



The Synergos Institute
Voluntary Sector Financing Program
Case Studies of Foundation-Building
in Africa, Asia and Latin America

Mexican Foundation for Rural Development

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Voluntary Sector Financing Program

Case Studies:

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Cross-Case Analyses:

- Formation and Governance
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Glossary of Acronyms

CCCA Proyecto de Fomento al
Cooperativismo y Desarrollo

Comunitario en América Latina

EZLN Ejército Zapatista de Liberación
Nacional

FEDEFAR Fundación para la Educación y
Desarrollo de la Familia Rural

FEGA Fondo Especial de Garantías

FIRA Fideicomisos Institucionales

Relacionados con el Agro

FMDR Fundación Mexicana para el

Desarrollo Rural

GDP Gross Domestic Product

IAF Inter-American Foundation

IDB Inter-American Development
Bank

INCA-RURAL Instituto Nacional de Capac-
itación Rural

IPADE Instituto Panamericano para la
Alta Dirección de Empresas

ITESM Instituto Tecnológico de Estu-
dios
Superiores de Monterrey

NAFIN Nacional Financiera

OZ Operación Ziritzicuaró

PADF Pan-American Development
Fund

PIEX Programa de Investigación y

Extensión

PROCATI Programa de Capacitación y
Asistencia Técnica Integral

SERPAC Central de Servicios
Populares, A.C.

UDEC Union de Empresarios Católicos

USAID Agency for International
Development

Synopsis

The story of the *Fundación Mexicana para el Desarrollo Rural (FMDR)* or the “Mexican Foundation for Rural Development” is told differently by each of the actors involved in its evolution. However, common threads form the “official” version of the FMDR’s evolution despite different viewpoints. Some say that the FMDR has wandered from its path and doesn’t respond to current challenges; for others, the institution is going through a stage of transition, on route to a successful consolidation.

Whether lost or with a new focus, the truth is that the FMDR is “in fashion” as a way of channeling resources to the rural areas. Its competitive advantage, when compared to other rural development agencies, is its support from the business sector. This may be why over the last six years, when seeking legitimate and efficient channels for funds, the Mexican Government has turned to this institution to experiment with rural development models.

There is a basic nucleus of corporate support that has no doubt been fundamental to the stability of the FMDR. However, this has not been a closed group. During times of crisis, the original group of founders returns “to put the house in order,” as Antonio Ruiz, current director of the FMDR, puts it. Although these businessmen give the institution its legitimacy, they are not involved with its operation. They have to make decisions, but don’t always possess the information necessary to do so. This situation has been improved through the continuous interaction of the Chairman with the Director.

The relationship with the government has been important throughout the history of the

FMDR. Although formed with an awareness of its complementary role to government the Foundation quickly took great strides to prove that the private sector was capable of efficiently developing the Mexican countryside. In the beginning this was its main function — completely different to that of public institutions. Today, both the philanthropic world and agricultural structures have changed. Less humanism and more realism in the market mechanisms characterize the current management of the institutions working in these sectors. The humanism has not disappeared and some say that it has been transformed without actually saying where it has gone in the everyday life of the FMDR. Others say that it

can be clearly seen in the official documents and that this is enough. This is the current debate at the FMDR. The heroic phase of the business group that established the FMDR was influenced by social-Christian humanitarianism. The current stage does not deny this and incorporates the past with an accent on productivity and profits.

The case of the FMDR, with its business and production orientation, coupled with a humanistic vision, also has a special attraction: it is the only nongovernmental organization that has a nationwide presence in the Mexican countryside.

Regarding the obtaining and channeling of economic funds, the FMDR is basically an organization created and financed by the private sector, which for the most part operates using public funds; Its main beneficiaries are members of the “social sector.”¹

The FMDR came into existence at a time when society was stunned by the success of the Cuban revolution and the last years of the

¹ What we call the “social sector” includes both poor farmers and users of common lands, the latter of which account for 56% of the FMDR’s activities.

so-called stabilizing development period (1940-1970). In 1968 the student movement questioned the government of the then President Gustavo Díaz Ordaz. Mexican students clamored for greater liberty in the political situation and in the codes of social behavior. Neither the anticommunist nor the student movements, however, were explicitly present among the founders of the FMDR. It arose as a positive response by the business world for the consideration and operation of direct development.

From the 1970s up to 1982, the term of President José López Portillo (1976-1982), the government maintained the idea of state control of economic affairs and consequently the public sector contained many companies covering a wide range of fields. When this viewpoint started to change and the basic policy was to “reduce” the state and promote the private sector, the FMDR formed close links with the governors. Presidents Miguel de la Madrid (1982-1988), later Carlos Salinas de Gortari (1988-1994) and now Ernesto Zedillo Ponce de León, have attended the FMDR’s annual meetings.

The rise of the *Ejército Zapatista de Liberación Nacional (EZLN)* or “Zapatista Army for National Liberation” in Chiapas in 1994, whose demands are largely for rural development, has not greatly affected the FMDR Movement. The Foundation’s center in Tuxtla Gutiérrez, capital of the State of Chiapas, took advantage of the situation to convince more businesses to support their programs. However, with the economic crisis of December 1994, the FMDR again faced the need to clarify its direction.

The FMDR’s actions can be separated into the following different historical stages:

The Beginning (1963-1976)

This period is distinguished by the direct involvement of businessmen in the search for operative solutions to rural problems. The Foundation had the utopian view that it would be possible to find efficient development models to respond to the failure of the government in supporting rural development.

The presence of the state in agricultural and forestry promotion and organization was enormous. Rural policy was based on the creation of several aid institutions that would channel credit, technology and subsidies to the rural population.

Between Crises (1977-1986)

After the currency devaluation (1976) the FMDR decided to create a national network of local development offices. The strategy was fine-tuned and a working methodology defined.

The response to the crisis was to carry out a fundraising campaign in 1978 that, although successful, did not withstand another devaluation in 1982 and made it impossible to establish an endowment. The utopia fast disappeared, and more administrative rationalization and business vision were sought.

For their part, the governmental institutions (Banrural, Conasupo, Inmecafé, Tabamex and others) changed from being assistants to production to become directors and decision makers, taking away control from the rural population in their own productive activities.²

Alliances (1987-1993)

A person closely linked to the original group of businessmen became the director. The national economic structure underwent important

² Taken from Antonio Ruiz’ “Vision of Rural Development in Mexico,” presented in the conference Rural Development: Crisis and Opportunity, Mexico City, May 8th, 1995.

legal and economic changes. The government withdrew from rural development activities. The FMDR formed two types of partnerships, one with the federal government and the other with the members and managers of the local development offices. Diversifying its source of finance, it turned to the Inter-American Development Bank and the World Bank, obtained lines of credit from the national agricultural promotion funds and held special events and raffles.

Reorganization (1994 to the present)

For the second time Gótzon de Anúzita was named the chairman of the FMDR. In academic, business and political circles the idea prevailed that the rural problem could be resolved if it could be made attractive to private investment. Since the beginning of the 1990's the public sector had been transferring state-owned companies, technical aid and training to civil corporations, from both the private and social sectors. A new agricultural development model is sought in which political control is replaced by the economic development of the sector.

In this context, the Executive Committee and Antonio Ruiz, the new director of the FMDR, decided that the institution must become a channel for economic funds due to the inefficiency of the public sector to finance rural projects. The Board continued in its decisive role in the institution, with easier access to economic resources, not only through credit but also by designing a policy for more active participation in fundraising.

In the FMDR's annual meeting held in Oaxaca (1994) the Strategic Proposals committee, headed by Alberto Núñez Esteva, indicated that, faced with a forecast of inevitable and deep-rooted change in the countryside, the

institution must offer a high level of technical assistance not only for production, but also for marketing, business vision and on legal matters.

Generally, in this stage we see the FMDR's opportunity to be an important part of Mexican society, contributing its business experience, knowledge of the rural situation and its governmental relations for the solution of the rural problem.

Origins

FMDR was established in 1969 as a major provider of guarantees for credit to rural farmers. Its founders were principally Mexican businessmen motivated by fear of rural unrest brought on by poverty, a desire to integrate the rural population into the national market economy, and a belief in solidarity among different members of society. Catholic clergy also played a crucial role in building connections with rural communities and farmers.

FMDR grew out of a project that began six years earlier in which members (mainly the same businessmen) contributed money to church related social action programs in rural areas. This experience provided the founders with valuable experience and feedback about the mission, programs and structure of the new foundation.

Financing

FMDR is funded by contributions from individuals and institutions. Today there is a stable base of around 160 individual funders, mainly businessmen. Institutional supporters include Mexican banks and multilateral agencies. FMDR intermediates funding for rural credit programs from the World Bank and Inter-

American Development Bank. The organization has also received financial support from foundations and international NGOs and the Mexican government.

In addition, FMDR charges fees for some of its educational programs in rural development and some of its regional centers earn income as distributors of fertilizers and agrochemicals.

The organization began building an endowment in 1978 with a major fundraising campaign. Unfortunately, a devaluation of the Mexican peso forced FMDR to use those funds to pay off dollar-denominated loans. It is now developing plans to build an endowment again.

Governance

The organization is governed by a Board of Directors made up principally of businessmen who serve three-year terms. However, many former Board members attend board meetings and advise and support the organization as “guests.”

In the 1980s, FMDR established a network of regional centers. The regional centers are legally independent entities with their own boards of directors, joined to FMDR by affiliation agreements. Several members of regional boards sit on the central Board. In total there are now over three dozen regional centers operating in 27 states. FMDR and its centers have a combined staff of over 200 professionals in a variety of specialized fields who work directly with farmers.

Programs

FMDR’s programs typically combine training, education and/or technical assistance with credit or credit guarantees. The average credit

size is between \$4,000 and \$6,000. FMDR sometimes provides grants for social development projects. The programs aim to increase the productivity of rural people and community groups. In 1992, it managed credit totaling US\$8 million.

Preface

Background

In Africa, Asia and Latin America, citizen participation through a range of civil society organizations has become a growing and vital force. Civil society organizations have brought significant material and human resources from the community level to bear on poverty problems through donations of time, energy, materials and money.

Locally managed and controlled organizations that provide direct financial support to other organizations within their societies have been established over the last decade in many southern countries. A few were established twenty or thirty years ago. These organizations are injecting critical financial as well as technical resources into local civil society and mobilizing resources from a wide variety of sources both domestic and international for this purpose.

Few of them were created with a single large endowment, as was the case with most northern private foundations. Most of them rely on a wide range of strategies to mobilize financial resources including earned income contributions from individuals and corporations and grants from international organizations. Some managed donor-designated or donor-advised funds following the US community foundation experience.

General consensus over terminology has yet been reached; these new types of organizations are usually referred to as “foundations” or “foundation-like organizations.” Though many of these organizations have adopted legal identities as foundations or trusts, others are registered as nongovernmental organizations. In

general, they differ in many ways from their northern counterparts. For example, they are more likely to mix program operation with grantmaking. Many of them act as convenors of civil society groups, as bridging institutions to other sectors of society or as technical assistance and training providers.

To distinguish this type of southern foundation-like organization from northern foundations we can use a term such as “community development foundation” or “southern foundation” or use a new term. One new term which has been proposed is “civil society resource organization” or CSRO. This term refers to organizations which combine financial assistance to community-based organizations and NGOs with other forms of support for organizations or the civil society sector as a whole. In this series of papers we will use the terms “foundation” and “civil society resource organization” interchangeably.

This expanding universe of foundations/civil society resource organizations around the world has not been systematically studied. As one of the first steps towards developing an understanding of this sector, Synergos responded to a request from a group of southern foundations. In April 1993, a group of foundations from a dozen southern countries met with northern foundations and official foreign aid agencies to discuss the emerging role of foundations in strengthening civil society in Africa, Asia and Latin America. A major outcome of the discussion was a decision to learn more about how these organizations are created, how they develop and evolve, and how they sustain themselves as philanthropic entities. The group decided on case studies and analysis as the most fruitful approach. The Synergos Institute, which works with local partners to establish

and strengthen foundations and other financing organizations, accepted the task of producing case studies of these organizations. These papers are one of the products resulting from this effort.

