2018). The passing of the 2011 law is considered a watershed moment for Mexico's development cooperation and provided an opportunity to better equip its development system to 'fulfil its objectives with greater predictability and contribute more emphatically to national interests' (Prado Lallande, 2014a: 53). The international development cooperation law also 'shaped expectations of key sectors of the population involved' with Mexico's cooperation and provided strategic guidance to inform current and future cooperation activities (ibid.).

8 Except multilateral development banks, which remained the responsibility of the Ministry of Finance and Public Credit.

In addition to AMEXCID, the 2011 law established the main administrative, policy, statistical and financial pillars of Mexico's development cooperation system:

- The Advisory Council for International Development Cooperation is responsible for defining the priorities of Mexico's outward development cooperation programme. The Council meets biannually and is composed of 18 state secretaries, plus representatives from the National Commission for Science and Technology (Consejo Nacional de Ciencia y Tecnología, CONACYT) and the Commission for the Development of Indigenous Peoples (OAS, 2015; SRE, 2018).
- The Mexican Programme for International Development Cooperation (PROCID) outlines the policy priorities for Mexico's development cooperation including the geographic and sectoral priorities as well as the key objectives of Mexico's development cooperation programme (GoM, 2016b; GIZ, 2014).
- The National Registry and Mexican System of Information for International Cooperation for Development reports and records all of Mexico's inward and outward development cooperation (GoM, 2016b).
- The National Fund for International Development Cooperation (FONCID) manages Mexico's outward development flows through a trust fund led by a Technical and Administration Committee. This Committee includes representatives from the Ministry of Foreign Affairs, AMEXCID and the Ministry of Finance and Public Credit.

However, new political priorities meant that the actual institutional arrangements were less ambitious than the legislation envisioned (Prado Lallande, 2019). For instance, the Calderón government's de-prioritisation of development cooperation resulted in AMEXCID's institutional arrangements somewhat mirroring its predecessor (IMEXCI) and remaining 'far from consolidating and complying with the requirements of the Law that gave rise to it' (ibid.). Indeed, some aspects of the law, such as PROCID, did not formally enter into force under the Calderón government, despite the legislative impetus for their creation.

Internally, AMEXCID is composed of five main directorates responsible for different aspects of Mexico's development policy. These units include the following (see AMEXCID and GIZ, 2018):[9]

1. The General Directorate for Planning and International Development Cooperation Policy is responsible for strategic planning, developing tools to monitor performance, designing and implementing capacity development and supporting inter-institutional communications.
2. The General Directorate of Technical and Scientific Cooperation leads bilateral and triangular cooperation programmes and projects, as well as academic exchange programmes.
3. The General Directorate for the Mesoamerica Integration and Development Project manages all cooperation within Central America and the Caribbean.
4. General Cooperation and Bilateral Economic Relations promotes the internationalisation of the Mexican private sector including through supporting economic negotiations.
5. The General Directorate for Educational and Cultural Cooperation coordinates Mexico's cultural activities abroad.

Together, these structures reflect an eclectic range of activities under the purview of AMEXCID. According to GIZ (2014), this presents both challenges and opportunities for the operations of Mexico's aid programme. Specifically, the broad range of activities for which AMEXCID is responsible 'complicates planning and performance monitoring processes and widens the fields where institutional strengthening and expertise is required' (GIZ, 2014: 90). At the same time, the combination of instruments to support economic and cultural

9 The directorates identified correspond to those identified in AMEXCID and GIZ (2018) which also reflects the information available at the time of writing (June 2019).

exchanges as well as development within a single structure increases the potential to leverage various policy instruments to support development engagement and results.

AMEXCID's development cooperation programme is also financed through a number of trust funds with development partners (both DAC members and Global South providers), usually referred to as Fondo Conjunto or Comisión Cooperación. The Mexican government currently participates in several joint funds with bilateral and multilateral partners including Chile, Germany, Spain, Uruguay and the Organization of American States (AMEXCID, 2018a).[10] These funds were created to advance partnerships and cooperation with Mexico as a development actor. In each case, the Government of Mexico and a partner organisation contribute equal financial resources (typically around $1 million) to the fund. These resources act as instruments to co-finance and co-programme bilateral and trilateral cooperation activities; in the case of the funds shared with other South–South cooperation partners, including Chile and Uruguay, resources from the joint funds can also be used to finance domestic activities in each partner country. Decisions around fund programming are typically managed by a commission comprising delegates from partner agencies. The commissions are responsible for setting the strategic priorities for engagement, as well as for the coordination and implementation of projects and programmes. While some of the funds, such as those with Spain and Chile, predate AMEXCID's creation, they are currently managed within the agency and support its programming.[11]

Since 2011, AMEXCID has benefited from programmes with both UNDP and GIZ to strengthen its institutional capacity as a donor. As part of these efforts, a joint agreement between the Government of Mexico and UNDP aims to reinforce AMEXCID's capacity as a development cooperation provider by deploying around 100 contractors to work within AMEXCID alongside civil servants. In total, UNDP contractors accounted for around one-third of AMEXCID staff (these contracts are funded by the UNDP country office, in turn supported by the Mexican government). Additionally, a small contingent of GIZ staff are located within AMEXCID as part of an institutional strengthening cooperation programme between AMEXCID and the German government. The GIZ project aims to bring an international perspective on development cooperation and to provide technical and sector support to AMEXCID (GIZ, n.d.).

3.4 Management structures of Mexican development cooperation: main messages

Despite undergoing several institutional changes, Mexico's development cooperation has always been managed by the Ministry of Foreign Affairs. This is a common approach to aid management that ensures that cooperation activities remain aligned with foreign policy goals and objectives (Gulrajani, 2013). Indeed, Mexico's outward cooperation has – even since its earliest iterations – been used to advance Mexico's engagement and promote stabilisation within the Central American region.

Political priorities and discussions had largely influenced the institutional arrangements for development cooperation in Mexico. Political preferences notoriously led to the abrupt closure of IMEXCI by the Fox administration in 2000 with the de-prioritisation of development cooperation relative to other foreign policy objectives. Similarly, some commentators have noted that the institutional structure of AMEXCID was not created to match the ambitions of the law on international

10 These include four bilateral joint funds (with Chile, Germany, Spain and Uruguay) and funds with multilateral organisations (OAS and SEGIB) (González Segura, n.d.). Mexico also engages in other 'Comisión Mixta' with partners including Colombia (for cultural cooperation) and Costa Rica (for scientific and technical cooperation); however, it is unclear whether these commissions use joint-funding mechanisms. See for example AMEXCID (2018a).

11 In addition to the joint funds, AMEXCID also receives funding via FONCID, which manages funds from the Mexican government, foreign donors and the private sector, to support development activities (GIZ, 2014).

development cooperation, partly due to the low prioritisation of development cooperation by the Calderón government (Prado Lallande, 2019).

Compared to other countries examined for this project, such as Chile, Mexico's institutions for development cooperation have only recently emerged. While Mexico has been engaging in development for several decades, its institutions for managing cooperation were only formalised in the past decade. This stands in sharp contrast to the case of Chile, whose agency for managing cooperation was established in the early 1990s, when the country was reclassified as a UMIC.

4 Mexico as a recipient: from early transition from aid to rising ODA inflows

Mexico's transition from ODA follows an unusual trajectory compared to that of other countries reviewed for this project. In those cases – Botswana, Chile and the Republic of Korea – development partners tended to reprioritise their activities away from countries that were reclassified as UMICs. However, in the case of Mexico, while ODA inflows had dwindled during the 1990s and stagnated throughout the 2000s, they have been rising since 2008. This rise comes almost two decades after the country joined the ranks of UMICs, and these trends led many of our interviewees to question whether Mexico actually has been in transition from ODA.

This chapter maps these changes to Mexico's development cooperation landscape since 1990 to understand, contextualise and learn from Mexico's transition experience from aid. We focus on changes related to donor engagement in terms of volume, sectors, instruments and types of development cooperation provided by donors and demanded by the Mexican government.

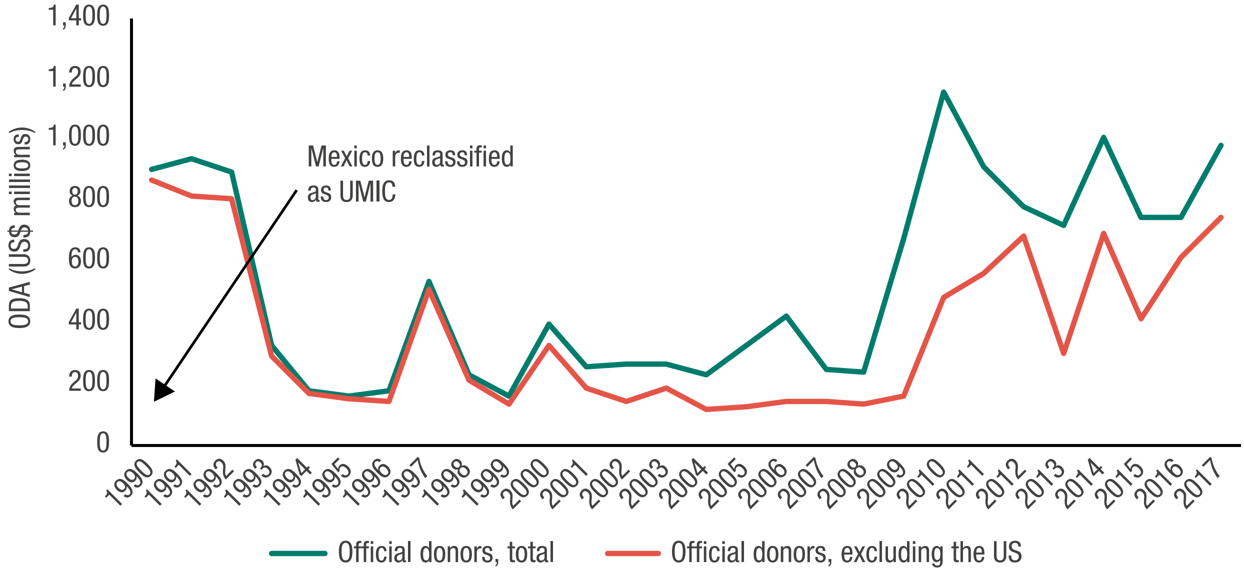
Our analysis is structured in three parts, which roughly align to major trends and changes in Mexico's aid landscape. The first maps the evolution of development cooperation from the early 1990s when Mexico was reclassified to the UMIC group, considered as the starting point of the transition from aid with a declining volume of external resources due to the exit of several key donors. The second part shows stagnant assistance provided during the 2000s. Finally, the third section describes the period over which ODA inflows soared as a few donors re-engaged with Mexico to support the security agenda (US) and to reduce carbon emissions (France and Germany).

