



Mexico's Model Conditional Cash Transfer (CCT) Program for Fighting Poverty

BY BERYL LIEFF BENDERLY

More than a decade ago, Mexico emerged as a world leader in fighting poverty. "Exemplary" is how World Bank president Robert Zoellick describes Oportunidades, the results-based financing (RBF) program (originally known as Progresa) that they used to accomplish that.

Applying principles originally pioneered in Brazil and still used in that nation's massive Bolsa Familia program, Oportunidades is exemplary in two senses. First, it provides an outstanding demonstration of ideas put into practice. Second, as "one of the most the most thoroughly evaluated social programs of its kind," according to economist Rodrigo Garcia-Verdu, it has served as an example for programs in nearly two dozen other countries.

Progresa/Oportunidades attacks poverty in both the short and long terms. It raises impoverished families' current incomes by 20-30%. It also aims to lift future generations out of poverty altogether by helping—indeed, requiring—parents receiving benefits to make investments in their children's health, nutrition and education that should improve their earning potential in later life. The program has grown rapidly, from an experiment involving a limited number of rural villagers to a basic element of the nation's social policy. At the end of 2009 it enrolled 5.2 million households in 95,000 localities. Early in 2010, Mexican President Felipe Calderon predicted that by the end of the year coverage would reach 5.8 million families, or 28 million individuals, about a quarter of the national population.

Progresa/Oportunidades belongs to the RBF category known as conditional cash transfers (CCTs). These programs require beneficiaries to fulfill specific and verifiable conditions in order



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to receive defined monetary benefits. In Mexico, recipient households must assure that all school-aged children attend classes regularly and that all family members obtain specified health care, including nutritional supplements for pregnant and nursing mothers and young children. Failure to fulfill the requirements causes forfeiture of payments.

The program's fame rests in part on its effectiveness at raising incomes and changing behavior and in part on the large body of research that has documented its processes and results. Because plans for robust and carefully constructed evaluations were built into the program's design from the beginning, the program has over the years yielded a large body of scientifically rigorous results.

A New Approach to Fighting Poverty

When it began, Progresa embodied a totally new approach to social programs in Mexico. It aimed at dealing with "with the causes of poverty in an integral manner" through "actions in education, health care and nutrition for the poorest families in Mexico," announced President Ernesto Zedillo as the program got underway on August 6, 1997. The name, which means "progress," was also a Spanish acronym for a phrase describing

the effort: Program of Education, Health and Food (Programa de Educacion, Salud y Alimentacion). Critics initially called the conditionalities bribes or coercion, but program planners instead saw them as a social contract between recipient families and the government that commits the two sides to “co-responsibilities” that each promises to fulfill. This empowers participating families by letting them take “direct action...to improve their own nutrition, health and education,” according to Santiago Levy, an economics professor who participated in designing the program, and Evelyne Rodriguez.

Before Progresas, poverty was so severe, especially in rural areas, that a third of the Mexican people could not afford adequate food. Many of the poorest were agricultural laborers living in rural villages so isolated from the mainstream that the population spoke indigenous languages rather than Spanish. In provinces like Chiapas, where the large numbers who identified with indigenous cultures earned the meagerest incomes, countless families lived in crowded, dirt-floored houses lacking access to clean water, electricity and sanitary facilities. With little cash, they subsisted on diets short on the vitamins, minerals and proteins provided by fruits, vegetables, meat and other healthful foods beyond their scanty budgets. Largely illiterate, many lacked even rudimentary modern health care as well as knowledge of the health benefits of balanced nutrition, sanitation and such modern medical practices as vaccination.

Getting Started

All of Progresas’s original beneficiaries were rural villagers. The average family chosen to participate earned only \$18 per capita per month, a fourth of the national average, and spoke an indigenous language rather than Spanish. Household members who had jobs labored in the fields for about \$3 a day. Ninety five percent of the chosen homes lacked running water and over three quarters had mud floors.

Program planners identified the pioneer participants through a three-step process that also laid down the experimental design for the evaluation studies that would follow. Enrollment expanded quickly after the initial stages, growing from about 400,000 households close to the outset to 2.6 million rural families in 50,000 communities in 32 states— 10% of all Mexicans and 40% of rural dwellers-- only 2 ½ years later. In 2001 it was extended to residents of small urban centers and in 2002, to city dwellers as well.

The initiators of the program began the selection process using an index of economic “marginality” in order to identify villages. Factors included the type of housing, the average number of people living in each room, and the percentages of illiterate adults, of people doing agricultural work, and of households lacking such services as electricity, piped water, and sewers. Villages qualified for consideration if they had between 50 and 2,500 inhabitants, scored high or very high in marginality, had both an elementary school and a paved road, and were no more than 2 kilometers from a health center.