Methodology

A Global Advisory Committee of southern foundations guided the two-year effort by Synergos. The advisors selected eight geographically diverse cases from over sixty organizations identified through an initial survey. Local researchers were retained in each country and the Synergos research team worked with them and the Advisory Committee to develop a common protocol.

The protocol hypothesized four areas as key to the operational effectiveness and sustainability of southern foundations: origins and genesis of the institution; institutional governance; program evolution and management; and financing. The case researchers studied these issues via multiple data collection methods and sources. The primary method was to conduct direct structured interviews with individuals involved with each case organization, including board members or trustees, the managing director, staff members, grant recipients, and other relevant organizations. In addition to interviews, researchers gathered mission and vision statements, annual reports, operating strategies and plans, internal and external evaluations, financial plans and administrative procedure manuals. Data collected by the different methods were systematically organized into distinct databases which were the basis for each written case study. The case studies were coordinated by the Synergos research team, which then provided the funding to a cross-case analysis team for the preparation of three analytical papers. The two teams prepared condensed versions of the case studies for publication.

Use of the Studies

The eight case studies bring to light key factors that have led these organizations to be successful, and the studies document the crucial processes they have gone through to respond effectively to the needs of their national civil societies. Across the very different conditions that brought about their formation, the cases reveal that foundations/CSROs can play a central and strategic role in strengthening civil society. Their comparative advantage as resource mobilizers enables them to have a large effect both in stimulating new financing and connecting financial resources to the community-level where they can have the greatest impact. In particular, they have excelled at:

- providing seed resources for the growth of civil society organizations in their countries;
- leveraging diverse sources of financing for the projects and programs of civil society organizations;
- assisting northern foreign aid to be channeled to civil society in more sustainable and effective ways; and
- acting as an interface for public policy dialogue between civil society and the government and business sectors.

The case studies and the related analytical papers are a useful tool for those who wish to build foundations/CSROs around the world. Synergos hopes they will be widely used as a catalyst for the development and strengthening of this important group of institutions that provide financing to the voluntary sector.

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Genesis and Origins

The FMDR was formed during the 1970s. It's predecessor, the *Operación Ziritzicuaro* (OZ) started in 1963, and six years later, the FMDR was born. At this time, the economic development model put into practice in Mexico promoted industrial growth in order to replace imports. Although the gross domestic product (GDP) generally increased at an average rate of 6 percent per annum, agricultural and forestry growth fell behind even though this sector was the source of cheap material and human resources for industrial development. The state's presence both in agricultural reform and in production and sales was seen everywhere, and this regulatory role resulted in political control of the rural population.

The formation of the OZ by organized businessmen in support of the low-income rural population is probably one of the first examples, if not the first, of joint action by Mexican businesses for rural development.

Key Actors

In October 1963 a group of members of the Unión de Empresarios Católicos (UDEC - "Catholic Union of Businessmen") living in Mexico City, anxious to participate in the solution of social problems, visited the city of Guadalajara and had the opportunity to learn about regional rural improvement. The UDEC was promoted by the Social Mexican Secretariat and was part of the Episcopal Conference. The businessmen were contacted by father Pedro Velázquez who put them in touch with father Carlos Salgado for their first rural development experience in the villages of Ziritzicuaro and Uripitío in the State of Michoacán. Prior to this, the UDEC's Mexico City members had no experience whatsoever

in working with low-income producers, and so it was the legitimacy of the priests that opened the door for them, even though the businessmen had already been supporting this type of program through local parishes.

At the end of this trip, the committee's executive secretary, Elías González Chávez, declared to the group: "We are inviting businessmen to take a peek over their factory's walls and look out at the countryside." This challenge struck a cord among those attending and they decided to answer three basic questions to arrive at a solution: How does one carry out rural aid work? Where does one start? and Who would be chosen to do this work?

The most pressing concern for these communities, as seen by the businessmen, was their lack of credit and their difficulty in gaining access to credit. Furthermore, following their visit with the farmers, the city dwellers defined their objectives and came up with two possible solutions: to gather money and lend it to the rural groups, or to turn to credit institutions so that farmers could obtain the resources that they needed.

In the end the group decided on the second option — that of the guarantee fund.

After several more field trips and contact with the cooperatives, the organizers proposed the following plan to the businessmen:

- To create a credit guarantee fund of \$250,000 for the financing of the cooperatives;
- Contributions to the fund would not be in cash, it would be sufficient to possess the guarantees of the members who wished and were able to participate in the plan;
- The businessmen's guarantees would be open-ended and for an amount that they

³ Lorenzo Servitje is one of the most prominent businessmen in Mexico and is the founder of the Bimbo industrial group and several civil society organizations.

⁴ Asociación Civil is the Mexican legal term for nonprofit

would consider prudent. Two of them would sign as guarantors before the banks, representing the whole group;

- The executive committee, according to the viability of the project, would be able to make the guarantee required by the bank available to the cooperatives. The bank would then directly lend to the rural groups;
- Losses would be prorated according to the amount of each guarantee of each businessman;
- The Executive Committee would periodically inform the businessmen about the progress of the loan; and
- Before making the guarantee available to the cooperatives for a project, they would request the description of a viable program capable of leading towards self-sufficiency. Their ultimate objective was “to help people help themselves.”

During a meeting for the presentation of this proposal at the beginning of 1965, the original fundraising goals were surpassed and close to US\$42,000 was raised. This money was used to support the following projects: well-drilling and pump equipment purchase; electrification; purchase of cattle for milk and fattening; equipment for planting maize, bee-keeping, poultry and pig raising; the establishment of warehouses; purchase of fertilizers and agrochemicals; as well as the development of handicrafts.

The main force behind this effort Lorenzo Servitje Sendra,³ today honorary chairman of the FMDR, explains that the OZ gave the businessmen the confidence needed to expand their efforts while maintaining a spirit of cooperation between entrepreneurs, profes-

sionals and farmers.

Selecting the Structure for the FMDR

In order to expand the experience gained in the OZ, the business group decided to conduct a search for formulas that could be generalized for replicable models, and with this in mind they formed the *Central de Servicios Populares*,

Asociación Civil ⁴ (SERPAC) in February 1965.

They had three aims: to provide technical assistance, offer training and promote all types of educational, cultural, artistic, technical or social activities for the rural population.

The perceptions of the conditions in Mexico's rural areas, according to the businessmen involved in SERPAC, included the following:

- That throughout the country there were large sectors of the population in an extremely precarious economic position;
- These groups lived with enormous deficiencies and in a state of dependency, with limited resources, with minimum planning, and the services provided by public and private sectors were unused due to a lack of organization; and
- The most outstanding deficiencies in the rural sector were: lack of organization, shortage of technical and administrative training, and a shortage of credit due to the absence of tangible guarantees.

The rural worker depended on the local loan-shark, the distributor, or the middle-man for their credits, both to buy seed and fertilizer and for the sale of their crops.

In response to these perceptions, SERPAC put together its first guidelines. Its main points

⁵ The “Rural Centers” were a type of cooperative society. In Zirizúcuaro, the Rural Center was made up of 60 groups.

⁶ SERPAC was then transformed into one of the regional Centers linked to the FMDR.

were as follows:

- All mankind has the right to subsistence and the freedom to organize;
- All members of society must have the opportunity to partake in a fitting and fair manner of societal benefits. This participation must include decision-making, criticism and self-criticism;
- That participating in a society implies civic obligations and solidarity; and
- That the points above are all aspects of the fundamental rights to self-improvement and development.

In the first few years, with financial problems resolved through the guarantees, the group sought a safe place in which to take its next steps. They multiplied and diversified projects, supporting the breeding of bees, pigs, chickens, rabbits, etc. However, from all these efforts only the credit for bee-keeping and poultry were successful. This led to an important conclusion according to Arturo Espinosa, SERPAC's manager: "The success of projects depends on how they respond to needs felt by the people who are themselves involved in the problem." This was the group's golden rule for all subsequent projects.

"We also learned," explains Espinosa, "that technology and credit must be used very carefully." He said that in some groups they found very favorable conditions for implementing high technology projects, with intensive credit and great potential profit. However, SERPAC technicians had to slow down their pace a bit in order to provide the necessary training in technical and administrative skills so that the farmers themselves could understand the projects and put them into practice.

Rafael San Martín, who was in charge of the

educational division for nearly a decade, says: "In an economic system such as ours in Mexico, in which credit and technology are overvalued and are placed over human values, it takes a lot of work to generate a response to the need for education, responsible participation and organization. The importance of these factors was discovered by the FMDR."

During the 1960s, at a time when large-scale government and non-participatory projects were the norm, SERPAC's strategy signalled an important shift for rural populations to take initiative. "We went from traditional passive to participatory development," explains Lorenzo Servitje.

In 1969 SERPAC had a definite methodology and wanted to increase its program in order to generate a wider socio-economic impact. It was decided that Rural Centers for the Mexican farmer would be created and that the concept of regional Service Centers would be promoted.⁵

Work was started on two fronts: Pátzcuaro (Michoacán) and Toluca (México state), both relatively close to Mexico City. Up until then, there were no agencies that promoted rural organization in different regions of Mexico, and SERPAC wanted to promote various programs with centralized coordination from Mexico City. However, management difficulties as well as high operating costs caused this option not to be viable.

This failure motivated the business group to seek additional corporations interested in taking advantage of the initial success in other regions of the country. The first place from which they received a positive response was the city of Celaya, Guanajuato. There, a business group incorporated a civil corporation similar to SERPAC. This was how the idea of a local development agency, or Development Center, was born in 1969.

⁷ In 1989, Lorenzo Servitje sent Victor Hernández, who was then chairman of the FMDR, a report that inspired the founding group. It contained several important facts, such as that: "80% of the Mexican population is malnourished, and nearly the entire rural population does not regularly eat meat or milk or eggs....Diseases of the digestive system cause the highest number of deaths in the countryside due to a lack of hygiene....(and) 80% of farm workers don't work for more than 4 months a year..." Victor Hernández, Ideology of a Director: Letters from the Management. 1986-1993. FMDR,

So, after six years of field experience, the foundations were laid and the businessmen in SERPAC had gathered all the elements necessary to plan the FMDR as an institution made up of private individuals to carry out programs on a national scale.⁶

Procedures Followed to Establish the FMDR

The transition from SERPAC to the FMDR was considered part of a maturation process. It was a new, more powerful tool for both for the capture of economic resources and support for new entrepreneurs — especially from the varied regions of the country. The formation of new Development Centers was also particularly significant.

On the 15th of November 1969, in Mexico City, the *Fundación Mexicana para el Desarrollo, A.C.* was incorporated. It wasn't until six years later, in April 1976, that the word "Rural" was added to its name.

From the start, the founders of the Foundation had the support of the Pan-American Development Fund (PADF), based in Washington D.C. It was this organization that suggested that the experience gained in SERPAC could transform the Foundation into a mechanism for the capture of foreign funding. The PADF's donation was also the first from outside Mexico.

The new Foundation was greatly supported by important businessmen from Mexico City, such as Carlos González Nova, Ignacio Hernández Pons, Agustín Legorreta Chauvet, Lorenzo Servitje, Gótzon de Anúzita and Pedro Maus, among others. González Nova was one of the owners of Commercial Mexicana, a textile business which later gained national presence. Hernández Pons was a

major stockholder and executive director of Herdez, a food cannery and packing business which also reached national scale. Legorreta Chauvez, member of a family of bankers who owned Banco Nacional de México (Banamex), was a partner and executive director of this bank. Pedro Maus inherited an automobile distribution business from his family in México City.

For the most part, the businesses of these entrepreneurs were just starting to expand, gaining stability and national presence during the 1970s.