4.1 Initial donor exit: 1990s

Mexico's transition from ODA began in the mid-1990s, when ODA volumes declined from almost $900 million per year between 1990 and 1992 to less than $200 million by 1994 (Figure 4). The decline followed the start of Mexico's democratisation process and the country's reclassification as a UMIC in 1990. This happened when Mexico was emerging as an internationally praised 'success story' for its implementation of economic reforms and stabilisation in the aftermath of the 1982 debt crisis (Griffith-Jones, 1997). By the early 1990s, Mexico's adjustment strategy and market openness had led many within the economic community to argue that 'Mexico was about to embark on a final take-off that would allow it to join, in a relatively short period of time, the ranks of the most advanced nations' (Edwards, 1995: 297).

While the decline in Mexico's inward ODA in the early 1990s was mostly driven by the levelling-out of exceptional loan commitments from Japan and France, average ODA volumes throughout the 1990s remained lower than in the prior decade. Between 1990 and 1991, Japan committed an average of $630 million, while assistance from France peaked at $124 million in 1991 (up from $44 million the prior year). Both Japan and France provided the bulk of this assistance as ODA loans. According to

Figure 4 Official development assistance to Mexico from all donors



Note: Constant 2016 prices, US$ millions. UMIC, upper-middle-income country.
Source: OEDC DAC2 (OECD, n.d.b), accessed May 2019.

Cruz García and Lucatello (2009), most loans provided by Japan supported water and sanitation,[12] rail transport and environmental development. Notably, these large ODA loans coincided with a period of high investor confidence in Mexico. This was also a time when donors began cutting aid flows, which had largely been used as a foreign policy tool, following the end of the Cold War. By the mid-1990s, ODA inflows to Mexico remained lower than the prior period (at around $240 million per year).[13]

Declining ODA flows were little cause for concern for the Mexican government. This was because, even at their peak in the early 1990s, Mexico's ODA inflows accounted for a very small share of GDP (0.1%). Indeed, since 1960, Mexico had not been dependent on ODA; ODA inflows to Mexico were never valued at more than 0.7% of GNI. This is largely due to the fact that Mexico has historically had a very large economy, making ODA flows negligible relative to its GNI.

The lower levels of ODA received by Mexico in the 1990s were likely linked to three main events: the signing of NAFTA, joining the OECD and the 1994 peso crisis. First, the signing of NAFTA and Mexico's membership of the OECD in 1994 reflected the global 'euphoria' around Mexico as a 'model reformer' in align with the ideals exposed by the Washington Consensus (Griffith-Jones, 1997; Cruz García and Lucatello, 2009). Mexico's admission to the OECD – its initiation into the so-called 'Rich Countries' Club' – was considered a sign of the developmental progress the country had made (Villanueva Ulfgard and López, 2017). In both cases, Mexico's increasing participation in international forums was taken as a sign of the country's strong economic position and trajectory. Second, after its NAFTA and OECD membership, the declining capital inflows and the sustained current account deficit led to the depreciation of the Mexican peso and to the 1994 financial crisis. According to an expert interviewee, the international uncertainty from

12 Based on OECD classifications – Creditor Reporting System.

13 However, an analysis of average ODA flows across the decades shows an average decline in the 1990s from $323 million per year between 1980 and 1989 to $253 million per year throughout the 1990s. Figures for the 1990s exclude exceptionally high funding provided at the 'peak' between 1990 and 1992.

this crisis also likely contributed to declining ODA flows over the period.

The 1990s saw cuts in ODA from various donors, but they also witnessed new relationships with development partners emerge, with Mexico seen increasingly as a peer rather than as a recipient. French and Japanese assistance to Mexico peaked in the early 1990s and, throughout the decade, a number of other donors, including Belgium, the Netherlands and the US, also cut their assistance. Most notable was the US, which slashed its ODA commitments to Mexico from $127 million in 1991 to $26 million in 1999 (OECD, 2019). At the same time, while reducing funds, Spain re-established the relationship with Mexico shifting from traditional donor–recipient relations to partnerships. For example, in 1996 the creation of the Mexico–Spain Joint Technical and Scientific Cooperation Fund was jointly funded with shared responsibility for programming development activities within Mexico or in third countries. Over the years, Mexico would develop several such funds with a number of donors – both DAC and non-DAC members (see section 3.3).

The little ODA that Mexico received throughout the 1990s was primarily allocated towards the social sectors (Figure 5). In particular, the emphasis on ODA towards water, sanitation and hygiene (WASH) and social sector objectives throughout the 1990s matched key goals outlined in the country's national development plans at the time.[14]

While ODA to Mexico declined, other official flows (OOFs) – those that are not concessional as ODA – outpaced ODA by almost 13 times between 1995 and 1996 (Figure 6).[15] OOFs to Mexico were mostly provided by the IADB and World Bank. Between 1995 and 1999, the majority of OOFs to Mexico were allocated to supporting the social sectors, mainly driven by lending from the IBRD for basic healthcare, social protection and vocational training. The sectors account for the largest share of OOFs since the late 1990s, with 'other social infrastructure' (notably, social welfare and employment policy) as the largest subsector over time. This goes against evidence that most MICs were reluctant to borrow for the social sectors (Engen and Prizzon, 2019). Indeed, one interviewee for this study noted that Mexico was keen to borrow for the social sectors from key institutions and to engage the expertise of lending organisations to address complex social challenges.

4.2 Stagnation of official development assistance: 2000–2008

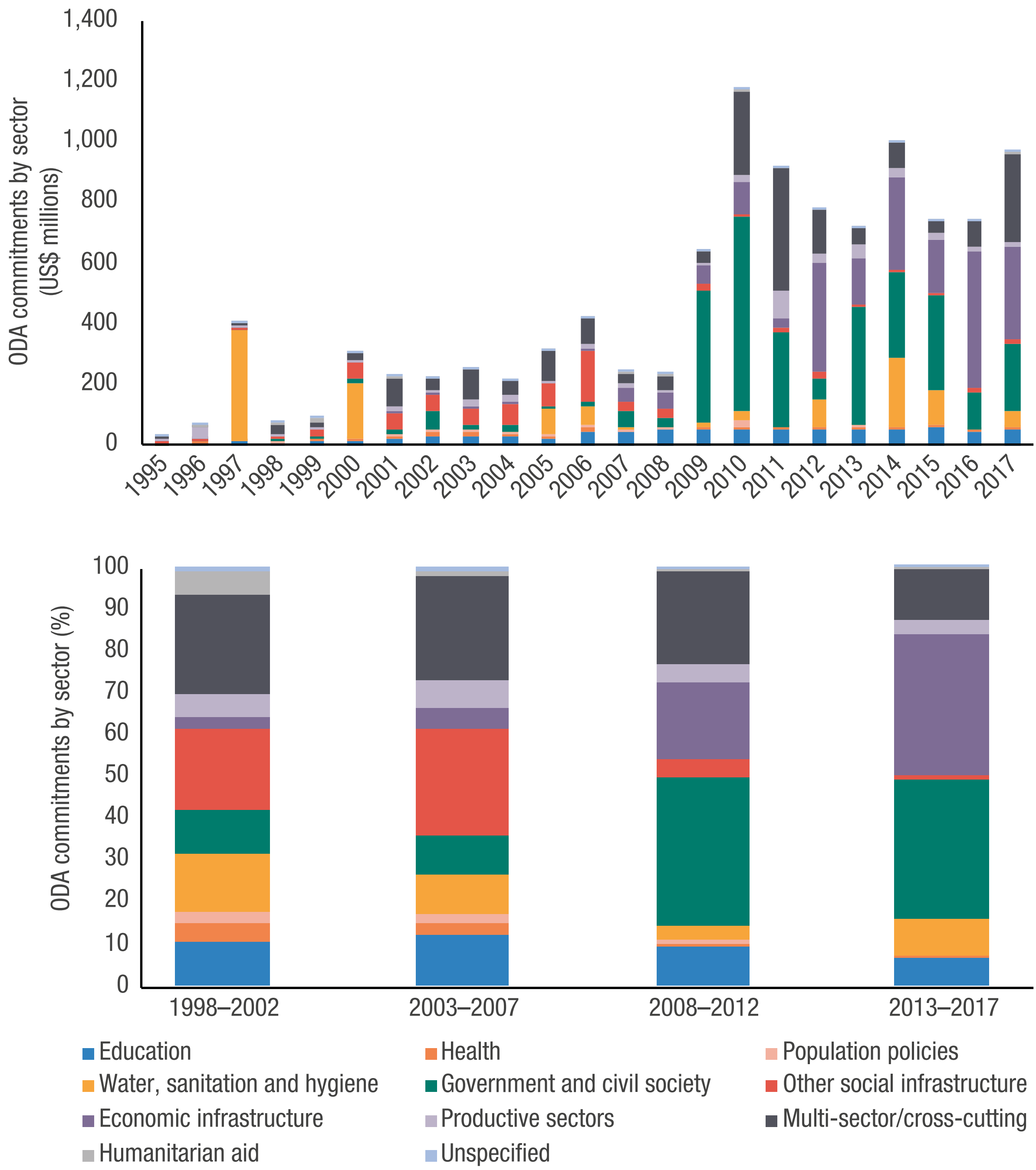
ODA inflows to Mexico remained stagnant throughout most of the 2000s, with Mexico receiving average ODA flows valued between $200 million and $400 million per year (Figure 4). Despite a few donors further scaling back programmes and considering phasing out their activities completely, ODA flows remained stagnant. This was because other development partners (mainly the US) offset funding lost from the withdrawal of other donors by expanding support to narcotics control.

