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World Bank, OECD Criticize Mexico for Failing to Address Poverty

by LADB Staff

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Recent reports published by the World Bank and the Organization for Economic Development and Cooperation (OECD) criticized Mexico for failing to take adequate steps to stem a steady growth in poverty, which could threaten Mexico's recent macroeconomic stability. Estimates released by the Mexican government's Consejo Nacional de la Poblacion (CONAPO) in early May show that at least 26 million Mexicans live in extreme poverty.

The number includes 12 million children, according to the United Nations Children's Fund (UNICEF). The CONAPO report did not mention the total number of Mexicans living in poverty, but a recent government study suggested that 52 million out of a total population of 95 million Mexicans were suffering some degree of poverty.

The World Bank report, released in late April, highlighted the growing income disparity between the wealthiest and poorest segments of the population. The report said economic conditions worsened for most Mexicans between 1980 and 1997, despite increases in GNP and GDP in most of those years. The bank said Mexico was the world's 16th-wealthiest nation in economic production during 1997. Mexico reported a 7% growth in GDP for that year (see SourceMex, 1998-02-18).

But the report also said Mexico's ranking would drop to 81st in per capita income, a clear sign of the huge disparity between the poor and the wealthy in Mexico. World Bank figures show that the wealthiest 10% of Mexico's population accounts for 43% of the country's total earnings. Similarly, the richest 20% accounts for 60% of the total earnings. In general terms, said the World Bank, roughly 40% of Mexico's population earns less than US\$2 per day.

The World Bank report also presented dramatic statistics on employment trends, which reflect massive migration from the countryside to the major cities in Mexico. Changes in the agricultural economy have forced many Mexicans to seek employment in cities or to migrate to the US. The report said the agricultural sector employed only 28% of Mexico's population in the 1990s, compared with 44% in 1970. Similarly, the percentage of residents living in urban areas increased to 74% in the 1990s, compared with 59% in 1970.

OECD links poverty to surge in informal economy

A separate report published by the OECD in early May pointed to the huge growth in the informal economy, which it said was a symptom of the growing poverty and the lack of educational opportunities in Mexico. "[The growth in] the informal sector in Mexico is a consequence of generalized poverty, the lack of training and educational opportunities for a large segment of the population, and the absence of a social safety net," said the OECD.

The Secretaria de Hacienda y Credito Publico (SHCP) estimates that Mexico's informal economy generates the equivalent of 10% of the country's GDP. But the OECD suggests street vendors could account for as much as one-third of Mexico's annual GDP. The OECD said the informal economy could represent as much as 44% of the country's total urban employment. But since earnings in this sector are very low, the informal economy's participation in the country's GDP is relatively low. The Mexican informal economy is the largest among the 29 members of the OECD, with the possible exception of Turkey, said the report.

The OECD said a trait of the Mexican informal economy is its tendency to expand during times of recession. This sector is often the only option for Mexicans who have lost their jobs in the formal economy, as was the case in the months following the devaluation of the peso in late 1994.

In a report also published in early May, CONAPO recognized that fighting Mexico's poverty rate is a "formidable challenge." CONAPO, a division of the Secretaria de Gobernacion (SEGOB), said the federal government has made "considerable efforts" to promote regional, urban, and economic development, and to fight poverty in rural areas. But despite these efforts, said CONAPO, Mexico has been unable to overcome the "considerable obstacles and difficulties" that have prevented significant poverty reduction.

President Zedillo announces anti-poverty initiative

CONAPO's report coincided with the announcement of President Ernesto Zedillo's latest anti-poverty plan in early May. Under the Plan Nacional de Atencion a Regiones Prioritarias (PNARP), the president committed 9.1 billion pesos (US\$977 million) for various health, education, economic development, and food-subsidy programs in 91 regions in Mexico that have high concentrations of extreme poverty. The targeted regions include marginalized communities primarily in southern and central Mexico. The aid also targets some regions in the north, including the Tarahumara communities in the mountains of Chihuahua state.

But critics argue that programs such as PNARP and PROCAMPO have been used by Mexican presidents in the past to garner support for the governing Partido Revolucionario Institucional (PRI) ahead of state and presidential elections. Julio Boltvinik, a researcher for Colegio de Mexico and columnist for the daily newspaper La Jornada, said the announcement of the program only 13 months before the 2000 presidential election is an example of Zedillo's "political opportunism." The presidential elections could be the most competitive in history, with the center-left Partido de la Revolucion Democratica (PRD) and the conservative Partido Accion Nacional (PAN) both expected to field popular candidates.

Boltvinik said the PNARP only serves to give more prominence to the potential candidacy of Zedillo's friend, Social Development Secretary Esteban Moctezuma. Moctezuma is running far behind other potential PRI candidates in what could be the first open selection process for the governing party. Boltvinik also wondered where the government would find 9.1 billion pesos (US \$977 million) to finance the PNARP, since these funds are not allocated in the 1999 budget. "Not even as a joke can one say that an anti-poverty program like this will begin to yield results in 100 days, as the administration claims," said Boltvinik.

Columnist Marcel Morales Ibarra of the daily newspaper Excelsior questioned whether the PNARP would be any more effective than other programs implemented by the Zedillo administration, such as the Alianza para el Campo. "Without doubt, any effort to alleviate the poverty suffered by millions of Mexicans should be seen as positive," said Morales Ibarra. "But the resources devoted to such efforts are always insufficient."

Morales said a major flaw in the PNARP is that the program is offered in isolation and not as a complement to existing programs such as PROGRESA and Alianza para el Campo. "The greatest criticism about such programs is that they spread resources too thin," he said. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on May 12, reported at 9.31 pesos per US\$1.00] (Sources: Agence France-Presse, 05/05/99; El Economista, Novedades, El Universal, Associated Press, 05/06/99; La Jornada, 04/22/99, 04/30/99, 05/06/99, 05/07/99; Excelsior, 05/03/99, 05/11/99)

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