The founders of the FMDR have generally remained active within the organization until their death, and in many cases family members have been asked to continue a legacy of company involvement in the Foundation. This "nucleus" of actors contributed to the legitimacy of the FMDR as well as providing a permanent source of funds. Only two persons, Lorenzo Servitje and Gotzón signed the original three initiatives which constitute the genesis of the actual FMDR. Nevertheless, others have contributed in the activities of the three organizations. It is important to emphasize that Lorenzo Servitje has been the moral and economic pillar of the organization and that Gotzón de Anuzita dedicated economic resources and time -- so much so that he has twice served as president of the Board of Directors.

The government was not involved in the founding of the FMDR, since at this time the private sector was viewed suspiciously by the public sector.

Three basic factors underlie the formation of the current FMDR: a concern for poor rural living conditions,⁷ the drive of Christian solidarity, and the business identity of its members. The most distinctive characteristic might be

considered the entrepreneurial interests of its founders. However, the other characteristics are quite important. For example, due to the peculiar separation between church and government in Mexico, religious motivation is rarely formally explicit. However, in a country with a Christian majority (especially in rural areas), religion is a factor which plays an important role. Some of the Centers, particularly in the western regions, have even incorporated priests into their advisory councils.

The FMDR was one of the first initiatives taken by the business sector to strengthen the decision-making capacity of civil corporations. Some of the founders feared rural revolts which would effect social peace, while others were interested in integrating the straggling activity of the rural population into the national market. In order for farmers to understand their situation and market opportunities, a platform was provided that made it possible for them to realize their own potential and stand up for themselves. As José Limón, farmer from Ocotlán indicates, "little by little we understood [our situation] and we are not afraid to speak to anybody."

Governance

A close look at the FMDR reveals a distinction between the FMDR Civil Corporation based in Mexico City and the FMDR Movement, made up of the Development Centers, Rural Centers, Research Centers and Rural Groups. Each of the above mentioned Centers has its own Board of Directors, therefore in legal terms they are entirely independent from the FMDR. They are joined by an affiliation agreement that takes into account the technical, educational and credit assistance given to them by the FMDR.

The Mission and Vision of the FMDR

The FMDR follows closely the principles of four elements that constitute its ideology: an institutional objective, five philosophical principles, a general strategy and a methodology created by rules which govern its operation.

The existing structure dates from the beginning of the 1980's, with rural activity providing the necessary background — first in Zirritzicuaró, then SERPAC and lastly the FMDR itself. The FMDR did not try to apply principles, but rather learned methodological steps through practice in the field dealing with the actual problems of the farming communities.

The person who systematized the principles and methodology of the FMDR was the acting executive director for twenty years, Arturo Espinosa. He states that in mid-1972 the need for a statement of principles for the FMDR became clear because a project was to be presented for funding. At this time, he drafted some principles on an airplane ride to Europe and later showed it to Lorenzo Servitje for some minor adjustments. These principles and methodology were joined into a “corpus” or body of thought and strategy later present-

ed to the Board of Directors for approval. They were unanimously accepted. Later, in the 1980s, this “corpus” was presented to the different Boards of the Centers and their staff. Gradually, the development “style” promoted by the FMDR has been widely accepted.

The Philosophical Principles

These are the group of ideas that form the ideological base for the FMDR. According to Rafael San Martín, Director of the Educational Division from 1980 to 1990, “they are the base that maintains the link between the FMDR and the Development Centers and that of the latter with the Rural groups. In a word, they are the guiding principles of the strategies and methodologies.”

The FMDR's philosophical principles are to: uphold human dignity, promote solidarity, advocate empowerment, operate efficiently and respect nature.

- Human dignity: Man has basic, inviolable and irrevocable rights. Rural communities, possessing reason and free will, must be the agents of their own development and self-improvement. With this involvement respect for their traditions and cultures is assured. Development must be holistic, including families and communities within the socio-economic context of the country. One of the requirements of development is that its actors be confident of their own potential.
- Solidarity: This is the process through which collective responsibility is assumed for the distribution of societal benefits. It is the link of co-responsibility among people who seek a common aim and

⁸ FMDR, “Minutes of the Meeting of the Board of Directors, July 2nd and 3rd, 1994, in Cuernavaca, Morelos.”

⁹ Statement by Rogerio Casas-Alatrste, FMDR's Chairman (1992-1994) during the Annual Meeting of the FMDR Movement in San Miguel Allende, Guanajuato, 1992.

which is further extended according to the need for this common good. "Due to this principle we feel responsible for the general situation of social marginalization and segregation that characterizes the rural sector in our country. By virtue of this we recognize that this situation is not due to the indolence, incapacity or indifference of the majority of people but is rather due to a conscious or unconscious unfairness that generates more and more serious situations."⁸

- **Empowerment:** This principle establishes that the FMDR does not try to do what the rural population can do for itself with support and motivation. It assumes that "teaching how to fish" is better than "giving a fish," as the Chinese proverb goes. This principle rejects paternalism and encourages the rural population to go "from less to more." As FMDR's members tirelessly repeat: "As much action by the farmer as possible and as little action by the Foundation as is necessary."

- **Efficiency:** Created by entrepreneurs, the FMDR tries to guarantee that projects obtain real results by improving farmers' standard of living and supporting their complete development through participation in the decision-making process. This principle requires valuing efficiency and productivity as vital to the economy for an improved use of resources. "In the Foundation, we are aware that our efforts will not totally solve the problems of under-development in our country, especially in the countryside. But

we can solve the problems of specific farmers, through efficient models that due to their low cost and good results can be replicated by groups of farmers and by other private and public sector agencies."⁹

- **Respect for nature:** This is the most recent principle. In the 1990 Annual Meeting it was adopted by unanimous vote as going hand-in-hand with the vision of "sustainable development." It was argued that development must satisfy present needs without compromising the capacity of future generations to satisfy their own, and that it must improve living standards without surpassing the load capacity of the ecosystems that maintain them.

The first three principles grew out of the organizational background in social Christianity. The fourth principle of efficiency is a clear contribution from the entrepreneurial founders combined with results in the field. Lastly, the importance of the environmental principle which has recently come to pass, is equal to that of the others but it is recognized that evaluation of this aspect of projects is still quite limited and far more difficult to quantify than profits.

The Institutional Objective

The Institutional Objective reads as follows: "To promote an increase in the productivity and human development of rural populations and groups in a comprehensive way through aid from the Foundation and its Development Centers."

To assure the dissemination of this objective González Lavastida broke down the statement into the following definitions which are posted

¹⁰ The Executive Committee is formed by the Chairman, the Vice Chairmen, the Secretary and the Treasurer, although members of the Board invited by the Chairman are also included, as well as the Executive Director. The decisions of the Board of Directors are taken by a simple majority vote of the

in the Development Centers:

- To promote means to support and facilitate the self-improvement of people in rural areas and give impulse to the realization of their objectives;
- To increase productivity is to reach optimum use of available resources;
- Human development means awareness of the worth of self-dignity and of its importance when any action is performed;
- Rural groups and population refers to joint and small land owners with a minimum of land and means of production, a minimum level of economic-cultural homogeneity and possibilities of increasing their productive capacity and standards of living;
- Comprehensive means the effort to cover productivity and human development in a methodology than unites financing, technology, organization and basic social education, interwoven in a productive project to satisfy basic needs; and
- Aid means temporary financial assistance.

This ideology has been widely disseminated, both orally and in writing, taking into account its three purposes: to incorporate new philanthropic members, i.e., fundraising; to establish FMDR's presence particularly to those in public office and to international organizations; and to establish staff and farmer training programs.

The conceptualization and formulation of the above-mentioned doctrinal "corpus" gradually took place alongside the development of field work. This "corpus" needed greater clarification when it became necessary to turn to international funders, particularly in 1972

when the FMDR turned to the Inter-American Foundation. "It was the second donation from the IAF in Mexico," remembers Arturo Espinosa. In 1978 while preparing for the first fundraising campaign new methods and strategies resulted, although these have never quite been incorporated into the "corpus." Once again practice came before theory in the history of the FMDR.

The Annual Meetings of the FMDR Movement have been very important in this respect; by 1988 they had become an opportunity to continue defining positions and procedures in order to face the new technological, legal, economic and political realities of the countryside. As the number of Rural Centers have increased, it has been a challenge to unite the plurality of strategic visions with the already wide spectrum of opinion brought to the FMDR by its founders.

The Management Structure of the FMDR and its Development

In theory, the role of the staff is to carry out the orders of the FMDR's Board. However, this "depends on the chemistry that exists between the director and the chairman," according to the ex-director, Arturo Espinosa. This expression indicates the margin of flexibility in this relationship and emphasizes the role played by the director in the institution's decision-making.

Realistically, the Director presents the Board's Executive Committee with the diagnosis and measures that should be adopted on any given topic. The Executive Committee studies them and takes the corresponding decisions. General decisions are submitted for the approval of the Board which meets once a month, whereas the Executive Committee

¹¹ This number is taken from the legal incorporation of the FMDR in 1969. However, Espinosa was the first director of the OZ, being involved since 1964, giving a total in real terms of 20 years of service.

meets once a fortnight.¹⁰

Decisions of a general scope, such as those referring to changes in foundation laws, the election of the chairman and new members, are submitted to the yearly General Meeting. The members of the Executive Committee, together with the ex-chairmen, form a Consultation Board which meets at least once a year. Its

mission is to “monitor the ideological endowment of the institution to ensure that it keeps to the course set by its objectives.” (Art. 12-A).

There are three types of entrepreneur who support the FMDR. Firstly, those who make a donation and are not directly involved in the work of the institution. They are kept informed but do not participate in any decisions. Secondly, members of the Board, who are consulted in the approval of important decisions and thirdly, members of the Board’s Executive Committee who ensure effective management of the institution.

The FMDR’s donor base is not very large. Although it has only 160 members, it includes prominent businessmen from Mexico City, who usually guarantee the payment of operating costs. Until a year ago one-third of the Board was replaced every year to bring in new blood. However, this measure angered members who had become fond of the cause and who had to leave after three years. In order to solve this problem, the position of “permanent guests” of the Board was created to include the ex-chairmen, among them Lorenzo Servitje, who was named honorary chairman in 1991.

The Board approves the selection of the Director of the institution. In the last 25 years there have been only four directors. The first,

Arturo Espinosa lasted 15 years and was the organizational and intellectual driving force behind the FMDR.¹¹ The second, Manuel Mestre, lasted a few years but despite many plans had little

contact with daily operations. Víctor Hernández Rodríguez laid the foundations for a re-launching of the institution during the eight years of his directorship. The current director is Antonio Ruiz García, a graduate in agricultural studies from the Monterrey Institute for Higher Technological Studies (ITESM). He commenced his work on the 1st of January 1994, at 31 years of age.

There are no rules for the selection of the Director. The selection of the current director was based on his previous work as an organizer in the FMDR and as Assistant Director. Some members of the Board believed that the director should be a retired businessman; however the opinion of the director at the time, Víctor Hernández with the support of Lorenzo Servitje, convinced the Board that Antonio Ruiz was an excellent choice.

The government is not involved in any way in the search for Director. In the majority of cases, the selection committee has been composed of the “nucleus” with the added leadership of Lorenzo Servitje.

In the beginning of the 1980s Board Members and staff were involved in the FMDR’s decisions, in an attempt to promote the idea of a movement as a national network of rural development organizations with a common identity and set of rules. Four regions were designated, each with their own Boards made up of businessmen from the different Centers. This initiative didn’t last more than a couple of

years, however, due to the institutional weakness of some Rural Centers, lack of business leadership and the lack of clear operating rules to create a decentralized system.

From the end of the 1980's to the present, business consultants to the Rural Center's Boards were invited to be members of the FMDR's Board in Mexico City.

In terms of staff, a two-pronged initiative has been adopted with the aim of promoting their participation in the FMDR Movement. Meetings with the managers of each of the four regions are encouraged and staff members from Rural Centers are invited to participate in specific work groups focusing on credit, education, project evaluation and the like.

The Size and Composition of the Board

The Foundation's by-laws indicate that it must be governed by a Board of Directors with a minimum of 30 members. This number doesn't include the ex-chairmen who have been named honorary members for life. A category of "permanent guest" was also created in the last ten years. However these "guests" are not Board Members since, according to the by-laws: "All those who have been Board Members for three consecutive years may only be re-elected once a minimum of one year has passed between the last year of their appointment and the year in which they are to be newly appointed." (Art. 11). Guests have a voice on the Board, but no vote.