Mexico's transition from aid continued as some donors scaled down the volume of their assistance throughout the 2000s. Some donors, including Australia and Norway, closed their programmes entirely over this period. In addition, Japan also considerably reduced its funding, from an average of $92 million per year between 2000 and 2002 to $13 million between 2008 and 2010. OOFs to Mexico also slowed throughout the early and mid-2000s, falling from $3.5 billion in 2000 to a low of $0.5 billion in 2007 (Figure 6).

14 Specifically, plans covering the years 1989–1994 and 1995–2000 listed improvements to quality of life or social development as key pillars.

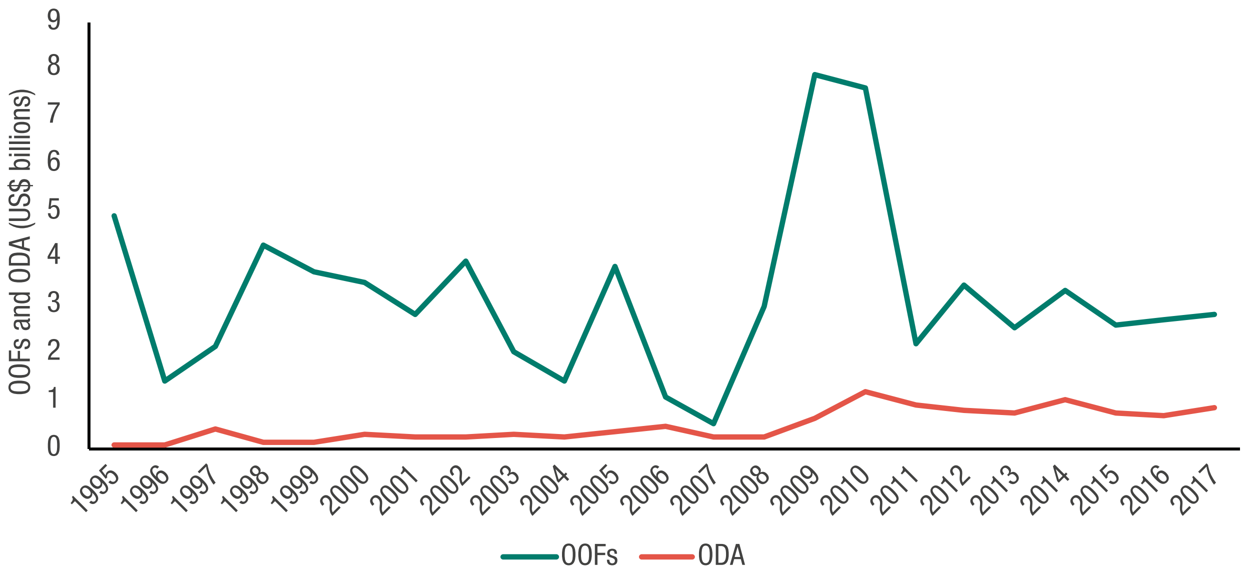
15 Between 1995 and 1999, average OOFs to Mexico were valued at $3.28 billion, while average ODA to Mexico was $253 million per year.

Figure 5 Official development assistance commitments by sector, all donors



Source: Data for figures 4(a) and 4(b) is taken from the OECD's Creditor Reporting System dataset (OECD, n.d.c), accessed May 2019. Data is not available prior to 1995

Figure 6 Other official flows and official development assistance commitments, 1995–2017



Note: US$ billions, constant 2016 prices. Data is not available prior to 1995.
Source: OECD (n.d.c), accessed May 2019.

In other cases, where donors maintained their ODA projects and programmes with Mexico, the donor counterpart began to change. For instance, in the case of the United Kingdom, the UK Department for International Development (DFID) withdrew funding from Mexico as early as 2000. However, from 2002 onwards, the UK channelled its flows to Mexico through its development finance institution, the CDC Group, and by 2009, the Foreign and Commonwealth Office.[16] While allocating ODA, these agencies tend to have different standards, terms and mandates, and often prioritise using ODA resources to promote economic cooperation with partners. As a result, these agencies usually operate in UMICs, with their involvement representing a shift from development-oriented programmes towards economic, and sometimes strategic, diplomacy. Similarly, in the interviews for this study, government officials noted that both Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and France's development agency (Agence Française de Développement, AFD) had significantly scaled down funding to Mexico by the mid-2000s due to its reclassification as a UMIC.

At the same time, ODA to Mexico from the US increased over the early 2000s, offsetting funding lost from the withdrawal of other donors. Inward ODA from the US tripled from the beginning of the 2000s from an average of $23 million per year between 1995 and 1999 to $93 million per year between 2000 and 2004. This was largely driven by rising ODA to support narcotics control in Mexico; indeed, between 2000 and 2004, almost 46% of all ODA provided by the US was for narcotics control.

The prioritisation of ODA towards narcotics control aimed to address the rise in drug-cartel-related crimes that began in the 1990s and deepened in the early 2000s as the country transitioned to a multiparty democracy (O'Neil, 2010; Fisher and Taub, 2017). Mexico's democratisation, which took place throughout the 1990s and was solidified by the election of Vicente Fox in 2000, was a key factor in the escalation of drug violence in Mexico in the early 2000s. Former deals between the long-time ruling Institutional Revolutionary Party and drug trafficking organisations changed with the new regime (O'Neil, 2010). Fox's election ended the political monopoly over the drug trade, including

16 DFID provided small grants to Mexico in 2007 and 2008, as core support to NGOs for emergency relief.

agreements between cartels and local politicians, and created the space for new entrants into Mexico's drug market while the country's institutions were in flux.

4.3 Resurgence of official development assistance from 2008

From 2008 onwards, when Mexico's GNI per capita was already valued at almost $10,000 per person, ODA flows to the country increased. ODA commitments to Mexico increased by almost five times between 2008 and 2010, rising from $0.24 billion in 2008 to $1.16 billion in 2010 (Figure 3). Since then, the average ODA commitments to Mexico were $840 million per year between 2011 and 2017, far higher than average levels throughout the early 2000s (around $300 million per year between 2000 and 2007).

The rise in ODA to Mexico from 2008 onwards was due to a combination of two main factors – the first of which was the Mérida Initiative, which brought renewed and increased ODA support from the US. By the latter half of the 2000s, legal and judicial development had become a key government priority leading the realignment of aid towards these sectors and away from narcotics control. The shift came as continuing drug-related violent crime led Mexico's President Felipe Calderón to launch a 'war on drugs' in 2006. Indeed, by 2007, when Calderón launched his national development plan, improving the state of law and security in Mexico was already a top national priority. In 2008, the objectives of a new initiative between the Mexican and US governments – called the Mérida Initiative – included disrupting organised criminal groups, institutionalising the rule of law, creating a 21st century border and building strong and resilient communities (see Ribando Seelke and Finklea, 2017). The initiative aimed to strengthen the capacity of Mexico's police and legal systems and was accompanied by increased ODA inflows from the US to Mexico, which more than tripled from an average of $150 million per year between 2006 and 2008 to $502 million per year between 2009 and 2011.

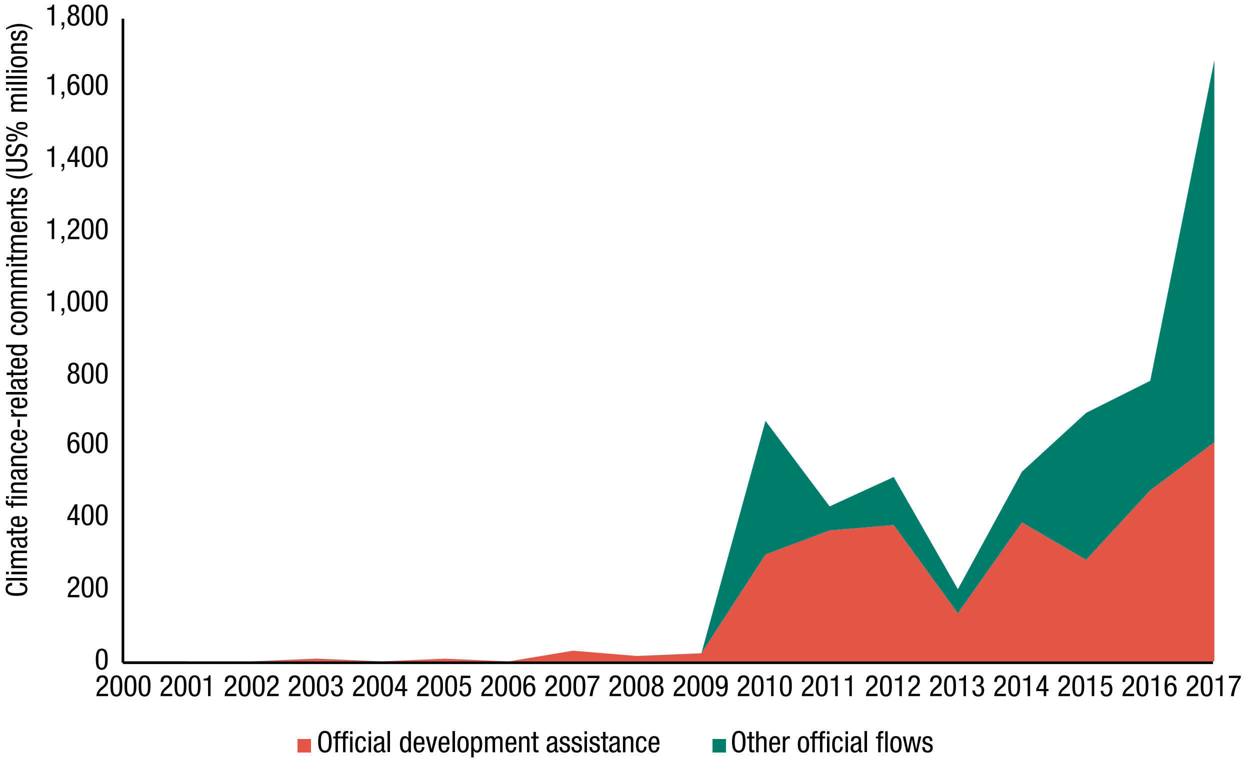
While not all Mérida initiative funding was ODA-eligible, increased ODA for legal and judicial support in alignment with the Mérida Initiative accounted for the bulk of US ODA to Mexico over the period (Ribando Seelke and Finklea, 2017: 11). In both 2009 and 2010, about 50% of ODA commitments to Mexico were attributable to grants from the US for legal and judicial development (valued at $390 million in 2009 and $589 million in 2010). The 2014–2018 country strategy of the United States Agency for International Development (USAID) notes that it has been collaborating with civil society organisations to implement programmes on justice, human rights, transparency and crime and violence in order to advance security in Mexico and strengthen organisational and technical capacity in the country (USAID, 2014).

