

## [ POLICY BRIEF ]

# Mexico as an »Emerging Donor«

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This policy brief gives an overview of the current profile of Mexico's international development cooperation and discusses implications for European donors.

As the second largest economy in Latin America with a population of over 110 million and vast territorial dimensions, Mexico seems to be a natural candidate for regional and global leadership. However, despite the country's clear dynamic towards more regional and global responsibility, it has until now been somewhat reluctant to take over a prominent role. At a regional level, Mexico is torn between its geographical and economic orientation towards the North – with 83.5% of national exports going to North America, as compared to 6% to Latin America (2010) – and its cultural affinities with Latin America (SE 2010). OECD and NAFTA membership also indicate a clear will by Mexican elites to belong to the industrialised North, which makes Mexican leadership in the region suspicious in the eyes of most Latin American countries.

Mexico is nonetheless considered an important provider of international development cooperation in the region, particularly in Central America. The Foreign Ministry (SRE) has been implementing international development projects in an institutionalised way since 1990 – mainly in Central America and the Caribbean – making Mexico an »emerging donor« for over two decades. Yet the total volume of technical and financial cooperation (2009: around US\$16 million for technical cooperation) remains very low when compared to traditional donors and even to many other emerging economies. With respect to its organisational set-up, Mexican development cooperation also remains embryonic, as it lacks a development agency.

Mexico's role as a development assistance provider has gained new impetus recently, mainly as a result of the global debates on the new international aid architecture and the concurrently increasing focus on »new actors« in international development cooperation. In Mexico, these developments have been accompanied, at least rhetorically, by a clear alignment to international commitments such as the MDGs, the Paris Declaration on Aid Effectiveness, and the Accra Agenda for Action. Awareness seems to be growing within the Mexican government that a strong legal-administrative framework is necessary to manage international development cooperation activities (both as a donor and recipient) more efficiently.

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This paper addresses the role of Mexico as an »emerging donor« at a moment when the country is in the process of approving a broad legal framework to better coordinate its activities in the domain of international development cooperation. Mexico has been active in South-South cooperation on a small scale for over two decades and is at the forefront of triangular cooperation projects, mainly directed to Central America. Additionally, as a member of the OECD with DAC observer status, Mexico has a bridging function between North and South which makes it an interesting partner for European countries.

## A New Challenge: Managing Duality

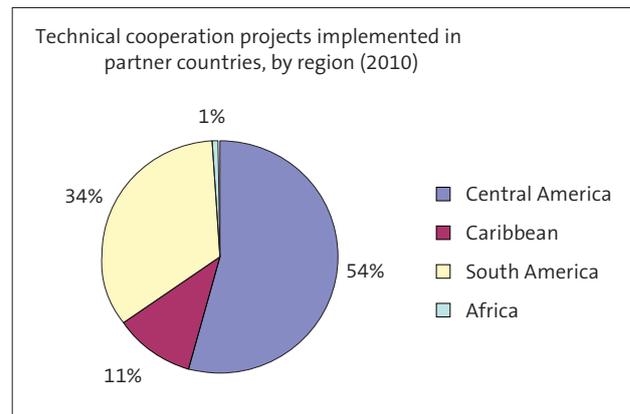
Mexico's strategy in the area of international cooperation is guided by its dual function as a recipient and provider of cooperation. Like many other emerging economies, Mexico is currently experiencing a transition from being a recipient of aid from traditional donors to becoming a provider of South-South cooperation. Managing this duality by enhancing »Mexico's dual position with regard to cooperation from an integral perspective« is therefore one of the country's main challenges (SRE/DGCTC website). The emphasis on Mexico's dual role is undoubtedly linked to the country's endeavours not to lose its position as a recipient of ODA (SEGIB 2010).