New members are incorporated through the recommendation of one or more of the active Board members to represent Mexico City and the whole country. The ex-chairman, José Porrero Lichtle, says that the Foundation needs three types of people: those with eco-

nomical resources, those who possess social prestige and those who have time for the cause. "Finding someone with all three of these characteristics really is really fortunate," he explains.

The Board has no representatives of the end beneficiaries of its work, i.e. the rural groups. The direct beneficiaries, the Development Centers, have members on local Boards which participate in the FMDR Board. A new policy for wider inclusion of Development Centers holds that these same local boards select rural leaders for the Board. However, to date this is not a widely used practice.

The presence of highly regarded businessmen on the Board of Directors is what gives the FMDR its legitimacy to donors and state authorities. These businessmen have played an increasingly decisive role in the opening up of the Mexican political system to social problems. Although no study has been made of the Board members political affiliations, it can be said that several of them have close relationships with high-ranking government officers due to the nature of their work.

The Executive Committee is constantly trying to raise awareness regarding the institution's work with the Board of Directors and donors. Its two strategies in this effort are information dissemination and field visits. However, ten years ago the *List Of Obligations And Responsibilities Of A Board Member Of The FMDR* was written. This has been used to motivate members to take concrete action. Its recommendations are to:

1. Study the philosophy and methodology of the FMDR;
2. Visit at least one of the FMDR's farmer groups per year;

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3. Attend the monthly Board meetings;
 4. Attend the FMDR's national events;
 5. Participate as a delegated Board member and/or in a work committee;
 6. Recommend one new donor per month;
 7. Disseminate the work of the FMDR in their community and/or social circles;
 8. Support the FMDR financially;
 9. Contribute ideas for improving the FMDR Movement; and
 10. Take five friends on a field visit every year.

The Role of the Executive Director

There have only been four executive directors in the history of this institution. Usually, the search for a new director begins when the President recommends a candidate to the Board of Directors. The method used for the first executive director, Arturo Espinosa (1969-1984) was a bit different since he was invited to join by José Luis Bárcena Salazar, one of the founders. He was approved for the post simply because he came highly recommended. Nevertheless, his twenty-year tenure is proof of his abilities and vision. He was removed from this post by the president at the time, Jorge Orvañanos Zúñiga (1983-1985), who felt that he was an obstacle in the institution's development.

Manuel Mestre (1984-1985), from Abolengo, came from a family in the sugar industry and was recommended by Jorge Orvañanos based on his business experience and the desire to inject new blood to the FMDR. Unfortunately, Mestre kept his distance from the staff and was barely involved in specific projects from the Development Centers. Once

Gótzon de Anuzita commenced as President he resigned from his post.

Next, Lorenzo Servitje recommended to de Anúzita that Victor Hernández fill the position since he was a highly regarded business leader and recently retired. According to Hernández (1986-1993), "I had never directed such a complicated and multi-faceted enterprise as the FMDR." Hernández resigned primarily because of his age (he was 71 years old) and because he felt he had accomplished his goals. He managed to convince the Board that they begin to prepare a young person with strong knowledge of the institution and a background in development. With Lorenzo Servitje's support Victor Hernández groomed and recommended Antonio Ruiz.

Antonio Ruiz received a degree in agriculture from the *Instituto Tecnológico de Estudios Superiores de Monterrey*, a prestigious private university which educates first-class graduates for the private sector. As assistant general director he also attended the *Instituto Panamericano para la Alta Dirección de Empresas (IPADE)* which specialized in the training of successful business directors. Ruiz is the first director to have climbed from the bottom rung as organizer to his current position.

The Executive Director is responsible for the institution's progress. Since Arturo Espinosa's time, this person is considered to be the leader of the FMDR Movement, although there is no formal recognition of this role.

The Relationship Between the Board and the FMDR's Executive Director

When the Executive Director assumes his post, he chooses his closest collaborators and they in turn name their own teams. Although this is a relatively small group (33 people), there is a tradition of respect for organizational decisions of each area since the staff of the FMDR Movement numbers close to 300 persons.

In the relationship between the Director and the Board there is, generally speaking, a clear division of labors. The problems in the relationship between the director and the Board can be summarized in the following points:

- The need to provide necessary information to the Board members so that they can make decisions, since many of them are not familiar with the day-to-day running of the FMDR;
- A lack of precision in staff evaluation which has led to different interpretations of work efficiency; and
- A general lack of knowledge by the Board regarding the problems faced by rural development work.

FMDR Standards and Internal Administrative Controls for Funds

At the beginning of the stage we have called "alliances," the following steps were taken with respect to funds and fundraising:

1. A select group of First World Foundations was contacted;
2. When the US\$500,000 from the IDB arrived, there was a greater awareness of the need to promote training in the projects. For this Manuel del Valle, who had just retired

from the IDB, was hired. He formerly had been the IDB's contact with the FMDR Movement. The course he gave was taken by about 80 percent of the staff;

3. Specific computer software was developed in the FMDR offices for project preparation and administration, using a Global Information System;

4. As various funds came in, administrative instruments were designed specifying resource evaluation and allocation criterion as well as a report style. A fundamental part of the process was the integration of an evaluation committee for each fund.

Members of the Board also became members of staff;

5. Once the different funds were obtained clarity was maintained regarding their usage. "Not to mix them up has been the golden rule," explains Bernardo Barranco, assistant director. Another rule has been "to inform and promote the views of those providing funds." And the third rule, adds Barranco, "is to keep donors informed of any problems and decisions taken to resolve them."

The FMDR is audited once a year by an independent firm of accountants (*Mancera y Asociados*) on a *pro bono* basis. The results are presented in the Annual Meeting. No serious irregularities have ever been found in the handling of the finances and accounts. The prestige of this firm of accountants has also given the FMDR legitimacy regarding the administration of funds.

Technical Assistance Received by the

FMDR on Management Issues

The FMDR has received practically no external management assistance, although various studies have been requested regarding aspects such as organizational climate (1986), training in projects (1989) and strategic planning (1990).

Problems in Management and Institutional Development

The main problems during the development of the FMDR have been regarding funding and the implementation of its mission and methodology. The two most significant crises in the FMDR are detailed below.

The first crisis occurred in 1976 when the Mexican peso was devalued from 12.5 to 25 per US dollar. The FMDR had a debt of about US\$80,000 from a 1969 loan from the PADF. This debt doubled overnight. In the end the PADF accepted payment in Mexican pesos of a sum equivalent to original. This was justified by the fact that the FMDR had granted loans in Mexican pesos to low-income farmers. The FMDR had no endowment so it faced shutting down and members would have had to contribute to pay off the debt.

The original group that started the FMDR supported the director during the hard times in which the institution's strategy was being clarified. The FMDR was then able to turn to other institutions like the Inter-American Foundation which responded with a donation of US\$2 million in 1978. Together with the IAF's aid and funds raised in a 1978 campaign, totalling US\$25 million, the FMDR Movement expanded.

The second crisis arose from another devaluation of the peso in 1982 from 25 to 150 per US dollar. The money raised for an endowment was spent on everyday operation. The FMDR also had a debt of US\$2 million with

the American Foundations Organization "Solidarios." The same proposal accepted by the PADF several years before was presented to Solidarios. The FMDR was on the brink of closure. The situation was explained to the Board.

At the time, there was a general sense of pessimism in the business community related as much to the economic crisis as to the impending election of a new President (December 1982). These events resulted in a high degree of socio-political uncertainty. Donations dwindled and the excuse given was usually of serious business problems.

The Board took two important decisions in 1983: to increase efforts to raise funds from partners and to initiate talks with Solidarios regarding its loan to the FMDR. Solidarios, which is based in Santo Domingo, Dominican Republic, sent a fact-finding mission in July 1983 to Mexico to pronounce an institutional diagnosis. The representative of Solidarios, Jorge Mario Almazán, recommended considering an extension of the payment deadline.

After a year of talks Solidarios accepted the FMDR's offer after having obtained a "placet" from USAID since the funds administered by Solidarios were its own. Instead of US\$2 million only US\$120,000 were paid.

This economic crisis led to the demand for a more business-like management of the FMDR by the Board and the request for an accelerated expansion of the FMDR Movement. The Foundation had to gradually reconstruct its fundraising platform, alongside a new strategy adapted to the current economic and political situation of the Mexican countryside. This combination of factors cost Arturo Espinosa his job.

¹² FMDR, "The strategy for rural development."

Program Operation and Evolution

Program Priorities and Strategies

Much of the FMDR's program strategy has developed from work experience in the field. Founding members have followed closely the development of the institution keeping in mind the philosophical principles and objectives of the organization which they helped define. Nevertheless, the overwhelming force in this area has been the body of knowledge presented to them by professionals in the field.

The documents which describe the FMDR's strategies reveal a marked difference between government programs and their own. There are two fundamental critiques of the government's approach: its underestimation of human costs and the overall cost of its programs.

Regarding the first criticism, the FMDR has consciously focused on microprojects in which capital and technology are of secondary importance to education. With respect to the high cost of programs, the FMDR's documents stress the optimum use of all resources, including those of the rural population itself.

Another important strategic organizational contribution developed by the FMDR is decentralization. Since the beginning, the first chairman, Lorenzo Servitje, insisted that each one of the Development Centers in various regions of the country be autonomous and related in a subsidiary manner with the FMDR, based in Mexico City.

During the 1970s the FMDR also insisted that its strategic focus be global since the govern-

¹³ Arturo Espinosa and Rolando Delassé, *Rural Society And Modernization*, ed. Centro de Consultoría Ecológica Internacional, México, 1993, pg. 88.

ment tended to take a sectoral approach to the development of rural areas. In particular, social development was completely absent from the government's programs. The FMDR's rural development strategy document states: "One of the deficiencies of the existing systems is that they have always neglected some areas and these inevitably become bottlenecks. A clear example are social problems which have caused low productivity and political consequences."¹²

During the presidency of Miguel de la Madrid (1982-1988) the federal government adopted the rhetoric of integrated rural development forged by the FMDR years before. In this regard it is worth noting that in 1984 Arturo Espinosa became the director of the *Instituto Nacional de Capacitación Rural (INCA-Rural)*, the National Rural Training Institute, in the national Department of Agriculture and Water Resources.

The point of departure for the Foundation's strategy has been the microproject, i.e. the concentration of credit, technical and educational efforts for the development of a group of small farmers. The goal of setting up microprojects is to eventually set up microenterprises in rural areas. Three aspects were most influential in making microprojects the cornerstone of the Foundation's work:

- They were the concrete solution to the resolution to respond directly to the rural population;
- They were successful in regions with many small business owners who are able to facilitate the launching of these projects; and
- The Foundation staff had a group back ground in technical assistance

which led to concrete problem solving and results.

"Classic" microprojects in the FMDR are the purchase of a tractor or the drilling of wells for irrigation. Both introduce technological innovation in order to increase agricultural productivity. The elements of basic social education and community development are interwoven with the technical aspects of these projects, particularly with the inclusion of women and youth.

These projects were considered classics because for 20 years the expansion of the FMDR mainly took place in the country's highlands where it was possible to bring together many small producers to resolve the problem of water shortage by joint use of wells and tractors.

The benefits of a strategy based on microprojects is twofold: firstly, that specific problems are resolved, i.e. water shortages or difficulty cultivating land can be resolved as mentioned above with wells and tractors. Secondly, those involved in small scale projects should become confident and are able to become active in future projects. This last aspect is crucial to the goal of involving many actors who can give testimony and legitimacy to small projects and later the impulse for larger, more difficult undertakings.

