

## Conditional cash transfers to reduce poverty in Mexico

*Progresa, the Education, Health, and Nutrition Program of Mexico, transferred money directly to families on the condition that family members went for health checkups, mothers went for hygiene and nutrition information sessions, and children attended school. By documenting success through rigorous evaluation, the program has improved, scaled up, and taught others.<sup>107</sup>*

When Ernesto Zedillo became Mexico's president in 1995, a fifth of the population could not afford the minimum daily nutritional requirements, 10 million Mexicans lacked access to basic health services, more than 1.5 million children were out of school, and student absenteeism and school desertions were three times higher in poor and remote areas than in the rest of the country. The country had a history of unproductive poverty alleviation programs. Worse, the 1994–95 economic crisis left the government with even fewer resources—and greater demands, as more people were falling into poverty.

The administration decided that a new approach to poverty alleviation was needed. The Education, Health, and Nutrition Program of Mexico, called Progresa, introduced a set of conditional cash transfers to poor families—if their children were enrolled in school and if family members visited health clinics for checkups and nutrition and hygiene information.

The program was intended to remedy several shortcomings of earlier programs. First, it would counter the bias in poor families toward present consumption by bolstering investment in human capital. Second, it would recognize the interdependencies among education, health, and nutrition. Third, to stretch limited resources, it would link cash transfers to household behavior, aiming at changing attitudes. Fourth, to reduce political interference, the program's goals, rules, requirements, and evaluation methods would be widely publicized.

The program has been rigorously evaluated, and evaluators have exploited the randomized way the program was rolled out. The results have been impressive. To emphasize the apolitical nature of the program, the government suspended the growth of the program for six months prior to the election in 2000—to show that Progresa was not a political tool.

When President Vicente Fox was elected, his government embraced the program, built on it using the evaluation results, expanded it to urban areas, and renamed it *Oportunidades*. By the end of 2002 the program had about 21 million beneficiaries—roughly a fifth of the Mexican population.

### Designing a comprehensive program

Children over seven were eligible for education transfers. Benefits increased by grade (since opportunity costs increase with age) and were higher for girls in middle school, to encourage their enrollment. To retain the benefits, children needed to maintain an 85 percent attendance record and could not repeat a grade more than once.

Eligible families could also receive a monthly stipend if members got regular medical checkups and mothers attended monthly nutrition and hygiene information sessions. Households with children under three could also receive a micronutrient supplement.

The transfers went to mothers, who were thought more responsible for caring for children. The program imposed a monthly ceiling of \$75 per family. In 1999 the average monthly transfer was around \$24 per family, nearly 20 percent of mean household consumption before the program. Transfers were also inflation-indexed every six months (today the maximum is \$95 and the average is \$35).

Highly centralized, the program has just one intermediary between program officials and beneficiaries—a woman community promoter chosen by a general assembly of households in targeted communities. She can also liaise between beneficiaries and education and health providers.

By the end of 1999 the program covered some 2.6 million rural families—about 40 percent of rural families and a ninth of all families in Mexico. The program budget was almost \$780 million, or 0.2 percent of gross domestic product and 20 percent of the federal poverty alleviation budget.

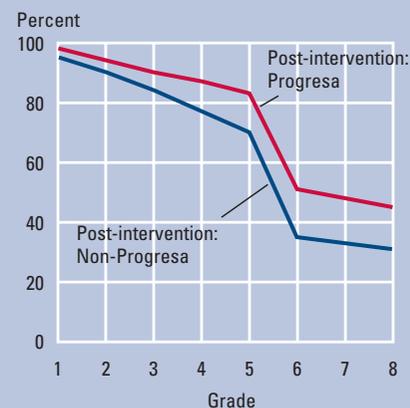
Almost 60 percent of program transfers went to households in the poorest 20 percent of the national income distribution and more than 80 percent to the poorest 40 percent. This is impressive. The median targeting effectiveness in 77 safety net programs from around the world was to have 65 percent of benefits go to the poorest 40 percent (according to one recent study).

Even with careful targeting and monitoring, the program's administrative costs were less than 9 percent of total costs—substantially lower than earlier poverty alleviation efforts in Mexico. Despite its initial large scale, the program did not cover all the poor, particularly in urban areas.

### Boosting enrollments

Girls' enrollment in middle school rose from 67 percent to around 75 percent, and boys' from 73 percent to 78 percent. Most of the increase came from increases in the transition from primary to middle school (figure 1). The program worked primarily by keeping children in school, not by encouraging those who had dropped out to return. It also helped reduce the incidence of child labor.