The second reason for the rise in ODA to Mexico from 2008 onwards was Mexico's importance as a strategic partner on the climate change agenda. Under the Calderón government, the country expanded its international agenda on climate action and proposed net targets for the reduction of GHG emissions. The targets were adopted unanimously by Mexico's Senate in 2012 under the General Law on Climate change, which committed Mexico to reducing its GHG emissions by 30% by 2020, with the goal of a reaching a 50% reduction by 2050 (BBC, 2012). Amid the government's commitment to tackle emissions and support the global climate agenda, Mexico was able to attract donor support for climate-related finance (Figure 7).

By 2017, ODA commitments to Mexico for climate-related finance were valued at $614 million – equivalent to 63% of total ODA commitments to Mexico. The majority of this was provided by Germany ($267 million), followed by France ($198 million) and the European Investment Bank ($94 million). In the same year, the IADB committed $936 million to Mexico as OOF for climate change-related projects and programmes (Figure 7). Over time, most of Mexico's inward ODA for climate activities has focused on climate mitigation.

Driven by the support for the climate agenda, French ODA to Mexico increased by almost eight times in the early 2010s, from an average of $29 million per year between 2005 and 2009 to $229 million per year between 2010 and 2014, and remained at the same level in the years

Figure 7 Climate finance-related commitments (ODA and OOFs), 2000–2017



Note: US$ millions, constant 2016 prices. Data is not available prior to 2000.
Source: Data compiled from OECD's climate finance dataset (OECD, n.d.d).

that followed. In 2009, AFD reopened its ODA programme with Mexico, allocating new ODA loans and technical assistance. With 'protection of environment and biodiversity' a key pillar of France's development policy (OECD, 2008), the bulk of these loans and technical assistance to Mexico went towards 'environmental policy and administrative management'.[17] Partnering with Mexico, one of the world's largest emitters of GHGs, meant France's ODA could meaningfully support the climate agenda.[18]

Similarly, Germany also scaled up ODA to Mexico from 2010 onwards, with average ODA flows increasing from $46 million between 2005 and 2009 to $142 million between 2010 and 2014, and to $321 million between 2015 and 2017. In the German case, the initial scale-up was led by the Federal Ministry for Environment, Nature Conservation and Nuclear (BMU) during a period when BMZ had started scaling down its programmes. By the late 2000s, BMU was increasing cooperation with Mexico via its International Climate Initiative, which provides funding to support projects to reduce the effects of climate change and support biodiversity. As with France, Mexico was a key strategic ally for Germany in its efforts to reduce GHGs (BMU, n.d.). BMZ later followed BMU's lead and expanded its portfolio with Mexico on issues related to environmental policy, the protection of natural resources and the transition to sustainable energy. This last objective is also supported by loans provided by state-owned German development bank Kreditanstalt für

17 The technical assistance components were added to loan financing to encourage skills transfer and ensure the long-term sustainability of the programme.

18 Data on GHG emissions taken from the World Bank's databank, indicator 'Total greenhouse gas emissions (kt of CO^2 equivalent)' accessed July 2019.

Wiederaufbau (KfW) for the installation of wind and solar energy plants, as well as through the construction of houses with low-energy needs (BMZ, n.d.). Beginning in 2015, Germany also expanded its portfolio in Mexico to include its institution-strengthening programme with AMEXCID. The programme is funded via the Joint Mexican–German Fund, which supports projects related to democratic governance, human rights, rule of law, social inclusion and public security, and is co-financed by AMEXCID and GIZ (GIZ, 2019).

Expert and government interviewees argued that the reversal in ODA inflows to Mexico was partly a response to Mexico's position as a key geostrategic ally on a range of issues. Not only is Mexico a large economic partner (and a member of the G20) but it also serves as an important host and transit country for migrants from Central America and its actions on reducing GHG emissions make it an essential partner for achieving the climate change agenda. Additionally, from the donor perspective, Mexico was viewed as an attractive development partner in which interventions had the potential for significant impact. One interviewee noted that Mexico was a good partner for introducing new technologies and was open to piloting new ideas and approaches.

In addition to rising ODA, Mexico has also seen the emergence of new approaches and an increasing shift from development to international cooperation. For instance, some donors have increasingly engaged with Mexico through non-concessional financing, shifting from sovereign lending and grants to private sector development. The UK's Prosperity Fund supports poverty alleviation while 'strengthen[ing] the UK's relationship with Mexico as it emerges as one of the world's leading economies' (FCO, 2019). In Mexico, activities have included a feasibility study on reducing carbon emissions in Mexico City, funded by the Prosperity Fund, which led to an order of 90 UK-built, low-emission double-decker buses (ADL, 2017). The UK's Prosperity Fund has signalled intentions to increase funding to Mexico in the future to further support Mexico's economic development while creating opportunities for British industry.

By early 2019, the new government had already changed the face of Mexico's inward cooperation. Since December 2018, the new president, Andrés Manuel López Obrador, has prioritised Mexico's internal challenges and development over international priorities and engagement. By the early months of 2019, interviewees from across sectors were noting that the administration's external strategy was that 'the best foreign policy is a strong domestic policy'. The new government's position on international engagement has already led to some changes and challenges. For instance, López Obrador's prudent fiscal management policy prevents line ministries from borrowing, including from development partners. This is in contrast to the previous decade, during which loans were a particularly important instrument for Mexico's development cooperation.[19] Combined with budget cuts to line ministry funding, this prudent debt management policy means that line ministries are increasingly seeking grants from donors. However, donors tend to finance projects through ODA loans to the Mexican government and are often unwilling to provide grants due to the ability of a UMIC like Mexico to afford and service loans.

Moreover, the Mérida Initiative has been subject to scrutiny by the López Obrador government. Over the past decade, the volume of ODA from the US under the Mérida Initiative had already begun to decline from its peak at the beginning of the 2010s. Falling levels of ODA from the US can be linked to three main factors. First is the fact that reductions were planned throughout the life cycle of the programme, and funding had fallen from 2011 onwards. Second, some funding was withdrawn in 2014 due to

19 In 2017, this amount was largely attributable to four large loans – two from France's AFD (valued at $203 million, total) for biodiversity and energy policy and two from KfW (valued at $205 million, total) for biodiversity and renewable energy. Indeed, while the share of ODA allocated to Mexico as loans declined significantly throughout the 2000s, they rose to a peak of an average of 63% of total ODA received between 2016 and 2017, largely due to loans provided by France and Germany, valued at a total of $445 million in 2016 and $426 million in 2017.

renewed violence and human rights violations in Mexico (some funding was conditional on human rights compliance). Finally, the Trump administration in the US has sought to 'reduce U.S. assistance to Mexico while shifting towards a more security-oriented strategy' (Ribando Seelke and Finklea, 2017: 12).

Amid these changes, the López Obrador government has redefined its approach to the Mérida Initiative. In early May 2019, López Obrador announced that he wanted to 'reorient' the Mérida Initiative away from support to Mexico's military and policing sectors towards cooperation aimed at supporting development within Mexico and Central America (Krauze, 2019). The full implications of López Obrador's calls to change the Mérida Initiative and the limits to loan finance are unclear, but they raise questions about the trajectory of future engagement for Mexico's development partners. Meanwhile, the government's policy of limiting new debt will likely affect access to loan-based development programmes in the future. As far as we are aware, and at the time of writing, the Mérida Initiative has been the main programme affected by changing government priorities.

5 Mexico as a donor

Mexico has a long history of providing outward cooperation to development partners, notably in Central America. Over time, its cooperation programme has evolved from one based on technical exchanges to one that is broader, and includes scholarships, humanitarian support and some financial assistance.

In 2017, AMEXCID's outward cooperation programme was valued at almost $318 million – the highest level since AMEXCID was established and data available (AMEXCID, 2018b) (Table 1).[20] However, the bulk of AMEXCID assistance are contributions to international organisations, which accounted for around 88% of AMEXCIDs' total cooperation in 2017, rather than the bilateral or triangular cooperation programmes.[21]

Excluding contributions to international organisations, Mexico's outward cooperation was valued at $38 million in 2017.[22] This was in line with 2016 figures but had fallen from previous budgets. Of the AMEXCID budget going to bilateral cooperation, the largest shares were either scientific and technical or educational and cultural cooperation (the latter includes scholarships). Economic and financial cooperation is a small component of AMEXCID's budget (0.1% in 2017) but it has declined sharply over time (it was 7.2% of AMEXCID's budget in 2011).

Table 1 AMEXCID development cooperation volumes and activities, 2011–2017

	Development cooperation						
	2011	2012	2013	2014	2015	2016	2017
Development cooperation (US$ million)	268.7	277.1	547.7[i]	289.0	207.1	287.9	317.6
Economic and financial cooperation (%)	7.2	25.6	68.8	5.7	7.0	1.7	0.1
Contributions to international organisations (%)	82.4	64.9	24.6	78.2	74.1	86.7	88.1
Scientific and technical cooperation (%)	7.6	7	1.8	3.1	3.9	2.3	2.1
Education and cultural cooperation (%)	1.6	2.2	3.6	7.4	11.4	6.8	6.8
Humanitarian aid (%)	1.2	0.2	0.2	2.4	0.2	0.2	0.4
Administrative costs (%)	–	–	1.0	3.2	3.4	2.3	2.5

Note: 2013 data includes debt cancellation to Cuba.
Source: Data sourced from the 'Cuantificacion de la cooperacion internacional para el desarrollo' for the years 2011 to 2017, available on the AMEXCID website.