Despite its rank as an upper middle income country, Mexico, like many other emerging economies, still faces numerous development challenges and suffers from serious social inequalities. With a total of 34.8% of poor people and 11.2% living in extreme poverty in 2008, the total number of poor in Mexico exceeds that of most other countries in the region (ECLAC 2010). Inter-regional income differences are another challenge, with some Mexican municipalities ranking lower than the Sub-Saharan income average (Ayala and Pérez 2009). The rising violence following President Felipe Calderón's »war« against drug cartels, with over 30,000 violent deaths since 2006, is not likely to ease these social tensions. Mexico's internal problems cannot be uncoupled from its new activities as an »emerging donor«, and much of the success in this area will depend on the country's capability to link the two aspects into one coherent strategy.

### Mexico's International Development Cooperation Profile

Mexico's international development cooperation is almost exclusively directed towards Latin America, with a strong focus on Central America and the Caribbean. In 2009, Mexico implemented South-South cooperation projects with 15 partners. Two of them, Guatemala and Costa Rica, accounted for more than one third of the total (SEGIB 2010). This strong geographical concentration hints towards a close linkage between foreign policy and development cooperation interests. It makes Mexico a particular case next to other emerging donors like China, India or Brazil, which carry out significant development cooperation activities on countries outside of their regional neighbourhoods.

**Figure 1.** Geographical Focus of Mexican Development Cooperation



Based on numbers from SRE, 2010

Currently, Mexico is a signatory to 71 agreements of technical and scientific cooperation (both as donor and recipient), including 16 agreements with industrialised countries, 4 with international organisations, 17 with Central American and Caribbean countries and 34 with developing countries in other regions. As a provider, Mexico focuses on sectors ranging from education, science and technology, agriculture, environmental issues, public management and health to public security. Preference is given to technical cooperation, with Mexico sending experts from ministries and agencies to partner countries (SRE 2010). According to the Foreign Ministry, technical and scientific cooperation projects conducted in developing countries accounted for a total of around US\$16 million in 2009, including the value of technical and professional resources mobilised (SEGIB 2010).

The lion's share of Mexican development cooperation is bilateral. Innovative bilateral cooperation schemes have been developed with some South American countries, such as the Joint Mexico-Chile Cooperation Fund and the Centre of Nanotechnology developed jointly with Brazil (SRE 2010). Additionally, Mexico is the second leading provider of triangular cooperation in Latin America after Chile, totalling 17% of the projects in the region (SEGIB 2010). Its main partners under this scheme are Japan, Germany and Spain (as donors) and Guatemala and El Salvador (as recipients). Mexico is eager to increase its triangular activities due to limited resources and the country's interest to position itself as a donor. As for (sub)regional cooperation, the Mexican government uses it as a strategic tool for neighbourhood policy, arguing that regional integration and development will ultimately have positive feedback effects on Mexico. Regional cooperation is also

mainly directed to Central America, through organisations such as the Association of Caribbean States (AEC) and the Central American Integration System (SICA). However, up to now the number of triangular and regional cooperation projects is still very low when compared to bilateral cooperation (3 %, 4 % and 93 %, respectively).

**BOX 1: THE MEXICO-CHILE JOINT COOPERATION FUND**

The Fund is an example of innovative exchange and co-funding in the area of horizontal South-South cooperation. It was established in 2006 with the aim to strengthen the relationship between both countries by co-financing projects of common interest. The annual budget is US\$ 2 million, contributed in equal parts by Mexico and Chile. In 2010, substantial resources were used for post-earthquake reconstruction in Chile. From 2011 onward, the projects will be reduced to four sectors: science and technology, education and culture, environment, and industrial development.

**Results**

- Implementation of 31 projects in the 4 first years
- Renewed push in bilateral relations between Mexico and Chile
- United positions at several international meetings on Aid Effectiveness and the New Architecture of International Cooperation

(based on SRE 2010 and SEGIB 2010)

The Mexican government's quick response to the earthquake in Haiti in January 2010 contributed to enhancing Mexico's role as an emerging donor, mainly for two reasons. It made Mexico more visible in the eye of traditional donors and raised their awareness as to the comparative advantage of actors more familiar with the local situation. And it increased the urgency within the Mexican development cooperation system of creating a legal and administrative framework capable of raising financial and human resources more quickly and efficiently.