From the beginning of the 1980s to the present, the FMDR has discussed the need to adopt a broader approach, moving from the microprojects to microregional impact. This means not only the accumulation of microprojects but the establishment "of a territorial zone with areas of similar resource availability for agricultural and forestry use, production methods, technological skill levels and attitudes towards development."¹³

The ex-director of the FMDR, Arturo Espinosa insists that it is only possible to achieve real participation in areas where there is personal and direct contact between the farmers and organizers, institutions and service providers. In this way, farmer organizations can establish dialogue leading to commitments with public and private agencies without breaking direct contact with their members. He notes that “the microregion is justified as a planning and action unit when it truly is the basis for the determination of objectives or work plans that are different to those of other zones or even to national, state or macroregional policies.”

Keeping this goal in mind, in 1979 under the direction of Arturo Espinosa the regional “frame of reference” was introduced as an indispensable part of the planning process for the work

of Development Centers. In reality, this tool was used only at the beginning of the operation of the Centers and rarely again in the planning process for which it was designed.

Until the end of the 1980’s the FMDR participated in the planning and operation of the Development Centers programs. The Foundation

provided direct technical assistance in field operations and provided matching contributions for the capital fund and/or program expenses. Since 1990 this form of operation has been criticized for being “paternalistic,” and the Centers now operate with local project administrators. The Centers are still supported economically by the Foundation, but this support now consists of credit lines or government funds that are used to pay technicians hired directly by the Centers.

The FMDR, as the coordinating agent for the association of Development Centers that

make up the FMDR Movement, has developed its capacity to group projects from various Centers and present them to donors in “packages.” For example, a bank is presented with entire credit capacity of the groups from different Centers and a line of credit is negotiated. The evaluation of each project is made by project technicians from the Centers themselves and is co-signed by the regional Coordinator from the FMDR. In this way, access to financial resources is much quicker than if a group of farmers were to approach their local bank individually, even with the support of their Development Center. Some of the expenses associated with the credit raised are for formulation, evaluation and assessment of project productivity. These funds are managed centrally through the FMDR and then transferred to the Development Centers.

There is now less institutional concern about questions of methodology and strategy. The current director, Antonio Ruiz, indicates that there are sufficient principles, operating standards and methodology established for each Development Center to apply in the most suitable manner for their particular region. Today, the FMDR is more concerned with raising of funds that can be channeled to the Centers rather than solving their specific operating problems.

This may be why in general terms the FMDR still follows a broad program strategy developed in the early 1980’s which conforms to the limits of rural areas while maintaining basic standards. It has the following basic criteria:

- Low Cost: The amount of credit per capita should allow the greatest possible number of people to be served and the administrative costs should be reasonable;

¹⁴ In October 1995 the “Latin America Diploma Course on Rural Development” was

- Fast: Results should be obtained in the first year of operation;
- Radical: It should be capable of changing traditional values, forms and social and economic processes;
- Realistic: The goals should fit the rhythm of the community's decision-making processes and not try to skip stages; and
- Replicable: It should be replicable in regions with different social and economic characteristics.

Those responsible for the educational aspects of development for the FMDR regard these criteria as the basis for strategies, methods and norms of operation not only for the FMDR but also for associations of Development Centers.

It is precisely these aspects that help unite the FMDR with Development Centers since there is agreement on the strategies for confronting rural development.

There has been no external technical assistance involved in the formulation of the strategy and methodology. It has been developed internally with input from external evaluations. Of these, the evaluations carried out by the Instituto Mexicano de Estudios Sociales, A.C. (1972), the Centro de Estudios Educativos, A.C. (1977), and the Inter-American Foundation (1985) have been particularly important. These evaluations sought to measure the impact of the programs on farmers themselves. An organizational evaluation in 1987 underlined the lack of conceptual comprehension of the FMDR Movement.

The current management group maintains that the FMDR now has greater clarity than ever

before and is not losing focus as some have suggested. They argue that by channeling resources the FMDR not only continues to help the farmers present their projects to banking institutions, but that the Foundation itself also carries out tasks of a "semi-financial" institution (a kind of small development bank). In the area of education, its courses are no longer merely reactive but structured on four levels:

1. Introduction to the FMDR's philosophy and strategy, aimed at staff and board members;
2. The rural community organizers program, aimed at achieving independent and sustainable community development;
3. Diploma course in rural development, designed for training organizers; and
4. Diploma course in business training for the rural sector, which has the objective of "preparing rural leaders in decision-making and management of rural businesses or agroindustries."¹⁴

One of the greatest difficulties faced in the formulation of priorities, strategies and objectives is the lack of a systematized approach or understanding of the problems faced in rural areas. Although there is an increasing body of knowledge, work in this area is still performed mostly on a concrete rather than theoretical basis. In addition, the changing situation in the Mexican countryside, legal reforms and economic crises, have made it even harder to reach a common agreement among the actors involved, i.e. businessmen, professionals and the rural population.

In the last six years the Annual Meetings of

¹⁵ This funding comes from the Banco de México for development assistance for small producers.

the FMDR Movement, which are attended by Board members and directors of all the Development Centers, have been used to present various operating strategies. Although this practice has helped to achieve a shared vision, its results are impossible to convert into generalizable rules and rather diverse forms of management have arisen. These meetings also have the disadvantage of providing only a one year vantage point. Additionally, the frequent change in leadership of Board chairmen in Development Centers and the FMDR itself make the organization susceptible to the influence of a particular chairman rather than the dictates of institutionalized strategy.

However, it is worth mentioning the great progress achieved in the planning process. This is due to two factors: firstly, to the ongoing debate involving an increasing number of FMDR members with regards to rural problems and possible solutions. Secondly, the agreements reached in the Annual Meetings go hand in hand with new financing effort for the Development Centers.

Historically, Board members have promoted a business-like vision in which success has been measured by economic impact and profits, while management has been more concerned with educational and social concerns, although in a complimentary fashion. As indicated previously, organizational doctrines have been enriched both by the pragmatism of the staff and the vision of the Board.

A brief glance at the path taken to develop program priorities and strategy would reveal the following steps: an organizer from a Development Center gathers the thoughts and opinions of farmers and communicates them to his/her manager. The manager presents a

strategy based on this information to the Development Center's Executive Committee which either rejects or approves the manager's recommendations. If a given strategy is successful, then this manager travels to present it at a national level meeting of the FMDR's Executive Committee in Mexico City; he travels alone or with the President of his/her Executive Committee. At this point the same cycle is repeated: the FMDR staff analyze, compare and test the proposal. If it is considered pertinent, it is again presented to the FMDR's Executive Committee for approval, amendment or rejection. There have rarely been proposals for farmer organization or rural development strategies from the FMDR's Executive Committee itself. This is not regarded negatively but is respected as a sign of respect for the strategies which arise from direct involvement. The Executive Committee often does offer suggestions and decisions regarding financial organization or direction as well as for the logistical support for the FMDR movement through lines of credit, access to authority figures, etc.

Grant Beneficiaries

Throughout its history the FMDR has developed three types of financial support:

- Grants to support the operating costs of the Development Centers;
- Donations for specific projects; and
- Credit for agricultural and forestry production.

Each type of financial support has its own requirements and procedures and funds come from different sources. Matching grants are awarded for fundraising efforts by the local Boards. They can be issued on a "peso for

¹⁶ According to the Banco de México farmers or low income producers (LIP) are defined as those who earn up to three minimum monthly wages. At the beginning of 1995 the minimum monthly wage was

peso” basis, i.e. a 100% match for funds raised locally. This method was used until 1988. When the FMDR did not have the necessary funds, local Boards were notified and the funds were owed for the following year.

In 1989 a new method based on the age of each Development Center was launched. The rationale was that Centers require more institutional support when they first begin and have decreasing need thereafter. The first-year grant rate would therefore be 100% for a new Center. As time went by and the Center grew in strength, it would no longer need the same support from the FMDR. In the second year, the Center would be supported 80%, 60% in the third year, 40% in the fourth year and 20% in the fifth and last year. The already existing Centers received first year status when this plan was put into operation.

Another type of institutional support comes in the form of specific donations. These vary in nature, but there are two main types: those earmarked for production activities and those aimed at social activities. The former are normally high risk but when they succeed they are used for the investments for the local farmer group or the respective Center. The latter usually involve nutrition and health-oriented concerns.

Finally, there are credit lines which usually involve production activities and are divided into two types. The first, is for farmers who deal with tested models of production, i.e. those with a high degree of reliability and measurability in their results that can be used as the criterion to gain access to bank credit. Normally, these resources come from credit lines opened by the banks when the FMDR and the Development Centers act as guarantors for the farmers together with the *Fondo Especial de*

Garantías (FEGA) or the Special Guarantees Fund of the *Fideicomisos Institucionales Relacionados con el Agro (FIRA)* or Institutional Trust Funds for Agriculture.¹⁵ The Development Center’s staff technicians provide assistance for the farmers in project design and are responsible for the required technical and administrative evaluation. The regional coordinator of the FMDR, and later the Evaluation Committee for each individual credit fund, must approve or reject the proposals before the FMDR administers them. The FMDR collects directly from the Centers, which in turn do the same with the rural groups. The interest charged on the credit is the same as that offered by a development bank.

The second type of credit programs supported is that considered to be high risk. This type of activity is supported by the FMDR via its credit recovery funds and/or through contributions obtained by the institution specifically for this purpose. The approval procedure is the same as above but there is greater flexibility in project areas and interest rates tend to be lower. This is based on the possibility that the project may fail and also that experimentation with crops or new technology may be successful.

Simple procedure manuals are provided for each of the funds. They are aimed at the professionals in the Development Centers since little effort has been made to disseminate information about funding mechanisms directly to farmers. For all types of credit a memorandum of understanding is signed between the farmers, the Center and the FMDR.

The selection and identification of the end beneficiaries are carried out by the field organizers of each Center according to regional work models and common criteria for all Centers which are listed below.

¹⁷ The FIRA, in turn, is one of the main customers of the Diploma Course in Rural Development given by the FMDR.

¹⁸ The first IDB-FMDR project started up in the State of Guanajuato in 1988.

¹⁹ Do not confuse Banco Mexicano, S.A. with the Banco de México. The first is a private sector financial institution and the second is the Central Bank of the Mexican government on which the FIRA depends.

²⁰ Between 1987 and 1993 only six loans (2.7%) were for an amount larger than US\$20,000. Ten (4.5%) were between US\$12,000 and US\$20,000, twenty-six (11.8%) between US\$8,000 and US\$12,000, thirty-seven (16.8%) were for amounts of between US\$4,000 and US\$8,000, seventy-one (32.4%) were granted for sums between US\$1,000 and US\$4,000, and sixty-nine (31.5%) were granted for amounts less than US\$1,000. Thus, 63.9 percent did not pass US\$4,000 and 31.5% fell below the US\$1,000 mark.

²¹ The most important organizations that provide funds to the FMDR in this context are: Codespa (Spain), Fas/Share (USA), Agency for International Development (USA), Citibank (USA), Gildred (USA), the Konrad Adenauer Foundation (Germany) among others.

²² The FMDR operates two small IDB projects, each one reaching a total of US\$500,000. When converted into pesos, however, and loaned to farmers in national currency the amount is reduced due to inflation.

²³ All the figures stated take into account an exchange rate

1. The project must fall within the scope of priorities that each Development Center establishes;
2. The Development Center must act as a credit guarantor of between five and 10 percent of total funds disbursed and provide the required technical and administrative training to the beneficiaries;
3. Aid is given to organized groups, not individuals;
4. Priority is given to those projects which may have a significant micro-regional impact and serve as catalysts for other micro projects;
5. The project should be replicable, i.e. be a regionally appropriate model; and
6. A sixth and obvious criterion is that the projects abide by institutional financial procedures and meet the formal requirements indicated for each of the types of economic support.

These general criteria have been decided upon by the executive committee of the FMDR (the Executive Director, the Area Directors and Regional Directors). For credits granted by banks the institutions themselves make decisions based on their own criteria. The FMDR follows the criteria set by banks in order to channel funds effectively. With projects that require venture capital the criteria are basically the same but there is more flexibility with interest rates and payment schedules.

Organized groups of farmers receive these funds.¹⁶ According to the agricultural legislation enforced locally these may be any type of organization in a rural region from cooperatives, rural production companies to social

welfare societies. When banks issue credit the organizations are required to legally exist. Although other entities do not necessarily require this, the FMDR recommends it.

