

## Case Study 8

# Pathways Out of Poverty: Progresa/Oportunidades in Mexico

The Mexican Program on Education, Health, and Nutrition is widely known by its Spanish acronym, Progresa, though officially renamed the Oportunidades Human Development Program (<http://www.oportunidades.gob.mx>). Progresa/Oportunidades combats child labor, poor education, and health by ensuring that parents can feed their children, take them to health clinics, and keep them in school while providing financial incentives to do so.

Progresa/Oportunidades builds on the growing understanding that health, nutrition, and education are complements in the struggle to end poverty. The program features the promotion of an integrated package to promote the education, health, and nutritional status of poor families. It provides cash transfers to poor families, family clinic visits, in-kind nutritional supplements, and other health benefits for pregnant and lactating women and their children under the age of 5. Some of these benefits are provided conditionally on children's regular school and health clinic attendance, and so programs of this kind are commonly called conditional cash transfer (CCT) programs.

In effect, low-income parents are paid to send their children to school and clinics, and this is one of the recent tactics most widely believed by the donor and development community to be effective in sustainably reducing poverty. The benefits compensate parents for lost income or the lost value of work at home or in workplaces in the form of child labor. Such payments work to increase school enrollments, attendance, progress through grades, other schooling outcomes, and nutrition and health.

Before the program, Mexico operated a maze of inefficiently run food subsidy programs managed by as many as 10 different ministries. These

programs were very blunt instruments against poverty and often failed to reach the very poor. For example, the better-off urban poor benefited far more than the hard-to-reach but worse-off rural poor. There was no mechanism to ensure that food subsidies benefited vulnerable children in poor households. Nor was there any clear exit strategy for sustainably helping poor families stay out of poverty. Malnutrition remained common in poor rural (especially indigenous) families, and educational achievements and health gains failed to reach the poor in the way they had benefited the better off in Mexico. For economic reasons, many poor children had to work rather than go to school. But poor health and education as a child are major determinants of lifelong poverty.

One solution has turned out to be Progresa/Oportunidades, an innovative developing-country-designed integrated poverty program. Its major architect was Santiago Levy, a development economist who led the design and implementation of the program in the 1990s while serving as deputy minister of finance. Levy describes the program and its development, implementation, and evaluation in his excellent 2006 book, *Progress against Poverty*.

From its inception in rural areas in August 1997, the Progresa program had grown to benefit some 5.8 million rural and urban households by 2012 (Government of Mexico website data).

It has been estimated that more than 21 million people benefit—approximately one-fifth of the Mexican population—in over 75,000 localities. In 2002, the program distributed 857 million doses of nutritional supplements and covered 2.4 million medical checkups. Over 4.5 million “scholarships” were provided to schoolchildren. By the end of

2005, the program had covered 5 million families, which contained almost one-quarter of the country's population and most people living in extreme poverty.

Progresa/Oportunidades affects child nutrition through four program components, called *pathways*: cash transfers, which may be used in part for improved nutrition; nutritional supplements given to all participating children under the age of 2, pregnant and breastfeeding mothers, and children between the ages of 2 and 5 who show signs of malnutrition; growth monitoring, which provides feedback to parents; and other preventive measures, including required participation in regular meetings where vital information about hygiene and nutrition is taught.

Participating families receive school program payments every other month. In addition, families receive grants for school supplies and food subsidies, on the proviso that they get regular public health care for the children, including medical checkups and immunizations. Payments are generally provided through the mother, because evidence shows that mothers use more of their available funds in support of their children's well-being than fathers do. The payments are supplied via a bank card, directly from the federal government and not through intermediaries, reducing chances of corruption, and mothers are taught how and where to cash in their payments.

Program payments are conditional on children in grades three through nine attending school regularly. In developing countries such as Mexico, children are often enrolled in school but do not attend for long. The payments increase as the child increases in grade level. This gives an incentive to keep children in school longer and helps the children continue into higher grades. Initially, parents of a third grader received a little over \$10 per month; parents of girls in ninth grade got over \$35 per month. This was close to two-thirds of the income the children would have received as laborers. The overall result was to break the trade-off that parents faced between higher consumption for the family today and the higher future consumption possible when the child completed school. Families of girls also receive slightly higher payments than boys, partly because girls are more likely to drop out, while the social benefits of keeping girls

in school are well known from development economics research to be very high. Provided that the school and health checkup conditions are met, the families, not the government, decide how to best spend these extra resources. Levy estimates that the average family participating in the program receives about \$35 per month in combined cash and in-kind transfers, which is about 25% of average poor rural family income without the program.

The program is also more effective than standard alternatives. For example, evidence shows that Progresa/Oportunidades has a larger impact on enrollment and performance per dollar spent than building new schools.