Using similar standards, the second stage of selection identified households in poverty within the eligible villages by use of a combination of proxy indicators that included family size, education levels of family members, types of occupation, characteristics of the dwelling, and others. Once particular families had been picked as eligible, the names were announced at a public meeting to get community reaction and to let families who felt improperly excluded apply for reconsideration. This procedure caused few changes in the list but, according to the Center for Global Development, “may have contributed to the sense that the program was truly aimed at the poor and was not a program of political patronage.”

Overall, nearly 80% the families in eligible communities qualified, and 97% of those selected signed up. As in the great majority of CCT programs, the benefits, which are paid in cash, went—and still go-- directly to female household heads, who, planners believe, are likelier than males to spend the additional funds on the family rather than themselves.



Photo: Our Common/World Bank

Once a family enrolled, its eligibility continued for three years regardless of any changes in income. Receiving benefits, however, depended on continuously fulfilling the program's conditions. New families arriving in an area could not enroll until the list opened again after three years. After 2004, the system was altered to permit consideration of unattended needs in the communities where the program was already in force.

Of the original villages identified, 320 were randomly assigned to begin receiving benefits in the program's initial phase. Another 186 villages were assigned to a control group, which started receiving payments 18 months later. This staggered schedule "elegantly took advantage of the fact that no program can reach all beneficiaries simultaneously," using it to set up a valid comparison study of the cash transfers' effects. Turning administrative reality into a research design provided both an "incomparable base of information for evaluators" and solid assurance that any differences observed were really owed to the program and not to preexisting discrepancies between the groups, according to the Center for Global Development.

Structure of the payments

Benefits for the first group of families started in April 1998 and for the second in November 1999. In a pattern that continues today, each enrolled household received a fixed bimonthly payment, which the program planners expected would buy food. Once a family enrolls, the amount it receives does not respond to changes in family size, removing the incentive to have more children to get more money. Beyond the food payment, families with school-aged children get a payment every two months for each one in third grade or higher who attends class at least 85% of the time and passes each grade by the second try. Students also receive payments for school supplies. Initially, the education benefit covered only third to ninth graders, but in 2001 it expanded through twelfth grade. Traditionally, the age 11 transition to secondary school was a major point for children dropping out and starting work.

Families receive about 13% more for keeping a girl in middle and high school than a boy, because fewer girls traditionally stayed in school beyond the elementary grades. The education stipend also increases with the child's grade, reflecting the reality that for the very poor, sending children to school deprives the family of their potential earnings. The various stipends have been adjusted over time to reflect changing price levels. (See Box 1) Using records from health centers and schools, the program carefully monitors that families actually meet their "co-responsibilities." Less than 1% of households lose benefits for non-compliance.

Change and continuity

Until Progresa, the Mexican government had tried various policies, including supporting prices of certain crops to help farmers and subsidizing the cost of consumer staples such as milk and tortillas. Neither efficiently improved living standards for the poor, Garcia-Verdu observes. Agricultural supports often raised prices of necessities that low-income households had to buy. Foodstuff subsidies benefited many who could afford to pay more. Neither program required proof of poverty for participation or included means of collecting information for evaluation. They did, however, produce a "widespread perception that the government had used [policies] to gain political support for the incumbent party," Garcia-Verdu writes.

Progresa's careful selection process, however, much more efficiently and effectively delivered benefits to the poorest households and also gathered data for evaluating results. Even so, some argued that CCT programs were overly costly. "In its first year of operation, Progresa spent \$1.34 on administrative costs for every dollar spent on transfers to beneficiaries," write Michelle Adato and John Hoddinott of the International Food Policy Research Institute. Such initial start-up costs as equipment and eligibility determinations, however, do not recur, they note, and "by Progresa's third year of operation, administrative costs had fallen to only 5 cents of every dollar spent on transfers."

Efficiency and effectiveness probably account for what Garcia-Verdu calls the "remarkable" fact that the program survived the transition in presidential administrations that followed the 2000 election "largely unchanged" except for getting a new name, Oportunidades ("opportunities"), in 2002. It was noteworthy "given the country's history of each successive government wanting to implement its own social programs," and because the 2000 election changed not only the president but also the new ruling party, he writes. The program's survival, he continues, indicates "an implicit acknowledgement...that [it] is working" and a "consensus on a basic set of policies that are needed to reduce poverty."

Results

Evaluation began at Progresa's very outset, conducted by the International Food Policy Research Institute of Washington, DC, under contract with the government of Mexico. Multiple studies over the years have documented a number of beneficial effects.

A 10-year follow-up, for example, found receiving the cash stipend clearly "associated with critically important child health, growth and development outcomes, including height for age, stunting,

being overweight, several measures of cognitive development and language development,” report Lia Fernald and Paul Gertler of the University of California at Berkeley and Lynette M. Neufeld of Instituto Nacional de Salud Publica in Cuernavaca. Comparisons between families that had entered the program in the first and second groups found early-participating children slightly taller and less likely to be overweight. They also tested better for physical endurance, language development and long- and short-term memory in addition to having fewer behavioral problems.