**Towards an Institutional and Legal Framework**

So far, Mexican development cooperation has been characterised by fragmented actions and limited resources. Efforts are scattered across different governmental agencies and are uncoupled from state and local-level ac-

tivities as well as non-governmental action. This lack of coordination, along with an insufficient registry of development cooperation data, has been a big challenge for transparency and efficiency in the past. The Mexican International Development Cooperation Data System (SIMEXCID) established in 2009 will make things easier, by collecting information from all ministries and public offices receiving or providing cooperation. Based on OECD/DAC methodologies, the data system is likely to become an important instrument for donor harmonisation in the future.

The responsibility for international development cooperation currently lies in the hands of the Ministry of Foreign Affairs (SRE), through the Office for Technical and Scientific Cooperation (DGCTC). In 2007, Senator Rosario Green presented a Law Initiative on International Development Cooperation which includes the establishment of a Development Cooperation Agency (AMEXCID), decentralised from the Foreign Ministry and with its own budget allocation (Green 2010). The process came to a temporary standstill last September when President Calderón vetoed the proposal due to constitutional inconsistencies (Gaceta del Senado 2010). The law is expected to be approved in the course of this year with some minor changes. Once adopted, it will not only help overcome the institutional and programmatic fragmentation of Mexican development cooperation. It will also be an important impulse for a much needed strategic and coherent vision on development cooperation, which would enhance Mexico's position as a donor.

**Implications for European development cooperation**

The OECD donor community has a clear interest in giving emerging economies more responsibilities in the area of international development cooperation. Mexico should be no exception, though the country's importance stems less from the actual volume and impact of development cooperation (which remains very low), than from its economic weight and from its unique position between North and South as an OECD member. Potentials for further cooperation between Mexico and European donors exist in the following areas:

- Mexico has shown a clear will to participate in global debates on aid efficiency and coordination through fora like the DAC, the ECLAC or the OAS. These efforts

should be encouraged by European donors. Especially Mexico's status as a DAC observer makes the country more likely to align to OECD standards than other emerging donors. Increased alignment will lower the chance of Mexico using development policy as an exclusive tool for implementing foreign policy interests at the expense of global development goals. Mexico's efforts to reform its donor structures and to develop a DAC-compatible international cooperation data system are an additional asset for coordination and should be supported.

- Triangular cooperation with Mexico offers opportunities for cooperation in a setting which potentially benefits all partners involved. Mexico has a clear interest in increasing triangular cooperation projects, which would valorise its position as a donor while at the same time sharing the financial load with other actors. For European donors, triangular cooperation can be an effective aid modality generating new funding sources for development cooperation. In the spirit of mutual learning, Mexico's new implementation agency – once established – would benefit from traditional donor experiences, while Mexico's experience as an emerging economy could provide an important added value to the efforts of European donors.
- In a broader sense, European donors are well advised to closely monitor Mexico's experiences in the area of South-South cooperation. Like other emerging economies, Mexico claims to offer development cooperation based on horizontal partnerships and knowledge exchange, rather than on traditional donor-recipient relations. If the EU is serious about including developing countries as active and responsible partners in global development, Mexico's approach of horizontal partnership offers insights that should not be dismissed.

Challenges remain, of course: Mexican international development cooperation has to date had a modest overall impact in the region, and the rising trend could suffer serious setbacks if social tensions inside the country increase. The proposal to establish a new national

framework of development cooperation is a step in the right direction, yet it remains to be seen how the Mexican government will fill this framework with content by making developing cooperation a coherent instrument with clearly determined priorities. In order to gain public support, the government will also need to enhance the public visibility of its policies. Finally, Mexican development cooperation continues to be an instrument of foreign policy, with no clear separation between economic, political and development interests. The Mexican government will have to address all these challenges in the near future. However, none of them presents an insurmountable obstacle to deepening the relationship between Mexico and European donors.

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