In terms of gender, no reliable statistics exist regarding the percentage of resources channeled to projects for women. The prevailing view is that few funds go to women although at one point there was a foundation dedicated to women and rural families, *Fundación para la Educación y Desarrollo de la Familia Rural – FEDEFAR* or the “Foundation for the Education and Development of the Rural Family,” began as part of the FMDR and slowly developed until it became a separate institution. This was not successful due to continuous overlap with the FMDR. Its Board of Directors, made up of members of the FMDR, decided to close it down and transfer its tasks to the FMDR’s Centers.

A poll carried out in the beginning of 1995 among 15 Centers with projects for women shows that they directly serve 523 women in projects such as dressmaking, animal husbandry, corn mills, tortilla production, bee-keeping, handicrafts and others. In March 1995 a group of women from the FMDR’s Board formed a committee to create a program for Women and the Family. Its goal is to increase both the productivity and the well-being of families and communities.

In order to administer credit funds, staff of the FMDR Movement frequently receive training from the financial institutions with which they work. There is a particularly close relationship with FIRA, whose technical assistance is highly valued both by the FMDR and several Centers.¹⁷ For the handling of resources coming from the IDB, FIRA has provided training courses on demand.¹⁸

With bank-funded projects finding viable pro-

²⁴ Inter-American Foundation, *Development and Enterprise. Proposals for improvements of the Mexican countryside, 1985*, pg. 64. This evaluation states that the FMDR declared its administrative costs for 1978 at 5.1%, and gave an opinion of this cost increase: “It is probably due to a certain inefficiency in the programs or excess capacity in their infrastructure.”

jects and beneficiaries is difficult because of the economic crisis. Exchange rates are highly unfavorable for the farmers, even more so with small quantities of grain and other staples (corn, beans, milk, meat). A second obstacle is to resolve the difficulty of finding guarantors. Another problem is the capacity of the Centers themselves to support the organization and training of the group with which they are going to work. Quite often credit is used as a “hook” to form new groups and, if not handled carefully, can be mismanaged. Since normally joint credit is extended, if one member does not pay his debt then the others have to cover it.

Currently the FMDR is considered a banking institution for credit distribution due to its organizational structure and the direct relationship it has with producers. The current management team uses credit as a tool to introduce the educational factors related to rural production. Projects like those planned with the *Secretaría de Agricultura y Recursos Naturales* (Mexican Department of Agriculture and Water Resources), the *Programa de Investigación y Extensión (PIEX)* or Research and Extension Program, the *FIRA* and *Banco Mexicano*¹⁹ illustrate the type of collaboration that can be used by the FMDR. As credit has become harder to find, the FMDR has looked for possible ways to divide costs such as: one institution pays for outreach and organization (*PIEX*), someone pays training and technical assistance costs (*FIRA*), someone provides credit (*Banco Mexicano, S.A.*) and the FMDR assumes administration costs and is responsible for program implementation.

Grant Terms and Forms

Between 1987 and 1993 the FMDR adminis-

tered 213 projects. In 1994 the operation increased by 134 projects mostly due to the approval of an open credit line by the private Banco Mexicano. Up until 1993 the average amount of credit was US\$4,000 per group. In 1994 this average rose to US\$6,000.²⁰

At the end of 1994 the FMDR handled five credit funds: professional development, FMDR, IDB, *Nacional Financiera (NAFIN)* and *Banco Mexicano*. Three of these (IDB, *NAFIN* and *Banco Mexicano*) are managed with strict bank criteria and the other two operate with more flexible

criteria since there is greater risk involved. The bank credits are farm loans for the purchase of machinery and equipment. The professional development loans, as their name suggests, are aimed at the promotion of professional training in rural communities and are focused on youth, with funds coming from the FMDR and other organizations and foundations.²¹

At the end of 1994 there was a total of 115 projects being carried out with FMDR funds, totalling US\$400,000. Sixty-nine projects were financed with IDB resources, totalling US\$400,000.²² *NAFIN* funds for the promotion of agricultural enterprises totalled about US\$400,000 while the *Banco Mexicano* loans reached US\$2,704,000. By the end of 1994 the FMDR handled a total of US\$3,944,000 of rural credit.²³

In addition, the Development Centers that are affiliated with the FMDR movement mobilized close to US\$8,000 for project financing.

The farm loan credits are granted for a maximum period of five years; those using FMDR for three years. The idea is that resources can be recycled in a relatively short period of time.

The legal requirements are the establishment of an agreement between the group receiving

²⁵ The current director started as a FMDR organizer 12 years ago; the assistant director, Bernardo Barranco started 8 years ago. The management position with the greatest turnover is that of administrator but this is considered an easy post to fill since “you can find an administrator anywhere.”

²⁶ Ideology of a director. Letters from the Management 1986-1993, FMDR, Mexico, 1994, pg. 18.

²⁷ The CCCA disbanded in 1993. It was a network of 17 Latin American nongovernmental organizations that received funding from the Konrad Adenauer Foundation. Its objective was the exchange and training of its members. Most of the FMDR management and the Centers' managers participated in international training events organized by the CCCA.

the credit and the FMDR with the Center as the guarantor. The installments are programmed according to the type of project, although there is a preference for disbursal in one single payment. Credit repayments are made on a monthly or quarterly basis. At the end of 1994, unpaid loans administered by the FMDR reached 15%, or US\$247,800.

For both the authorization and administration of credit, the FMDR and the respective Development Centers are responsible for providing technical assistance. Banks see this as a guarantee that the credits will be properly channeled as well as saving them training and supervision costs.

It's worth noting that administrative costs of the FMDR are high. Banks estimate that out of every peso invested they can use four cents for promotion, the FMDR uses up to 25 cents for the same thing, according to the calculations of the current director, Antonio Ruiz. He indicates that the reduction of this cost is one of the most important challenges that the Foundation has to overcome. Ten years ago, in 1984, the cost varied between 11 and 13 percent, according to calculations by the IAF.²⁴

Most of the problems related to credit terms have to do with the existence of guarantees. With NAFIN funds the creditor must provide guarantees at a rate of two to one of the requested sum. With the Banco Mexicano the guarantee to be provided to FEGA is one to one. In all bank credits the FMDR provides 5% of the guarantee and the Development Centers another 5%; for its part, the bank granting the credit provides 10%. The IDB doesn't require collateral or mortgage security from the creditor. Usually the farmers do not have the resources for these guarantees and therefore only have access to the FMDR funds

which are in smaller amounts. In the end, the biggest problem continues to be the poor viability of the rural sector.

Grant Monitoring and Evaluation

Throughout the history of the Foundation there have existed three types of evaluations: economic (profitability), attitudinal and a combination of these two aspects.

Up until the mid-1980s great emphasis was placed on evaluating the change of attitudes in the FMDR's rural projects. This perspective has slowly decreased in importance giving way to evaluation stressing correct implementation and administration in order to reach the projected profitability levels. This information is gathered by the organizer from the Center and sent to Mexico City. The FMDR has divided its operations into three regions (North Pacific, Center and surrounding areas). Each one of them has a regional coordinator of FMDR activities, particularly for the approval and supervision of credit. They are responsible for the reporting of the economic/administrative progress of the projects. Very rarely is the credit recipient the person who carries out and presents the written evaluation, which is not to discount evaluations, usually carried out by groups, in which the recipients play an active role.

All the institutions that provide funds to the FMDR carry out periodic evaluations of the projects that they finance. The IDB and the World Bank send their own evaluators to visit rural areas. The Mexican banks and other foundations including the FMDR itself carry out evaluations using their staff or that of the Development Centers and usually with the aid of previously designed forms. There are now many areas for evaluation: profitability, admin-

istration, technical and organizational assistance and environmental impact.

Staff

When Operación Ziritzicuaro (1963) started, it had no staff whatsoever. A year later when Arturo Espinosa was hired he had a team of three people. Around 1969 the professional staff consisted of eight members. During the 1970's it grew to 20 staff members and with this growth the number of Development Centers and staff of the FMDR also rose. In 1986 the institution reached the highest number of employees that it has had to the present date: 69 members working in 35 Centers, two rural centers and two research centers. By the end of 1994 the number of professional staff decreased to 33 members, covering 39 development centers.

Currently the FMDR has 32 workers and the Movement as a whole has 307. Personnel are hired by personal recommendation. In 1986 there were twice as many employees, and this number was decreased due to a concerns for efficiency and a change in programs which resulted in reduced direct technical assistance and increased work in channeling funds.

Internal mobility for access to posts with greater responsibility is very slow since there is very little rotation at the management levels. What motivates personnel is the challenge of their work rather than the possibility of promotion "by their own merits."²⁵

With regard to information sharing, a management team formed by the Executive Director, his assistant, area directors and regional coordinators meets every quarter to assess and plan the general direction of the institution. The relationship with members of the Board who

are businessmen is cultivated both by the general director and the area directors. Area directors have their staff organized into working committees that have an operations director or manager who follows up the decisions taken by the Board.

The interdisciplinary nature of the FMDR team has been a permanent characteristic although the ex-chairman, Víctor Hernández considers the staff to have two types: the "squares" and the "circles." The squares are distinguished by their ability to simulate high productivity in the rural groups, and the circles tend to lean towards the socio-educational and attitudinal aspects of FMDR's work. He concludes: "I think that the true nature of our work is to join together these two tendencies in equal parts....I believe that we must try to become "octagons" or "dodecahedrons" so that we are equally concerned about the physical and social well-being of the people with whom we work."²⁶

Out of 33 professional staff members about 80% have a background in administration. The project administration area is the one that has shown the greatest dynamism over the last seven years. On the other hand, the number of staff engaged in educational and direct technical assistance has decreased. There is a desire to hire professionals in the respective area who have at least a bachelor's degree. Their later training is subject to the requirements of the job. There is no specific training plan for the staff, although training opportunities are frequent and depend on personal initiative to increase skills and knowledge. The area coordinators and directors usually have both local and international training opportunities due to the participation of the FMDR in the Solidarios network and, up to four years ago, in the *Proyecto de Fomento al Cooperativismo y Desarrollo Comunitario en América*

Latina (CCCA) or “Project for Cooperative and Community Development in Latin America.”²⁷

A study of organizational culture carried out in 1986 indicates that the motivation of staff members in the FMDR Movement has to do with humanitarian principles and a sense of solidarity with the rural population. This is especially true with long-term staff members. In order for new staff members to become familiar with the FMDR’s mission a mandatory course on the institution is given at least three times a year.

There is very little staff turnover in the FMDR. With the exception of the personnel rationalization program carried out in 1986, 1987 and 1991, the annual turnover is less than 10% and mainly takes place at the lowest levels.

If the wage levels of the FMDR’s staff are compared with those from private companies, they are low. Compared to other nongovernmental development organizations, however, the wage is competitive.

The greatest staff concern expressed by various members of the founding group of the FMDR is finding people who have a profile combining humanitarian convictions with a solid business background. Board members who are involved in business insist that it is not sufficient to participate in good work, but that it has to be done efficiently as well. Interaction between staff and Board Members is established in two ways: by the participation of the Board members in different committees and through the appointment of Board Members/Advisors to specific Centers.

Several times during its history, the FMDR has faced problems due to a lack of respect for hierarchies between Board members and staff. It is not very clear if the Board makes decisions or has just a consultative role. This

causes friction which is exacerbated by some Board members who prefer to talk directly with persons executing programs without having the authorization of the General Director.

Expansion, Growth and Professionalization

Since the beginning of the 1970s, the FMDR had a reproducible institutional growth scheme. The process consisted of a search for business executives in different parts of the country who would adopt the FMDR’s strategy to help finance an office that would affiliate with the FMDR Movement to promote rural development projects. These projects would be financed by the funds and agreements made with commercial banks. Since then and up until the mid-1980s this process resulted in a relatively fast institutional expansion.