The budget for even the much-expanded Progresa/Oportunidades Program in 2005 was still some \$2.8 billion—fairly modest, even in Mexico's economy. This represented less than 0.4% of gross national income. Only Mexico's pension (social security) system is a larger social program. Progresa/Oportunidades is also organizationally efficient, with operating expenses of only about 6% of total outlays. This it owes in part to the direct provision of cash grants via bank cards to the beneficiaries, bypassing the sometimes ineffective and potentially corrupt administrative bureaucracy. Fully 82% goes to the direct cash transfers, and the remaining 12% goes to nutritional supplements and other in-kind transfers. Some additional costs for provision of health care and schooling are borne by the Mexican health and education ministries.

However, Progresa/Oportunidades is lauded not so much for its modest cost as for the fact that it works. It has been subject to one of the most rigorous randomized trials of any public poverty program in the world. The Washington-based International Food Policy Research Institute (IFPRI), with many affiliated researchers, has intensively studied the program, using a variety of methods. The most convincing evidence comes from the way the program was initially rolled out. Only some communities were to take part in the program at first, before it reached full scale, and the order in which initially targeted communities were included was randomized. Data were collected from both initially included and excluded families so that the impact of the program could be studied independently of the many possible confounding factors

that could otherwise distort the results of an evaluation. Participants in these rigorous studies have included some of the world's leading development microeconomists.

Evaluations of Progres/Oportunidades indicate that its integrated approach has been highly successful, with large improvements in the well-being of participants. Malnutrition has measurably declined; family use of health care, including prenatal care, has increased, and child health indicators have improved; school attendance is up significantly, and the dropout rate has declined substantially, especially in the so-called transition grades six through nine, when children either get launched toward high school or drop out. In general terms, the research showed that Progres/Oportunidades increased by some 20% the number of children who stay in school rather than drop out just before high school. Child labor decreased by about 15%. At first, there were some concerns that adults might work less when receiving the transfers, but the evidence is that no work reduction has occurred. Several of the most statistically reliable studies and their research methods and findings are reviewed in Emmanuel Skoufias's 2005 IFPRI report, *PROGRESA and Its Impacts on the Welfare of Rural Households in Mexico*. Other key research reports are listed among the sources at the end of this case study.

The lessons of Progres/Oportunidades are spreading throughout Latin America, and some of its features are also found in the Bolsa Familia program in Brazil, Familias por la Inclusión Social in Argentina, Chile Solidario, Familias en Acción in Colombia, Supermonos in Costa Rica, Bono de Desarrollo Humano in Ecuador, Programa de Asignación Familiar in Honduras, Programa de Avance Mediante la Salud y la Educación in Nicaragua, Red de Oportunidades in Panama, and Proyecto 300 in Uruguay. By 2010, Progres had been replicated in whole or in part in 29 countries.

Although the cost of a CCT program like Progres/Oportunidades may be manageable in middle- to upper-middle-income countries, in low-income countries, outside financial assistance is needed, both for the payments themselves and to increase the number (and quality) of clinics and schools to be availed of in the program. Poverty reduction still

requires complementary improvements, such as better roads to poor areas, public health investments, and local empowerment. The will to replace poorly performing but politically expedient programs with more effective ones is necessary. Administrative infrastructure may be a major challenge, and disbursing funds to beneficiaries electronically can prove problematic. But CCT pilot or larger-scale programs have been launched in recent years in several African countries, including Nigeria, Malawi, and Mali.

In conclusion, CCT programs focusing on improving health, nutrition, and education are a key component of a successful policy to end poverty—although in most cases, they will need to be part of a broader strategy to be fully effective. In Mexico, as in other countries, the broader package includes development of infrastructure so the poor can get their products to market and get access to safe water and electricity. It also includes integrated rural development programs of the type outlined in Chapter 9, along with provision of credit and some temporary employment programs. But by building the human capital of the poor, the program provides the essential foundation for the poor to increase their capabilities and take advantage of opportunities as the economy grows. It thereby also enhances the prospects for Mexico's own growth and development.

In sum, the Progres/Oportunidades Program is a model of success in many ways. The rigorous program evaluations show that it has a substantial effect on human welfare. It was designed and implemented in the developing world with close attention given to local circumstances while making constructive use of what has been learned in development economics. It placed the crucial complementarities between education, health, and nutrition at the center of the program's design while paying close attention to the need for appropriate incentives for beneficiaries. Finally, its method of cash transfer and the move away from cumbersome and nontransparent in-kind transfer programs placed constraints on possible bureaucratic inefficiency as well as official corruption. Progres/Oportunidades thus offers a model for providing health and educational progress for poor families and opportunities for their permanent escape from poverty. ■



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