20 The AMEXCID website lists cooperation spending of nearly $550 million in 2013. However, more than $300 million of this was debt relief to Cuba.

21 This includes funding to support UN agencies, including UNDP, which uses the funds to support institutional strengthening within AMEXCID.

22 Excluding administrative costs.

However, despite Mexico's growing cooperation programme (including contributions to international organisations and the bilateral programme), the country does not consider itself as a donor but as a partner in South–South and triangular development cooperation, with an expanding range of partner countries worldwide.

Recently, Mexico has been leading efforts to translate the development effectiveness agenda into one that aligns with the principles of South–South and triangular cooperation. For instance, in the aftermath of the Global Partnership for Effective Development Co-operation (GPEDC) Monitoring Round in 2016, Mexico examined the applicability of the GPEDC indicators from the position of a country with a dual role (AMEXCID, 2019). The report resulted in the proposal of unique indicators to measure the effectiveness of Mexican development cooperation, tailored to its unique circumstances and to the types of cooperation provided. Despite not formally taking part in the GPEDC monitoring, AMEXCID is engaging with global development agendas in a way that responds to its unique context. (Mexico also hosted the first high-level meeting of the GPEDC in 2014.) In terms of triangular cooperation, Mexico was an initiator and leading partner of the Global Partnership Initiative on Effective Triangular Co-operation, which was created in the context of the 2016 GPEDC high-level meeting and mentioned in the outcome document of the March 2019 BAPA+40 conference in Buenos Aires.

5.1 Horizontal (or South–South) cooperation

Over time Mexico's outward cooperation[23] has consistently been a 'pragmatically political instrument' focused on supporting its foreign policy interests, regardless of how the specific interests pursued have changed (Prado Lallande et al., n.d.). Figueroa Fischer (2014) suggests that Mexico's outward cooperation programmes first began as early as 1947, with the first bilateral technical exchange programme signed between Mexico and Cuba. However, the country's development cooperation can be said to have started in earnest around the 1970s under the leadership of Echeverria Álvarez (see section 3.1). It was in this context, under Echeverria Álvarez's government, that Mexico's technical cooperation programme, led by the General Directorate of International Technical Cooperation, became an increasing component of Mexican diplomacy (Figeuroa Fischer, 2014).

Throughout the 1980s, Mexico's horizontal cooperation was driven by efforts to contain violence within the region (ibid.). By the early 1980s, internal conflicts in Guatemala, El Salvador, Honduras and Nicaragua, which had been raging since the 1970s and intensifying towards the end of the decade, had created instability and insecurity at Mexico's southern border and sparked increasing migration from conflict-affected countries into Mexico (Sims and Petrash, 1987; Figeuroa Fischer, 2014). The fear for Mexico was that regional disturbances, which were 'generated by social injustices', could deeply affect Mexico's sovereignty and security if not contained (Prado Lallande et al., n.d.). The Mexican government's response used a range of foreign policy instruments to support regional stability. These included the San José Agreement, to maintain energy supply within the region, and the Contadora Group, which committed to supporting regional economic development as a way of addressing the root causes of conflict within the region. As part of this agenda, Mexico provided financial and bilateral technical development cooperation within Central America, and humanitarian assistance to refugees residing in Mexico, to contribute to the maintenance of peace and security in the region (Prado Lallande et al., n.d.; Figeuroa Fischer, 2014).

Mexico continued and deepened its cooperation within Central America throughout the 1990s. According to Figueroa Fischer (2014), between 1990 and 1995, Mexico engaged in more than 4,500 cooperation projects or programmes as part of expanding political, economic and technical and scientific

23 Limited data availability means that this section focuses on changes in policy direction, volumes and types of development cooperation rather than on sectoral and regional allocation as well as on modalities of development cooperation.

cooperation across the region following the first Tuxtla Summit in 1991.[24] Most of these activities were for technical cooperation; were in the education and cultural sectors; and most were conducted with Costa Rica, El Salvador and Guatemala, with an additional 300 projects taking a regional scope (ibid.). Indeed, cooperation across the decade was aligned with the series of Tuxtla summits and initiatives aimed at deepening regional cooperation across Central America to promote joint prosperity and security.

Regional cooperation was further deepened as a pillar of Mexico's outward cooperation throughout the 2000s when President Vicente Fox launched the Plan Puebla Panama (PPP). Later called the Mesoamerica Integration and Development Project (or 'Mesoamerican Project'; see Box 4), the PPP was a joint initiative that aimed to support the rapid socioeconomic development from Puebla – Mexico, in the north of the region – to Panama, in the south of the region (Pisani and Label, 2003). The project focused on eight goals: sustainable development, human development, prevention and mitigation of natural disasters, tourism, trade, highway integration, energy integration and integration of telecommunications. It was funded in part by participating governments, such as Mexico via its cooperation programme, and in part by multilateral development banks including the IADB and the World Bank (Stenzel, 2006).

The political profile of Mexico's outward development cooperation was raised during the early years of the Peña Nieto administration when development cooperation became an explicit pillar of the country's foreign policy in its national development plan (2013–2018). As part of efforts to make Mexico an international 'actor with global responsibility', the government established four priorities including one focused on expanding international development cooperation to ensure that the country's foreign policy is rooted in both an expression of solidarity and efforts to promote shared prosperity for Mexico and the international community (Oxfam, 2018). Viewed as an instrument for advancing Mexico's soft power, its South–South cooperation expanded from 123 projects in 2013 to 237 projects by 2017 (Oxfam, 2018: 36).

Mexico is one of the biggest providers of South–South cooperation in the region. According to SEGIB (2018), Mexico was the largest provider of South–South cooperation in 2016 (the latest year for which data is reported) and was responsible for providing 155 of the 680 South–South cooperation projects implemented within Latin America.

In 2017, Mexico spent almost $38 million in development cooperation via AMEXCID (excluding allocations to international organisations), most of which was allocated as scholarships (57% or $21.6 million).[25] Mexican cooperation comprises mainly projects of technical and scientific cooperation, academic exchange programmes, humanitarian assistance and financial cooperation (GIZ, 2014). Over the past decade, Mexico has been a large provider of humanitarian aid, responding to crises including the 2010 earthquake in Haiti (see Lucatello, 2011).

Mexico's technical cooperation (both horizontal and triangular) covers a large spectrum of sectors, of which the top three are: agriculture, forestry and fishing (16%); general government services (15%); and energy and combustibles (10%) (AMEXCID, 2018c). These sectors have changed slightly since the

24 The Tuxtla Summit (I Tuxtla) in 1991 was the first Mexico–Central America summit held in Mexico, attended by counterparts from Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. At the summit, representatives signed a General Cooperation Agreement to strengthen and expand relations within the region (Figeuroa Fischer, 2014). Tuxtla summits are held every two years to discuss issues related to regional development, including under the Mesoamerica Integration and Development Project.

25 This excludes funding allocated as assessed contributions to multilateral institutions, which were valued at $279.8 million in 2017. The remaining portion of AMEXCID's expenditure was provided for technical cooperation (38%), humanitarian aid (4%) and financial cooperation (1%), which included a $363,000 grant to Haiti for the reconstruction of the National Institute of Midwives. Estimates on scholarship funding excludes contributions to multilateral agencies, see AMEXCID (n.d.).

previous year, which saw government-related efforts as the largest sector (17%), followed by economic, commercial and labour affairs (16%) and agriculture, forestry and fishing (13%) (AMEXCID, 2017b).

Central America and the Caribbean is the priority region for Mexico's development cooperation but AMEXCID also supports programmes in Asia and Africa.[26] The latest available figures, based on AMEXCID data in 2013, show that 88.7% of cooperation is focused on Central America and the Caribbean. AMEXCID is currently involved in 86 bilateral projects, of which the most are implemented in Guatemala (21), El Salvador (17) and Nicaragua (12) (AMEXCID, 2018d). However, Mexico also provides assistance to South America, as well as to Africa (Algeria, Egypt, Ethiopia,

Box 4 The Mesoamerica Integration and Development Project

The Mesoamerica Integration and Development Project (formerly Plan Pueblo Panama, PPP) was created during the III Tuxtla meeting held in 1998 with the objective of supporting development across the region. The Mesoamerica Project acts as a mechanism for 'dialogue and coordination' related to activities to support development and improving quality of life for countries in Mesoamerica, and more recently, in the Caribbean (AMEXCID, 2018d.). Cooperation focuses on two main thematic areas:

1. **Economic**, which includes advancing transport, supporting trade facilitation and competitiveness, strengthening energy production, markets and security (including through renewable energy) and advancing access to telecommunications within the region. An example is the Mesoamerican Information Highway, which aims to reduce the digital gap in Mesoamerican countries (OECD, 2011).
2. **Social**, which emphasises actions to support regional health practices and systems, environmental sustainability, risk management, housing, and food and nutrition security. An example is the Mesoamerican Health Initiative, which supported health systems strengthening to address health issues for the poorest in the Central American region (Bcheraoui et al., 2018).

Projects in these sectors are a combination of technical, scientific and financial cooperation to deepen regional linkages and development. Written evidence from interviewees for this study reveals that, at the time of writing, Mexico is also involved in 83 bilateral technical and scientific cooperation activities within Mesoamerica. The largest number of projects (15) are being implemented in El Salvador to support climate change, farming, public management and justice and institution strengthening. Mexico also engages in triangular cooperation with key partners – including Germany, Switzerland, Japan, the UK and the Food and Agriculture Organization of the UN – to support activities in Central America in line with the Mesoamerica Project objectives.