In 1987 when Víctor Hernández joined and Manuel Mestre left an analysis of the FMDR’s funding situation was made. This study made it clear that not enough effort was being made to access international funds as compared to other organizations of a similar nature. This is how initial conversations with the IDB began with the goal of receiving US\$500,000 for small projects. In addition, an extensive funding appeal to other international donors was carried out.

Once funds of this type began to come through, the main coordinating office of the National Movement shifted its activities from the organization and assessment of projects in Development Centers to some direct funding for projects and programs in the Centers. At the same time, in 1988 the law which required commercial banks to contribute to the financing of low income farmers was modified and these project began to be financially marginalized.

²⁸ Funds also come from multilateral organizations such as the FAO, but these are of little significance.

In response to this situation the FMDR began to supplement the decreased income of these projects with funds it had raised. Although, the amount received was far below the demand, the FMDR gained banking experience and by 1992 was handling close to US\$2.5 million.

Financing FMDR

Funding FMDR

When Operación Zirizicuario started in 1963, a financial fund did not exist — each of the members contributed money as needed. It is very difficult to indicate how much each of the members contributed but it is worth noting that Lorenzo Servitje and Alfredo Christlieb Ibarra were major contributors. In terms of time commitment, the greatest contribution came from José Luis Bárcena, general manager of Selmec.

This was the financial plan until 1968 when the director Lorenzo Servitje was invited to attend a meeting where he met representatives from the *Fundación Panamericana*. After several visits and consultations made by the *Panamericana*, it approved a donation which jointly with the founding members' contributions became the seed money for the birth of the then *Fundación Mexicana para el Desarrollo (FMD)* in 1969.

Throughout the FMDR's history different funding methods and sources have been used. The sources can be divided into several different groups:

Donations from Individuals

These have always been the foundations of support for the Foundation. From the 20 founders who started the Foundation, today there is a stable base of 160, many of them important business leaders. Of these, 112 contribute the equivalent of one minimum wage per year (approximately US\$960). The rest of the contributors give larger contributions of between US\$10,000 and \$200,000. These sources constitute the funding base of the Foundation. The FMDR does not have an

endowment that provides dividends; it survives on the support that it receives from these individuals.

Three large fundraising campaigns have been carried out to date. Doubtlessly the most important was one was held from August 1977 to January 1978 — not just because of the amount collected (MN75,000,000 or US \$2,884,615 at a rate of 26 per US\$1, but also due to the organizational experience gained. The campaign effectively widened the Foundation's donation base and provided it with a fundraising method.

The second fundraising campaign was in 1983. The goal was MN15,000,000 (US\$187,500 at a rate of 80 per US\$1) to be used for the FMDR's endowment. The campaign was started as a means to recover the endowment after payment was made in US dollars to Solidarios for a previous debt.

The third, in 1985, had the aim of obtaining permanent financial backing through monthly or annual membership fees. The goal set was MN250,000,000 (US\$1,666,666 at a rate of 150 per US\$1). It was during this campaign that the idea of indexing the donations as minimum wages was introduced. The reason for this was that due to inflation, fixed-amount donations quickly lost purchasing power. If the commitment was measured in minimum wages, the periodical receipts were simply indexed.

A fourth campaign was run in 1990.

Fundraising campaigns usually resulted in corporate donations although individual donations also played an important role.

FMDR Businesses

Although the FMDR has tried this self-financing method it is more frequently used by the Development Centers. The FMDR's last attempt to start up a company was for the marketing of bee honey called Dapícola. The business was set up using funds from the FMDR, several Centers and from the bee-keepers themselves.

The company was not successful and was liquidated.

In some centers this method is successful when used to receive a "middle-man" percentage in the sale of fertilizers and agro-chemicals. In 1994 this fundraising method reached seven percent of the total monthly income of the FMDR Movement.

Government Contributions

As the government has withdrawn from direct involvement in rural development, organizations such as the Foundation have taken a more important role. The government has recognized the FMDR's contribution and on several occasions has provided economic resources

as direct payment to rural organizers (US \$1,000,000 in 1989) and through the authorization of credit lines including payment of technical assistance needs.

If in the beginning of the FMDR's existence it was considered an alternative or complement to government, since 1982, when Miguel de la Madrid became president, a recognition for and support of the FMDR's work has broadened. The Board and the staff are also working in a more complimentary (rather than alternative) ways with government.

Multilateral Organizations

Funds from these organizations can be divided into two types: those coming from banking institutions and those from development agencies.

The first includes funds from the IDB, the World Bank, the European Economic Community and from the embassies of Canada, Belgium and Holland, among others.²⁸ The second covers funds from those coming from USAID, the Inter-American Foundation and the Konrad Adenauer Foundation.

The IDB funds started in 1989 with a 20-year credit for US\$500,000. Currently, in addition to the first credit, there are three more of the same size operating in the centers of Monterrey, Saltillo and Guadalajara. Three more small projects are on the point of approval for Toluca, Puebla and Querétaro. "In the future," affirms Bernardo Barranco, "we will be presenting a global project to the IDB for a total of US\$4,500,000 using bank investments, the FOMIN, instead of small projects."

The program of World Bank funds started in 1991 when the Mexican Department of Agriculture and Water Resources proposed that the FMDR take charge of 20 development districts where the *Programa de Capacitación y Asistencia Técnica Integral (PROCATI)* or "Integrated Training and Technical Assistance Program" existed. The FMDR accepted participation in two districts located in the states of Oaxaca and San Luis Potosí. This program identifies farmers for credit channeling. Given that the experience was assessed as being successful by the World Bank, another program was started in which ten development centers participated. It was called the *Programa de Investigación y Extensión (PIEX)* or "Research and Extension Program." Currently another project is in the negotiation stage for

the development of rural aquaculture in coordination with the Mexican Fisheries Department.

Funds coming from public development agencies have for the most part been used to finance small investments with a certain level of risk. Except for the IAF's donations in the 1980's, the funds are generally modest in size.

²⁹ Since 1989 the FMDR has coordinated with The Resources Foundation, based in Larchmont, New York, for support regarding the identification of opportunities and lobbying. This American institution offers its tax register for tax deductions of funds raised in

Private Organizations

These funds come from different private agencies or foundations dedicated to supporting development initiatives. Throughout its history the FMDR has been connected to around seventy international organizations from Europe, Canada and the United States. Among these, several religious organizations stand out: Catholic Relief Service (USA), Evangelische Zentrale für Entwicklungshilfe (Germany), World Council of Churches (Switzerland) as well as other organizations linked to large corporations: Ford, Kellogg, Chase Manhattan Bank, etc.

Raffles and Fundraising Events

These sorts of events vary enormously in the FMDR Movement. A house (Puebla, Tuxtla) may be raffled, or a car (Chihuahua) or money (Sayula). There have also been concerts (Mexico City, San Miguel de Allende, Guadalajara), conferences (Oaxaca, Mochis) and dinners.

Sale of Services and Consultancies

This method started only three years ago. As a result, the educational division obtained MN1,000,000 (US\$3,000,000 at a rate of 3.30 per US\$1) in net income in 1994. Diploma courses sell very well, except for introductory courses. Consultancies for project assessment have been proposed by government agencies for agricultural and aquacultural evaluation projects financed with funds from the World Bank.

The FMDR is quite aware that fundraising is becoming more difficult and competitive, particularly due to two phenomena: economic crises and the increase in nongovernmental organizations competing in the philanthropic market.

A study made at the beginning of 1992 on the different ways in which the Centers obtained funding yielded the following breakdown of results: donations 42%, sale of services 11%, raffles 9%, international aid 9%, events 4%, product sales 11%, farmers' contributions 3%, bank repayments 6% and local government aid 5%.

At the time of this study, the northern Centers relied almost entirely due to donations from individuals, this falls to 90% in the central regions, 80% in the peripheral zones and a little more than 60% in Jalisco. It should be pointed out that in 1992 most of the Centers did not carry out fundraising campaigns and that the contributions of the Board members represented nearly 50% of income.

Two years later things changed. In a poll dated July 1994, the breakdown of income for the Movement was the following: private donations 29%, government 50% while earned income fell 7%. The importance of the government funds stands out particularly with Desarrollo Rural de Guanajuato, the Center based in the city of León. The Government of the State of Guanajuato hired the Center to carry out rural infrastructure work required by the State.

On a foundation-wide scale the story is similar. In 1992 the contributions of the members represented 87.75% of total income while in 1993 this area reached only 32%. At the same time, government funding represented 42% and aid from international institutions 16%.

The president of the Board of Directors as well as the Executive Director repeat that "the typical donation is in crisis" if not facing extinction. They argue that in difficult times businesses are not willing to invest in "good causes" and that it is vital that efficiency and

³⁰ This procedure was started under the management of Víctor Hernández.

business-like administration of rural projects are demonstrated. If “typical donations” are related to “good causes,” i.e. charity, a new type of donation should have a business slant, such as social investment initiatives.

The FMDR’s Fundraising Methods

Generally speaking, the combination of prestigious entrepreneurs along with well-trained administrative staff and the capacity to illustrate the specific advances of the countryside has been the formula to raise funds.

The Foundation relies on three types of funds, two national and one international. Nationally, they are provided by the private sector (both by individuals and companies) by the public sector through banks or directly by the government. Private sector funds are used for the payment of the FMDR’s and the Centers’ staff while public sector and international funds are used for investment and direct development. In the last few years the mechanism for returns via credit has come to represent almost 50% of funds for total operating costs.

The most successful strategy for raising private sector funds was implemented by Jesús González Labastida, the accountant who was hired for the 1978 fundraising drive. It has two tenets: firstly, that a good cause is never enough (“people give to people”) without good interpersonal relations and secondly, that it is more important to get an associate for the Foundation than a donation.

The following are the stages of a “typical” membership or fundraising campaign:

1. Feasibility Study: clarification of the cause, preparation of the “case” and definition of the needs, identification of the leaders, philanthropic market research, definition of the type of strategy, definition of the campaign plan and tax deductibility

calculations.

2. Campaign Preparation: budget approval, organizational structure, naming of the coordinator, naming of the patrons, creation of the campaign image, preparation of materials, prospect selection and evaluation, formation of the basic donations committee, definition and commitment of the main donation and other basic donations, definition of administrative and accounting controls, definition of the roles of the participants.

3. Pre-campaign: obtaining of basic donations, verification of the organizational structure, integration of personnel to the organization, training and education of campaigners, motivation.

4. Campaign: opening ceremony, assignation of prospective donors to the campaigners, period of visits to prospective donors, report meetings, evaluation, closing ceremony, awarding of the campaigners.

5. Post-campaign: clean operation, thank donors, follow-up and information for the donors, auditing, collection.

An advantage for the request for fees in terms of minimum wages is the resulting permanent economic support since these fees automatically increase at the minimum wage rate and lead to greater budgetary precision while avoiding the need for continuous fundraising campaigns.

The funds coming from the public sector are obtained using a different method and are not as well-structured as above since they basically depend on the tact and political relation-

ships of the FMDR's chairman with the government ministers. Normally a work plan is presented and support is sought for Development Center staff and the Foundation itself:

A rough outline of this method would as follows:

1. Contact is made with the minister (i.e., Department of Agriculture, Fisheries or Banking) and the possibility of support is sounded out.
2. A general work proposal is prepared and presented in the form of a project. On occasion this requires field visits to convince the Board members and the Centers' staff.
3. Governmental technicians revise the proposed project and make suggestions. On occasions they visit the places where the project is to be carried out.
4. After the approval of the governmental technicians, there is a period of "lobbying," in order to win over the person responsible for the final decision.
5. Meanwhile the evaluation mechanisms and activity reports are adjusted.
6. The necessary agreements are prepared and the required financial deposits are made.
7. Evaluations and reports are made for the follow-up of the project, normally involving the Board and the Centers' staff.

For funds coming from international agencies, the following steps have been developed:

1. One of the financial organizations is chosen and contacted.

2. A package of information on the Foundation is sent together with a letter in which information is requested on the possibility of funding.

3. For the positive replies a preliminary project is prepared and, if possible, these agencies are visited in their home country.