Research revealed “small but significant” health benefits for participating adults as well, note Fernald and co-authors. One study found uncontrolled hypertension 0.7 percentage points less prevalent and the body mass index 2.2% lower among participants, who also reported fewer sick days than non-participants. The differences were not large, the authors note, but they may be “meaningful...at the “population level” because obesity-related chronic diseases are rising rapidly in Mexico. “Large-scale poverty alleviation initiatives paired with health behavior requirements may be a first step toward curbing” these risks, write Fernald and her co-authors.

Precisely how the cash transfers cause these effects is not clear, but evidence indicates that families use about 70% of their payments on improved diets, especially more meat, fruit and vegetables. Oportunidades families also invest in farm animals, such as cows, sheep, donkeys and oxen that can directly or indirectly provide more nourishing foods. Participants’ houses are less likely to have dirt floors and more likely to have bathrooms, suggesting other ways families use the stipends. The extra cash, observers suggest, probably also reduces stress on parents and provides opportunities for sports and other recreations that promote better mental and physical health. Finally, the mandatory health checks not only help catch problems early but provide information about healthful living and nutrition.

The effects on educational outcomes are less straightforward. Data indicate that participation raises 9- through 15-year olds’ rate of enrollment at school and lowers their rates of failing to be promoted. Participating boys spend less time working than non-participants, especially at agricultural labor. Girls show less effect overall because they traditionally work outside the home much less than boys. Participation also clearly increases students’ likelihood of staying in school.

No evidence, however, links increased attendance to better achievement scores. Observers suggest that children in poor communities probably attend poor-quality schools and that the increased enrollments may lower the quality of instruction by taxing schools’ resources and facilities.

The policy of paying the benefits to women, research shows, has affected more than family budgets. A regular source of cash raises wives’ and mothers’ power and status in their families and larger communities. The program “explicitly tried to empower women to take control of their lives to improve health,” according to Sarah Barber and Paul Gertler of the University of California, Berkeley. The health and nutrition education activities required of adult participants do help develop the tools women need to be active and informed consumers of health services.

Less research has examined the program’s impact on the realities of gender relations. Among the “general points” that have been demonstrated, observes sociologist Maxine Molyneaux of the University of London’s Institute of Latin American Studies, the program can raise girls’ self-esteem and aspirations by demonstrating that they are “worth investing in. Women also report more self-esteem and “more status in their neighborhoods, with shopkeepers treating them as credit-worthy.” The training programs were widely popular, with many women wanting more education.

It remains unclear, however whether the program produces a “redistribution of power and status within households and, if so, ... what effects [it] has on household livelihoods and well-being,” Molyneaux notes. Women’s increased income could, for example, cause more conflict between spouses. Data do not reveal a connection between participation and domestic violence, Molyneaux writes, but “expert opinion is divided over the reliability of data collection on this sensitive issue.”

Some have criticized the program for taking an inconsistent approach to gender, simultaneously encouraging daughters to pursue education and reinforcing gender stereotypes for their mothers by depending on them “to fulfill their ‘traditional’ social roles and responsibilities” and, “in effect making transfers conditional on ‘good motherhood,’” writes Molyneaux. “Men are not incorporated in any serious way, and no effort is made to promote the principle that men and women might share responsibility for meeting project goals, let alone for taking an equal share in caring for their children.”

Overall, though, Molyneux concludes, “on the available evidence collected through regular evaluation, the programme [sic] has been largely successful in its own terms.” Households have more income, more children are in school, and health and nutrition have improved for participants of all ages. “These are important gains.” And, because of the tremendous international attention that ProgresA/ Oportunidades has brought to the CCT approach to poverty alleviation, it has proven important not only for Mexicans but for poor people around the world.

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Table 1: Selected Monthly Oportunidades Stipends, 1997 and 2010 (In pesos. !2.9 pesos = \$1 US.)

	1997	2010
Food payment per family	90	215
Education payments per student (up to total allowable family limit)		
3rd grade	60	145
4th grade	70	170
5th grade	90	215
6th grade	120	290
7th grade boy	175	420
7th grade girl	185	445
8th grade boy	185	445
8TH grade girl	205	495
9th grade boy	195	470
9th grade girl	--	540
10th grade boy	--	710
10th grade girl	--	815
11th grade boy	--	765
11th grade girl	--	870
12th grade girl	--	810
12th grade boy	--	920
Additional first-term payment #1, per student	80	185
Additional first-term payment #2, per student	40	195
Additional second-term payment, per student	150	350
Allowable household maximum	550	1505 or 2425
(not counting additional term payments)	(depending on students' grades)	