

Abstract

A Case Study of a Local Social Accounting Matrix: Oaxaca Mexico

by

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Performing economic assessments related to how development projects impact local populations is an important exercise for guiding evidence-based decision-making. Such assessments take on an even greater significance in view of the scientific consensus established by the Intergovernmental Panel on Climate Change (IPCC), which forecasts that climate change phenomena are likely to intensify throughout the 21st century. Recognizing the intrinsic vulnerability of small-scale agriculture to extreme climate events, it is clear that more rigorous economic studies that control for present and future climate trends are needed to guide IFAD development projects and strategies in the future.

The present study examines the economic impacts of different investment scenarios in a proposed IFAD project, comparing climate smart practices to alternative climate-blind scenarios. We employed a Social Accounting Matrix (SAM) to recreate the economic conditions in the proposed project area and later simulate the network of relationships between economic agents (firms, households, governments) through different phases of production, distribution, consumption and income accumulation.

The SAM model we developed focuses on the state of Oaxaca in south western Mexico. We input three different investment scenarios into the matrix and compared their impacts at the state (Oaxaca) and district (Villa Alta) levels and measured impact in the short (5 years) and medium term (20 years). Implications for current investment choices in rural development projects and strategic planning are also discussed.

The study concludes that in the case of Oaxaca, a climate-smart investment scenario performs as well as a climate-blind scenario in the short term, but the former considerably outperforms the latter in the medium term. This outcome holds for the agriculture sector, but also for the economy as a whole. Owing to shifting climatic conditions in Oaxaca, our analysis indicates that mainstreaming climate change adaptation in IFAD's country portfolio would generate increased economic performance and better value for money.