4. The institutions interested in providing funds are presented with a project and invited to visit the area where this is to be put into operation.

5. If the financial institution approves, the formal request is prepared and presented. For cases involving a Center, the proposal includes the legal obligations involved in the project.

6. During the execution of the project, field evaluations are performed by both the Centers and the FMDR's staff and by the financial institution.²⁹

When asked what type of funds are the most difficult to obtain, Bernardo Barranco replies that, without a doubt, private funds: "These (funds) assure our credibility for access to all other economic resources," he added. Lorenzo Servitje insists that through the courses and talks with entrepreneurs, doors open more easily along with the willingness to get involved.

Within the FMDR there is an awareness that the most difficult aspect in fundraising is that of getting people involved. From this, a program called "thank you seven times" has been developed where Foundations members receive tokens of esteem throughout the year and are aware of the institution in their work

³¹ The following are the Centers that "disappeared:" Pihuamo, Aguascalientes, Mochis, Hermosillo, Zacatecas, Jalapa, Torreon, Veracruz, Ciudad Juarez, Macuspana, Apasco, La Barranca, El Castillo, San Miguel de Allende, Iguala, Copala, Zapotitlan and the Durango Forestry Center.

and/or
family life.

Approaches Used for Endowment Creation and Management

The FMDR does not have an endowment, although this was attempted in 1978 with the first fundraising campaign. The devaluation of the peso in 1982 put an end to that idea as the fund was used to pay off loans previously contracted in dollars.

There have been no other attempts to form an endowment as the funds obtained since 1982 barely cover operating costs. During the 1970's the Foundation believed that it could live off the interests generated by the money collected by the fundraising campaigns. The Mexican economic crises have ended that possibility. Maybe the only thing that has changed in the case of the latest devaluation in December 1994 (around 80%) is that the FMDR no longer has obligations to be paid in dollars. The resources from the IDB are in Mexican pesos, so although when counted in dollars the current amount of capital in circulation has actually fallen, the obligations of the farmers and the FMDR remain the same. The FMDR has also been markedly affected by the severe rise in interest rates.

Despite the significant amount of funds managed by the Institution, to date it does not own a building from which to operate and has rented buildings normally at low prices due to the connections of the Board members. Last year it received a donation from a Spanish institution for the construction of its own offices. Some development centers are owners of their own premises or land which has been donated to them.

The Financial Management of the FMDR

Every November the directors and regional coordinators of the FMDR meet to prepare the budget for the following year. Until the end of the 1980s the main concerns were income and expenditure in each area. The budget technique has slowly changed. Objectives to be reached are presented and the budget preparation is completed very quickly. Another criterion has been added to the requirements expressed in the objectives and goals: the recovery of the annual inflation rate.

Each director and regional coordinator presents their working plan and a budget proposal in a meeting lasting three to four days. The proposal is discussed by the group and approved.³⁰ Then the proposal is presented by the Director to the Board for final approval.

A few years ago the procedure of making comparison with the previous year was introduced and expressing the budget on a quarterly basis. The latter was necessary due to high inflation in the Mexican economy.

It was also decided that the budgets must present both incomes and expenditures for every item under specific headings. The detail reached in the budget is equal to that of a project, although a more specialized report is given by each one of the different areas involved.

At the end of the 1980's the specific cost of the operating structure of the Foundation was introduced into the budget (includes salaries, travelling expenses, tax obligations, contributions and office expenses). This responded to the criticism coming from the Centers that the FMDR was too expensive and did not benefit their work in the countryside. The origins of the funds covering these organizational costs

³² When the economic situation of the country becomes difficult philanthropic funds fall significantly.

were also included. As a result, the criticism has been quieted and although some Center managers still believe that the FMDR is costly, they do not complain due to the huge amount of funds that the Foundation can channel to them.

After the Board has approved the budget, it is examined every month. The FMDR's Board meets on the first Tuesday of every month and, apart from dealing with the ordinary matters, it revises the financial statements.

All the staff and board members who were asked about the management of funds show a high degree of reliability and responsibility. They believe that the personnel working in the FMDR and the Development Centers have a high level of morality and that problems in the past have been "insignificant."

Some managers have complained that when there is a lack of funds, the FMDR is protected first of all and the "leftovers" are used for the Centers. However, they do admit that the current management is efficient in general terms.

Conclusion

The FMDR's started in 1963 and the richness of experience gained over 32 years constitutes a priceless endowment for the institution. What are the most important lessons to be learned from an analysis of the FMDR as a philanthropic development organization? Some of the main lessons are the following:

Leadership

Board members prove that the permanence and enthusiasm of a small group of entrepreneurs, maybe no more than ten, has constituted a decisive factor in the stability and legiti-

macy of the operations of the Institution.

They have given stability because during the most difficult times, when the Institution has been seriously threatened by questions of financial solvency, this group has fulfilled the roles of management and provided direct financial support.

They have given legitimacy because this group, comprised at the beginning of rising middle-management businessmen, is now made up of first-class business leaders who have achieved great representation of the FMDR in many different fields of business.

In terms of operation, leadership was concentrated in the director. The director is still a strong figure, although now problem-solving and shared decision-making process is more important. In effect this is the first management team that has a more or less a common view of the problems of rural development and their solutions. One important characteristic of this team is the fact that they also share personal characteristics such as age, education and field experience.

Institutional Planning

The methodology, principles, objectives and organizational systems of the FMDR have been formed by years of experience. Until the end of the 1980s, however, the most common planning method was trial and error, although on some isolated occasions criteria were used for decision-making, most notably in the fundraising campaigns and institutional evaluations by external auditors.

Around the mid-1980s, the first steps were taken to improve on the trial and error method. The then director, Arturo Espinosa, driven by suggestions from foreign develop-

ment agencies such as the Inter-American Foundation, put into operation a “benchmark” for the Centers to be used as a planning tool. This tool, however, was not applied to the FMDR itself but did result in a greater concern about planning.

The most important steps on this matter were taken through the annual meetings of the FMDR Movement. These started in 1982 with the idea of providing an opportunity for discussion between the Board members and managers of both the Centers and the FMDR. By 1991 the Annual Meeting had become the forum in which paths to be followed by the FMDR Movement were discussed and agreed upon. No evaluation has been made of the degree to which these agreements were followed, but they have had a permanent effect in the form of better planning by the Centers.

Organizational Structure

Based on the original decentralized design which has been maintained to the present, the FMDR has passed through different stages. This decentralization is founded on the premise that the Development Centers are responsible for fundraising and administration and that the FMDR is responsible for organizational and monitoring principles and methodological guidelines.

There were two reasons for the existence of regional development agencies, or Development Centers: to garner the involvement and economic support of local businesses and that, due to the magnitude of rural problems, decision-making needed to be closer to their source.

In “the beginning,” organizational structure was practically bilateral, i.e. the Development

Center was in touch with the FMDR in Mexico City and sporadically with some of the other Centers. The FMDR developed a specific assistance structure using agricultural technicians sent to work in the Centers. These were paid by the FMDR and responded directly to its orders. Generally the Centers accepted them as support, but at the same time this caused problems since one of the Centers considered the presence of the technician as interference in its work. The manager of this Center argued: “It would be better to give us the salary of the technician and his traveling expenses and we’ll hire someone here who will be cheaper too.”

During the period “between crises” (1977-1986) the FMDR reduced its direct presence in the Centers without actually abandoning the technicians’ program. This period was characterized by the organization of the first nationwide fundraising campaign, coordinated from Mexico City but involving each one of the Centers, thus promoting a sense of “belonging” among their staff.

Due to the success of the 1978 campaign, the idea arose of establishing regional Boards consisting of several members from each Center. In 1984 Boards were formed in the northern, central and western zones of the country. Except for the one in the north, these Boards disappeared for two reasons: financial dependency on the FMDR and the fact that Arturo Espinosa left his job. The Board in the north lasted another year but it was more focused on the activities of the Center’s managers than on the Board members themselves. In effect, they wanted the FMDR to give them more resources than they actually generated themselves.

However, starting in the period of “alliances”

(1987-1993) the concept of the Movement was further consolidated. This was due to three aspects: firstly, the technicians sent by the FMDR were withdrawn, and in their place a policy of matching grants was established through which the Center could decide how to use the funds. Secondly, Annual Meetings were started as a joint discussion and planning method; and thirdly, the position of Regional Coordinator was created to promote the integration of the Centers and to mediate between the Center and the central offices of the FMDR in Mexico City.

Several problems appeared during this time, such as the economic maintenance of some of the Development Centers and/or Rural Centers which were unable to support themselves. The FMDR “injected” money but wasn’t able to revitalize them.

As a result, from 1994, in the stage of “reorganization,” one of the main concerns of the new management was to have a realistic policy regarding the Centers. Criteria were prepared to decide if each Center could continue as part of the Movement and, after the evaluation, the FMDR management decided that a third of the Centers could not continue. There was no breaking-up, since in effect they had ceased to exist years ago anyway, and the list of 52 Centers was reduced to just 34.³¹

Note: If the FMDR Movement were as a whole considered a nongovernmental organization (NGO) it would probably be the biggest in Latin America.

Fundraising

There are two fundamental lessons in this area: Firstly, that philanthropic funds form the economic foundation of the Institution are the basis of the FMDR’s legitimacy in negotiations with the public sector and other foundations. Secondly, it is necessary to obtain substantial

additional resources in order to open up new investment opportunities and at the same time balance the books during periods when philanthropic contributions are at a low ebb.³²

These are important points to be seen under this heading:

From the beginning of the institution up to 1977 when the first fundraising campaign was held, the fundraising basis rested on the personal relationships of the board members rather than on a determined strategy. Both the 1976 crisis and the growth of the organization made it necessary to do a more professional job in this area.

Secondly, when specialized services were hired for fundraising, their methodology was used until the end of the 1980’s. This was when the Foundation became aware that no matter how organized the philanthropic fundraising was, economic conditions of the business sector were so difficult that it would be necessary to look elsewhere.

On top of the fundraising methodology acquired by the FMDR, it also sought funding through specific projects that yielded a percentage for administration and/or financial management.

Currently a combination of both of the above methodologies forms the main axis of the FMDR’s fundraising. Through the first method, raising of philanthropic resources, the entrepreneurs supporting the Movement continue to be the basis and provide the legitimacy for the FMDR’s activities. Specific projects have increased the level of commitment and responsibility of the staff. This is a successful combination that should create awareness of the co-responsibility between businesses and

staff.

Development Prospects

The promotion of a business culture in the organization has resulted from the experiences and new perspectives of the work of the FMDR.

In general terms it can be said that the FMDR has changed from being an organization with

a marked educational emphasis to one of a “semi-financial” nature. Is this a loss of direction or a reorganization that means breaking with the past? Although different opinions abound among members of the Board, most support the viewpoint of the current management team that there is no break — these are adaptations to current challenges in rural development.

The general director, Antonio Ruiz, explains the difference: “before, the educational side was secondary to credit, now education is a function of credit.” There is no rupture, rather a change of emphasis. Until the beginning of the 1980s, the credit policy of the federal government facilitated the transfer of funds to the countryside and the FMDR persisted with educational aspects. As the economic crisis worsened, credit for the countryside became expensive and unsuitable. The FMDR realized that in order to fulfill its objectives it would have to change its emphasis to the channeling of funds for the organization of agricultural activities.

The educational director, Leticia Deschamps, indicates that educational work “far from disappearing, has been strengthened.” She gives the example that the Foundation is now not only concerned with demands for training but has specific offerings covering different levels: FMDR introduction, diploma course on rural

development, diploma course on rural sector business training, training for community organizers and the Latin American diploma course on rural development. Training has an additional attraction since it is highly profitable, these profits are donated to the Institution. As the Foundation has become more and more “semi-financial,” resources for training have increased. On top of the offerings indicated above, the traditional work continues including educational work with a technical, administrative and/or commercial aspects.

Redirected and reorganized, the FMDR heads towards the next century as one of the strongest Mexican NGOs and the original idea of taking business culture to the Mexican countryside has today been widely confirmed and acclaimed.

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