**Figure 1 Higher school retention, more transitions from primary to middle school**  
Expected grade completion before and after intervention, and with and without Progresa



Note: Among children who enroll.  
Source: Schultz (2001).

Labor force participation decreased by about 20 percent for boys. Still, a substantial number of children from poor families continue to combine work with school.

The impacts on learning are less clear. Teachers report improvements, attributing them to better attendance, student interest, and nutrition. But a study conducted one year after the program started found no difference in test scores.

### Improving nutrition and health

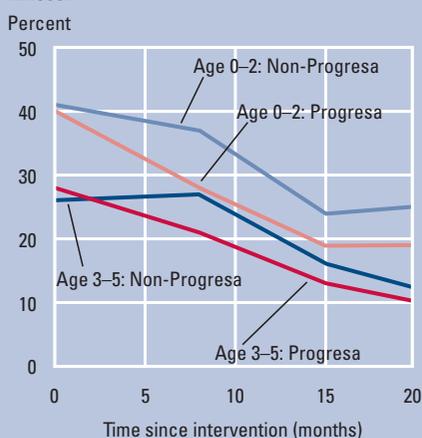
The program helped reduce the incidence of low height for age among children one to three years old. (Before the program stunting was very high, at 44 percent.) Annual mean growth in height was 16 percent for children covered by the program. On average, height increased by 1–4 percent, and weight by 3.5 percent. These gains were achieved despite evidence that some households did not regularly receive nutrition supplements and that supplements were often “shared” with older children. Part of the effect can be attributed to spending more on food and to consuming more nutritious food, as recommended by the nutrition information sessions. There were also positive spillover effects for nonbeneficiaries in the same community.

The program substantially increased preventive health care visits. Visits by pregnant women in their first trimester rose 8 percent, keeping babies and mothers healthier. Illnesses dropped 25 percent among newborns and 20 percent among children under five (figure 2). The prevalence of anemia in children two to four years old declined 19 percent. Adult health improved too.

### Reducing poverty

The program is not only raising incomes temporarily, it should help raise future productivity and earnings of the children benefiting. Modeling exercises find that nutritional supplements alone would boost lifetime earnings by about 3 percent and edu-

**Figure 2 Improving child health**  
Percentage of children reported to have had an illness.



Note: Age at start of intervention.  
Source: Gertler (2000).

cation impacts would increase them by 8 percent. A general equilibrium analysis of Progresa found that the welfare impact was 60 percent higher than that of the highly distortionary food subsidies that Mexico used previously.

### Evaluating impacts

Progresa was unusual in integrating evaluation from the beginning, enabling it to assess impacts fairly precisely. To ensure political credibility, the evaluation was contracted out to a foreign-based research group, the International Food Policy Research Institute.

Phasing in communities in a random fashion—required for budgetary purposes—allowed the construction of 186 control and 320 treatment groups. Having the control groups enabled evaluators to “wash out” confounding factors, including time trends and shocks (economic and climatic). Eventually all control communities were incorporated in the program. Both quantitative and qualitative evaluations were conducted, the latter using semistructured interviews, focus groups, and workshops.

The evaluation design captures the many determinants of outcomes. But it has limitations. Policymakers would benefit from knowing how the program could be manipulated to improve impacts. For example, what is the impact of conditioning the transfers rather than giving pure unconditioned transfers? In addition, households in the control group might have been affected by the intervention or by knowing that they might receive it in the future, an effect that would muddy the comparisons.

Evaluations can address these issues, but the complexity (and expense) increases substantially. Alternative approaches that rely on modeling—imposing additional assumptions on the analysis—might be necessary. Such analyses are currently underway.

### Evidence makes the difference

A conditional cash transfer program can be a powerful way of promoting education, health, and nutritional outcomes on a massive scale. The success of the Progresa program has led to similar programs, especially in other Latin American countries (Colombia, Honduras, Jamaica, and Nicaragua).

Evaluation was not an afterthought. It continually fed back into improving program operations. And its rigor increased confidence in the validity of assessments of the program’s effects.

Evaluation was important for domestic and international political and economic support—and thus contributed to program sustainability. Unlike previous programs, this one was not abandoned after a change in government. Clear and credible evidence of large benefits for the country’s poor contributed to maintaining the integrity of the program’s design (albeit with a name change). It also made it easier to get support from the Inter-American Development Bank for a major expansion of the program.