The Mesoamerica Project also provides financial support to countries in Mesoamerica and the Caribbean via the Infrastructure Fund for Mesoamerica and Caribbean (known as the Yucatan Fund), launched and funded by the Government of Mexico at the XIII Tuxtla Summit in 2011. The Fund serves as an instrument for channelling financial support to infrastructure projects in the region. Between 2012 and 2017, it approved $134.7 million for 17 projects in 12 countries (AMEXCID, 2017a).

26 These efforts are also in alignment with the Mesoamerica Project, which promotes integration and development across the region. See AMEXCID (2018d).

Kenya, Malawi and South Africa) on issues including food security, health, agricultural development, poverty policy evaluation, water technology and the environment. At the time of writing, AMEXCID was also looking to expand cooperation to the Asia Pacific region (AMEXCID, 2018a).

5.2 Triangular cooperation

Mexico is a strong international promoter of triangular cooperation and actively works with donors to support development projects primarily in Latin America (Prado Lallande, 2014b; Prado Lallande and Freres, 2016). According to Figueroa Fischer, Mexico's triangular cooperation programmes began as early as 1951, when it partnered with the US to support the 'mutual exchange of knowledge and technical procedures' with countries in the region (2014: 39). While little has been written about the evolution of Mexico's triangular cooperation over time, the country has emerged in the most recent decade as a strong partner for triangular cooperation within the region.

AMEXCID is one of the largest global actors in triangular cooperation and is currently involved in triangular cooperation programmes with several strategic development partners. According to SEGIB (2018), the latest available data (2016) shows that Mexico was involved in 15% of the 100 triangular cooperation projects allocated by LAC countries that year, after Brazil and Chile (both 19%). In 2018, AMEXCID noted that Mexico participated in 20 triangular cooperation projects with the following DAC members or high-income economies: Germany, Japan, Korea, Singapore, Spain, Switzerland, UK and US (AMEXCID, 2018d). The main beneficiaries of Mexico's triangular cooperation were countries in Latin America. However, AMEXCID notes an intention to expand projects in Africa (AMEXCID, 2018a). In 2017, approximately 11% of almost $15 million spent on technical cooperation was allocated via triangular programmes.[27]

Most of AMEXCID's triangular cooperation is funded through joint funds. Resources available through Mexico's co-financed joint cooperation funds with Germany and Spain can be programmed to support triangular cooperation projects in third-party countries. Initiatives via the Mexico–Germany fund, for instance, include exploring the impact of climate change on biodiversity in Colombia with the support of Mexico's National Commission for Knowledge and Use of Biodiversity and providing technical assistance to improve the quality of wastewater infrastructures in Bolivia with support from Mexico's National Water Commission. Similarly, triangular cooperation is a key pillar of the Mexico–Spain fund, through which triangular projects can be demanded by either party using joint resources and expertise.

27 This figure is down from 15% the previous year (AMEXCID, n.d.).

6 Lessons from the case of Mexico

Chapters 3, 4 and 5 of this report offered an overview of the institutions of the Mexican government for managing development cooperation and analysed the changing patterns of development cooperation received and provided by Mexico, especially since 1990.

In this chapter, we build on the preceding analysis to address the three main research questions driving this study. These questions seek to understand: how Mexico has managed its transition from ODA; what type of engagement Mexico wanted (and wants) from development partners through the transition process; and how cooperation could develop beyond ODA. We summarise key findings related to each of these questions, in turn. Most of the information gathered in this section is based on the semi-structured interviews, unless otherwise specified.

6.1 Managing the transition from development assistance

6.1.1 Sustaining and broadening development results

Interviewees from government, academia and development partners argued that Mexico is not currently in transition from ODA. Interviewees offered two responses to questions about Mexico's transition from aid. Some respondents argued that Mexico transitioned from ODA in the 1990s, following its reclassification to UMIC when ODA flows declined and remained stagnant until the end of the 2000s. Others suggested that increased ODA inflows since 2008 provided evidence that Mexico was not in transition from development assistance. Unlike the cases of Chile, Botswana and the Republic of Korea, studied for this research, in which ODA inflows decreased following the reclassification to UMIC and as GNI per capita increased, Mexico saw a sharp rise in ODA inflows at a time when its income per capita was relatively high. This unexpected trend led interviewees to question whether Mexico could be considered as 'in transition' from ODA.

Beyond increasing ODA inflows to Mexico since 2008 and continued donor presence, interviewees also questioned the premise that Mexico was nearing the threshold for graduation. Despite OECD (2014) projections, which forecast Mexico's graduation from the list of ODA-eligible countries by 2030, Mexico's GNI per capita has fallen since 2014, reducing the likelihood that it will reach high-income as projected. (It could still be possible if the country achieves a sustained annual income per capita growth rate of at least 3% until 2030, based on our estimates.)

Mexico's ODA inflows have continued, and in fact increased, largely due to its geostrategic importance on key global public goods, including the security and climate change agendas. Mexico's higher ODA inflows since 2008 were driven largely by increased commitments from three donors – the US, Germany and France. In the case of the US, higher ODA volumes to Mexico funded the Mérida Initiative, a security and rule-of-law partnership to address drug trafficking and crime, when drug-related violence escalated in Mexico. Mexico also remains a key geostrategic partner for the US due to the shared border. For France and Germany, greater funding reflected the strategy and prioritisation of both countries towards global public goods, including the fight against climate change and the protection of biodiversity; as a large emitter of GHGs and a biodiversity 'hotspot', Mexico is seen as a country where small investments could lead to substantive reductions in GHGs and to the protection of flora and fauna. Beyond these thematic areas, most donor interviewees pointed to Mexico as a key geostrategic partner within the region due to its status as an economic powerhouse (Mexico is a G20 member) and as an important political ally for promoting stabilisation within Central America. Mexico has also been a champion of development effectiveness and is seen as a good partner in development cooperation. As a result, donors have strong incentives to maintain programmes and keep policy dialogue open in and with Mexico despite its higher-income status. As one academic interviewee put it: 'donors are not going to forget Mexico as a recipient'.

Mexico plans to sustain and broaden its development results via its six-year national development plan (NDP), which provides a roadmap for addressing key bottlenecks and challenges. International cooperation was expected to contribute to this strategy. The NDP serves as Mexico's main tool to achieve nationally identified goals based on current challenges, bottlenecks and areas of opportunity for the country. Past development plans have sought to address key domestic concerns around democratisation, security, poverty, inequality and improving social standards for all. International cooperation is seen as a tool to achieve these nationally identified goals by filling financing gaps and contributing to knowledge-sharing and technological transfer.

In 2018, Mexico also undertook a Voluntary National Review for achieving the Sustainable Development Goals (SDGs) and launched a new portal for tracking SDG progress. The 2019 NDP also included a section on 'sustainable development' in which the government recognised the importance of working to ensure that national development 'remedies social development and boosts economic growth without causing effects on peaceful coexistence, solidarity ties, cultural diversity or the environment' (GoM, 2019).

The government had been able to take over programmes from development partners when assistance was phased out. Based on the semi-structured interviews and the desk-based review, we did not identify any examples of ODA-funded programmes that had to be phased out when development partners withdrew their engagement as the Mexican government took them over. An example of this transition from development partners to the Mexican government is the case of the HIV/AIDS strengthening programme of the GFATM where the government not only sustained but increased the level of spending on HIV in the immediate year after transition (see Box 5).

The Government of Mexico does not have an explicit strategy for managing transition from ODA for two main reasons. Firstly, current inflows of ODA to Mexico are equivalent to a very small share of GNI; while rising in absolute terms, ODA inflows to Mexico have been valued at less than 0.1% of GNI since 1995, therefore not justifying a dedicated strategy. Second, a tool for managing ODA is already available. Most of the additional ODA resources are being used for global public goods and this had been aligned with domestic objectives outlined in the national development plans of the Calderón and Peña Nieto governments over the past decade. These NDPs have historically been used as the main policy for setting priorities for ODA inflows and channelling available resources, including to support the SDGs. Interviewees also suggested that the absence of a strategy for transition from aid could suggest that, for the government, it is not an issue – perhaps because donor engagement has continued over the past decade.

While the Mexican government is not in transition from aid, its NGOs are. In the 1990s and 2000s ODA to NGOs fell in the context of declining and stagnating ODA flows to Mexico. While the Mexican government had previously sought to fill the gap by introducing legislation that made it easier for NGOs to access government support, interviewees noted that the López Obrador government cut government funding to NGOs upon taking office. With only a few development partners continuing to support Mexico's NGO sector – notably the EU, to an extent the US (through USAID) and Germany – Mexico's NGOs are having to diversify funding sources to maintain operations.

6.1.2 Relations with development partners

Development partners have expanded their projects and programmes, including through different tools and actors. Unlike the other countries reviewed for this project, which became less and less politically relevant for their development partners (see Calleja and Prizzon, 2019), Mexico's development partners have maintained, if not expanded, relations on developmental, economic and political fronts. Mexico is a geostrategic partner, a political ally within Central America and a recipient with a strong potential to improve development outcomes.

According to a senior official within the Mexican government, Mexico's 'transition' from aid in the 1990s facilitated the development of a 'new toolbox of international cooperation which includes knowledge-sharing, capacity-building, innovative financing for development mechanisms, and technology transfers'. Relations with development partners became increasingly 'mature', evolving from a recipient–donor relationship to one of peers as Mexico proved itself to be a competent and effective development cooperation partner, including through its creation of joint funds for development and as a provider of scientific and technical cooperation via triangular partnerships. Mexico has also seen more engagement from other government departments, beyond traditional development cooperation agencies (see Chapter 4 for examples from Germany and the UK) as well as an expanding in-country presence from some donors in alignment with growing ODA portfolios. In the case of Germany, one interviewee noted that the presence of GIZ staff in Mexico expanded from around 164 staff in 2015 to 226 by mid-2019 (internal figures provided by GIZ).

However, the López Obrador government's more prudent approach to financial management as well as its prioritisation of domestic policy raise questions for future relations

Box 5 Mexico's transition from the Global Fund to Fight Aids, Tuberculosis and Malaria

In 2010, Mexico received a single, two-phase grant of $36 million from the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) to support 'Strengthening National Response for HIV in Mexico'. While Mexico was a leader in HIV treatment and care in Latin America, and had already achieved the 90-90-90 target,[i] the size of Mexico's population meant the number of HIV/AIDS cases was the second largest in Latin America, after Brazil.

In 2012, the GFATM announced its decision to stop funding to G20 countries. This meant Mexico became ineligible for the second phase of the programme, which was scheduled to begin the following year.

Transition planning in Mexico was domestically led and domestically funded. The leadership of the Ministry of Health in the transition of HIV Programme meant the institutionalisation of some grant interventions and the natural absorption of many of the activities of the Centre for the Prevention and Control of HIV/AIDS (Centro Nacional para la prevención y el control del VIH/SIDA, CENSIDA), which had previously managed the programme. Following the phasing out of GFATM assistance, Mexico not only sustained the level of spending on HIV in the immediate year after transition (2014) but continued to increase federal funds to HIV. Part of this financing success is because the political will to sustain and increase HIV spending existed before the GFATM grant.

Source: Flanagan et al. (2018).

i By 2020, 90% of all people living with HIV will know their HIV status, 90% of all people with diagnosed HIV infection will receive sustained antiretroviral therapy, 90% of all people receiving antiretroviral therapy will have viral suppression.

with development partners. The Mexican government's restrictions on external borrowing, for instance, could see less demand for loan financing from development partners, such as France's AFD and Germany's KfW. Moreover, its shifting priorities have already led to calls to restructure key development programmes, in particular the Mérida Initiative, to ensure greater alignment with domestic social priorities. For many within the donor community, these policies raise real questions about the scope for continued and future development cooperation with the current government.

6.2 Cooperation between countries 'in transition' and development partners

6.2.1 Planning, implementation and financing needs for sustained development

Interviewees noted a continued need for technical cooperation to support planning and implementation. In the interviews with government officials, several expressed a strong demand for technical cooperation from development partners to ensure the expansion of development programmes. Interviewees mentioned many multidimensional challenges that would benefit from knowledge-sharing and peer learning from development partners. These included weak rule of law, low quality of education, low tax revenues, governance challenges, high ratios of informality and vulnerable jobs, as well as to develop clean technologies and renewable energy projects or to preserve biodiversity. More specific areas that were noted included: the development of legislation (for fintech, for example), the planning and implementation of projects in sectors like renewable energy and governance and security, the costing of sectoral development plans, and innovative financing mechanisms, such as blended finance and carbon pricing.

One development partner noted that in Mexico 'processes are the problem', with joint projects often running into delays when it comes to 'spending money and managing the operations'. From the Mexican side, several government officials noted that the country required planning and capacity building, particularly related to joint learning and methodologies for evaluation. Current engagement with donors for technical cooperation on specific areas – UK on evaluation, Germany on planning, Canada on gender – was viewed as useful and a valuable form of ongoing cooperation. Technical cooperation with development partners is also an implicit objective of Mexico's joint commissions, including Germany and Spain, and is considered a useful forum for peer learning.

Meanwhile, in some cases budget cuts have increased the need for financial support to manage sustainable development programmes run by affected ministries. In the interviews, line ministries that experienced budget cuts under the López Obrador government mentioned they would value additional financial assistance from development partners, especially grants, to sustain development programming. In December 2018, President López Obrador announced 'deep cuts to several ministries' budgets', including 'a third less for the environment ministry' (O'Boyle and Angulo, 2018). Beyond declining budgets, interviewees from line ministries and development partners noted that the López Obrador government has restricted the ability for ministries to access loan finance as part of its prudent debt management strategy (including loans from development finance institutions and multilateral development banks). For ministries previously reliant on loans to fund large development and infrastructure projects, the new restrictions have led to cases where, as one government interviewee put it, 'we already have the knowledge, the strategy, but we cannot implement … as the government doesn't have enough budget'.

This demand for additional funding was, however, by no means consistent across government: several government agencies were not seeking financial support from donors. We did not hear that declining or lack of financing from development partners was a concern for ministries in previous governments nor did we find evidence of a systemic financial gap that would require additional donor resources.

Instead, these challenges appeared to be the product of Mexico's specific context at the time of the study.

Mexico had traditionally sought concessional finance and technical assistance from multilateral development banks. Mexico was historically a large borrower from both the IADB and the World Bank. However, despite relying on such partners for loan financing, one government official from Mexico noted that technical assistance programmes attached to loan financing was often viewed as more valuable than the loan itself and provided a way for Mexico to learn about quality standards and to support project implementation. Indeed, the 2014–2019 Country Partnership Strategy with the World Bank mentioned Mexico's 'increased demand' for reimbursable advisory services alongside loan projects, with Mexico acting as one of the top users of these services in Latin America (World Bank, 2013). However, the degree to which Mexico continues to seek concessional finance and associated technical support will largely depend on the government's willingness to take on new loans.

Recently, loans have played an important role in supporting Mexico's development of renewable energy sources and the climate change agenda. Government interviewees noted that development partners have used loans and associated assistance to raise the profile of issues related to renewable energy and climate change within Mexico, where some suggest that the climate change narrative has not yet been accepted across the government and society. In this context, for example, loans from KfW – which are subsidised using grants from BMZ and the EU – have been used to introduce wind and solar technologies into Mexico. Subsidised loans reduce the risk to private investors and provide an incentive for private sector cooperation.

6.2.2 Modalities for development cooperation

Interviewees noted that continued technical assistance, particularly for institutional capacity-building within AMEXCID, would remain important to support Mexico's transition from ODA. Some development partners and academics noted that, while AMEXCID has already benefited from the institutional strengthening programmes provided by GIZ and UNDP, capacities within the agency could be further reinforced. According to one government official, the GIZ programme provides a 'basis for a systematic operation that integrates in a real and effective way the different types of cooperation that the Agency carries out' and it was provided as an important example of the types of cooperation needed to develop the institutions and make Mexico more effective as a donor. Efforts to strengthen AMEXCID's long-term capacity to act as a leader in Mexico's development cooperation will be crucial to managing the country's transition while sustaining development results.

Mexico also uses joint funds with development partners (both traditional donors and South–South cooperation partners) to support the development of its outward cooperation programme. The joint funds operate on the basis of a co-financing arrangement, where each party contributes an equivalent amount either as cash or in-kind support. The resources are then used to finance Mexico's outward cooperation projects, with some also funding projects within Mexico. Interviewees from both development partners and the Mexican government saw the joint funds as important forms of cooperation that offer a way to flexibly and predictably engage with Mexico in its dual role as development cooperation recipient and provider. For donors, the funds provide a forum for discussion around mutual priorities and sustained relations on development cooperation. For Mexico, they offer resources to advance South–South and triangular operations, to share Mexico's experience and foster scientific and technical cooperation with regional partners and to support its ambitions to remain a global leader on key development agendas, including financing for development and the GPEDC.

Triangular cooperation was seen as an important modality for cooperation with development partners. This was true from both the Mexico and development partner perspective. For Mexico, triangular cooperation that is financed through joint funds (though not exclusively) provided space and opportunity for the country to embed its position as an important regional power and actor. Meanwhile, development partners saw triangular cooperation as a key tool to empower Mexico and to advance strategic partnerships.

Unlike Botswana and Chile, Mexico does not seek regional cooperation programmes from development partners in its capacity as a recipient. Rather, it views regional cooperation as an important modality for its own activities as a provider of development cooperation. In the case of both Botswana and Chile – two of the other countries studied in this research – regional cooperation was viewed as way to continue engaging with donors in the context of declining bilateral ODA relations. However, this form of cooperation is less important for Mexico due to its geostrategic importance for development partners, which has increased and sustained incentives for them to maintain bilateral relations. In this context, there is little need for Mexico to be involved in regional cooperation programmes from the perspective of a recipient.

Instead, Mexico has a regional approach to its programmes in Central America, which also characterises its triangular cooperation activities. Many challenges, including regional stability and migration, also require cross-border solutions. Donors seeking to engage further with Mexico as a regional actor should consider expanding triangular linkages to support Mexico's capacity as a development partner while contributing to regional development.

6.3 Cooperation beyond aid

6.3.1 Expectations for cooperation beyond aid

Mexico has traditionally maintained active relations with development partners. Since the early 2010s, development cooperation featured as a key element of Mexico's foreign policy and as part of the country's efforts to advance its international presence as an 'actor with global responsibility'. Mexico has pursued partnerships with allies in development cooperation through the creation of joint funds, and according to one government official interviewed, seeks cooperation 'to construct a new international cooperation architecture in which each country may contribute according to their competitive advantages and experiences', aligned with its domestic priorities. Mexico has also been keen to maintain relations with international organisations, including the Economic Commission for Latin America and the Caribbean, OECD and UNDP, all of which have maintained offices in Mexico.

However, there are questions around the scale, type and openness of the new government of future programmes with development partners. The López Obrador government focuses on domestic rather than foreign policy and prioritises international cooperation to achieve its policy objectives of poverty eradication and inclusive development. Against this backdrop, and in the context of new restrictions on loan financing, there are real questions among policy circles about the future of Mexico's relationships with development partners. This being said, the current government seems willing to continue engaging with development partners in some specific areas. Notably, in May 2019, President López Obrador asked for the US-partnered Mérida Initiative to shift its objectives – focused on security and governance – to align better with the government's own domestic policy reform, especially in relation to social and economic sectors. More recently, the Mexican government, in collaboration with the UN Economic Commission for Latin America and the Caribbean, also launched its 'Master Plan' for work in Central America, which outlines a multifaceted action plan for supporting development within the region. The Plan includes calls to 'establish alliances' with development banks, and bilateral and multilateral donors to support the ambitious agenda (Bárcena et al., 2019).

6.3.2 Forums for global exchange and cooperation

Mexico had consistently been a leader in a range of international policy forums. When it comes to the development agenda, previous Mexican governments have hosted key international meetings on financing for development in Monterrey in 2002, the 2010 UN Climate Change Conference (COP16) in Cancun, as well as the First High-Level Meeting of the GPEDC in 2014.

Beyond development, Mexico sees its membership as part of the OECD, Pacific Alliance, NAFTA and G20 as key forums for exchange and cooperation with a broad range of partners. Interviewees highlighted in particular the G20 working groups as a useful forum for exchange on environmental and climate change policy, which were said to provide a space for learning and receiving feedback on Mexico's own strategy. The OECD has also been seen as a useful forum for exchange and peer learning. However, when asked about the potential for further engagement with the OECD via joining the DAC, interviewees noted that 'Mexico will not join the DAC' nor will it 'commit to the peer review process' in the foreseeable future; instead, Mexico has been active in elaborating and assessing its own development effectiveness based on the principles of South–South cooperation.

Mexico considers the COP meetings as important spaces for knowledge exchanges on biodiversity and climate change. Interviewees reported that these meetings – both of the parties to the Convention on Biological Diversity and to the Framework Convention on Climate Change – provided opportunities for Mexico to share good practices but also to increase cooperation in Central and Latin America on the issues of biodiversity and climate change, both of which are seen as regional priorities.

Climate change was highlighted as a policy area for international cooperation with Mexico. Mexico remains highly vulnerable to the effects of climate change, which has resulted in changing weather patterns including flooding in the north and droughts in the south, as well as a recent infestation of 'sargassum', a seaweed that has increasingly been seen on Mexico's beaches due to the rise in water temperature (BBC, 2019). Moreover, our analysis has shown that supporting Mexico's climate change agenda has been a major driver of ODA flows.

Migration was also raised as a potential area for greater cooperation. Mexico has long acted as a host and transition country for migrants from Central America (mostly from the Northern Triangle – El Salvador, Guatemala and Honduras). As a result, much of Mexico's outward cooperation over the past several decades has been targeted towards development within the region to support stabilisation. At present, much of Mexico's cooperation remains focused on the region to address the so-called 'root causes' of migration (such as poor socioeconomic opportunities and conflict). Indeed, Mexico's recent Integrated Development Plan for Central America promised $100 million in funding to support integration and development with the long-term aim of improving stability and reducing migration.

7 Conclusions

The early 1990s is considered to be the starting point of Mexico's transition from aid, when the country – amid its evolution to a multiparty democracy – was reclassified as a UMIC. ODA volumes declined throughout the decade as several key donors began to exit, and they stagnated throughout the 2000s. However, the late 2000s and 2010s mark a distinct period, during which ODA inflows increased rapidly as donors started to re-engage with Mexico to support the security agenda (US) and to reduce carbon emissions (France and Germany).

Rising ODA inflows when the country was well into the UMIC group goes against the experience of other countries reviewed in this project – Botswana (with the exception of the HIV/AIDS crisis of the 2000s), Chile and the Republic of Korea – and the hypothesis that development aid towards wealthier countries tends to fall. The trend in Mexico was partly a response to its position as a geostrategic ally for donors on a range of issues (climate change and security). Given that ODA actually increased after the reclassification to UMIC, many of our interviewees question whether Mexico has actually been in transition from ODA.

At the same time, the phasing out of donors from bilateral programmes in Mexico – at least in the 1990s – was not considered an issue for the country as the government budget has never been dependent on aid flows. In our interviews with government officials, no concern (or realisation) was expressed as to the implications of graduating from the list of ODA-eligible countries in the medium term.

The analysis for this case study primarily took place six months after the start of President López Obrador's government. This has implications for our findings and for the interpretation of the lessons from the case of Mexico, especially on the 'beyond ODA' agenda. First, some of the policies under the new government were still unfolding at the time writing, following the approval on 28 June of the national development plan (2019–2024). Inevitably, these developments could not be captured in this analysis, making it difficult to identify future strategies on cooperation beyond aid.

Second, the current administration took an opposite approach to foreign policy to the previous President Peña Nieto's government. In the latter case, the government explicitly sought to advance Mexico's international standing as a global actor by assuming 'global responsibility', with development cooperation being one of the tools of foreign policy. Under President López Obrador's government, domestic policy is afforded far more weight and prioritisation, which affected relations with development partners in the first months of the new administration.

Furthermore, from early 2019, Mexico's austerity programme, changes in government spending priorities and the prudent debt management approach meant that line agencies valued grants from development partners to expand their financial resources and that loans with bilateral and multilateral partners were on hold, at least when the research for this case study was conducted.

Our analysis was not intended to evaluate the approach of the Mexican government and of its development partners. Rather, we sought to identify lessons from their experience that might inform other countries 'in transition' and their development partners in the articulation of their own strategies to sustain development outcomes and foster policy dialogue within a renewed type of partnership. Bearing in mind this context and the caveats outlined, the experience of Mexico's move away from aid may still offer some lessons for governments and development partners cooperating throughout changing relations and approaches.

7.1 Lessons from Mexico's experience

7.1.1 Managing the transition process from aid

Governments can leverage national development plans to manage the transition from aid. Mexico plans to sustain and broaden its development results via its six-year NDP. The plan provides a roadmap for addressing key bottlenecks and challenges, and development cooperation was expected to contribute to this strategy. NDPs have historically been used as the main policy instrument for setting priorities for ODA inflows and channelling available resources (the ODA contribution to the government budget is rather too small to justify a separate strategy). However, in the round of interviews and as mentioned above, no major concerns were raised about the timeline for the graduation from the list of ODA-eligible countries.

Development partners could work with UMICs to provide technical cooperation in specific demand-driven areas, especially the global public goods agenda (e.g. renewable energy, climate change, rule of law, scientific cooperation). Several government interviewees expressed a strong demand for technical cooperation from development partners to ensure the expansion of development programmes. They mentioned several multidimensional challenges that would benefit from knowledge-sharing and peer learning from development partners. These included weak governance indicators (including impunity and rule of law), low quality of education, low tax revenues, governance challenges, high ratios of informality and vulnerable jobs. More specific areas that were noted included: the development of legislation (for fintech, for instance) and the planning and implementation of projects in key sectors like renewable energy, governance and security; the costing of sectoral development plans and tools enabling domestic resource mobilisation; and innovative financing mechanisms, such as blended finance and carbon pricing.

Governments and development partners should not forget NGOs as they may transition earlier than the government when it comes to external development assistance. While the Mexican government is arguably in the midst of a transition from aid, its NGOs have already transitioned from external assistance. In the 1990s and 2000s, ODA to NGOs fell in the context of declining and stagnating ODA flows to Mexico. While the Mexican government had previously sought to fill the gap through introducing legislation that made it easier for NGOs to access government support, interviewees noted that the López Obrador government cut government funding to NGOs upon taking office. With only a few development partners continuing to support Mexico's NGO sector – notably the EU, Germany, the US – Mexico's NGOs are having to diversify funding sources to maintain their operations.

7.1.2 Cooperation with development partners

Development partners may look to support a government that is strengthening its capacity as a development partner. The institutional strengthening programme in AMEXCID is an important example of the types of cooperation needed to make Mexico more effective as a development partner. This will remain important to support Mexico's transition from ODA. While AMEXCID has already benefited from the institutional strengthening programmes provided by GIZ and UNDP, capacities within the agency could be further reinforced.

Development partners may consider supporting UMICs with financial resources beyond technical assistance to sustain development programmes and outcomes and to raise awareness of development challenges. First, line ministries that experienced budget cuts under the current government mentioned they would value additional financial assistance from development partners, especially grants, to sustain development programming. For ministries previously reliant on loans to fund large development and infrastructure projects, the new restrictions have led to cases where, as one government interviewee put it, 'we already have the knowledge, the strategy, but we cannot implement … as the government doesn't have enough budget'. Second, loans from international financial institutions helped to raise the profile of issues related to renewable energy and climate change within Mexico, where some respondents suggested that the climate change narrative had not been accepted across the government or society.

Development partners and governments may want to diversify the toolbox of development cooperation instruments and government actors as the country moves away from aid. In the round of interviews, it emerged that Mexico's 'transition' from aid had facilitated the development of a 'new toolbox of international cooperation including knowledge-sharing, capacity-building, innovative financing for development mechanisms, and technology transfers'. Mexico has also seen more programmes from government departments other than development agencies. This approach expands the scope of development projects, especially during the transition from aid and for relations beyond ODA.

Governments may want to establish joint funds for cooperation to manage the transition from recipient to development partner. Joint funds with developing and developed countries alike are a means to flexibly and predictably engage with Mexico in its dual role as development cooperation recipient and provider. This is not specific to Mexico, but the country is a main initiator in the region. For donors, the funds provide a forum for discussion around mutual priorities and sustained relations on development cooperation. For Mexico, they offer resources to advance South–South and triangular operations, share Mexico's experience and foster scientific and technical cooperation with regional partners.

7.1.3 Cooperation beyond aid

Governments and development partners may want to boost triangular cooperation as a tool for continued policy dialogue. Mexico is one of the most active players in triangular cooperation. For Mexico, triangular cooperation financed (albeit not exclusively) through joint funds provides space and opportunity for the country to deepen its position as an important regional power and actor. Development partners themselves saw triangular cooperation as a key tool to empower Mexico and to advance strategic partnerships.

Governments could take a strategic approach to international cooperation to raise the country's international profile. Mexico is an active supporter of multilateralism and, with the support of development partners, has achieved great visibility on international agendas including financing for development, climate change and development effectiveness, and has boosted its international profile. This approach helped Mexico become an important player in international cooperation, also taking advantage of its brokering role between recipient and donor countries.

Governments and development partners could leverage international forums, such as the OECD, G20, UN and the Pacific Alliance, for peer learning and policy dialogue. The G20 working groups, in particular, were highlighted by interviewees as a useful forum for exchange on environmental and climate change policy and were said to provide a space for learning and receiving feedback on Mexico's own strategy. On climate change and biodiversity agendas, the COP meetings were found to provide opportunities for Mexico to share good practices but also to increase cooperation in Central America and Latin America on the issues of biodiversity and climate change, both of which are considered regional priorities.

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