

From Progresa to Prospera

A Case Study on Mexico's Conditional Cash Transfer Program

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Introduction

The Program for Education, Health and Nutrition (PROGRESA) was established in 1997 as a response to the political and economic crisis that unraveled Mexico in 1994. It aimed to improve the wellbeing of families through the increase in consumption capacity and the creation of human capital to break the intergenerational poverty cycle. Studies and evaluation on the program have shown its relevant impact in improving access to health services, nutritional benefits and the education status of Mexico's poorest populations. The program provided cash transfers¹ directly to poor families under three conditions:

1. School attendance for children between third year of primary and third year of secondary (with higher subsidies provided to households with girls).
2. Utilization of a package of preventive health interventions, health educational talks and provision of diet supplements for children and pregnant women.
3. Participation in health consultations and educational sessions.ⁱ

In 2002, in addition to its original components, the program widened its benefits to include factorsⁱⁱ such as:

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| ▪ Educational scholarships for children | ▪ Medical services and health education |
| ▪ Money for school supplies | ▪ Savings accounts for youth who finish |
| ▪ Additional support for households with | secondary school |
| elderly members over 70 | ▪ Support for household energy consumption |

The most recent expansion of the program under the name of Prospera aimed to promote access to higher education and formal employment opportunities to its beneficiaries. Additionally, Prospera strived to increase access to financial services and foster increased social inclusion to the poorest citizensⁱⁱⁱ. Federal administrations have changed the program's name throughout its period, though its basic structure remained the same. It was initially called ProgresA (1997-2001), then Oportunidades (2002-2012) and, finally, Prospera (2012-2018) (referred to as P-O-P). The Mexican model of a conditional cash transfer (CCT) program has been replicated in more than 50 countries across Latin America, Africa and Asia.

¹ Equivalent to one-third of their household income.

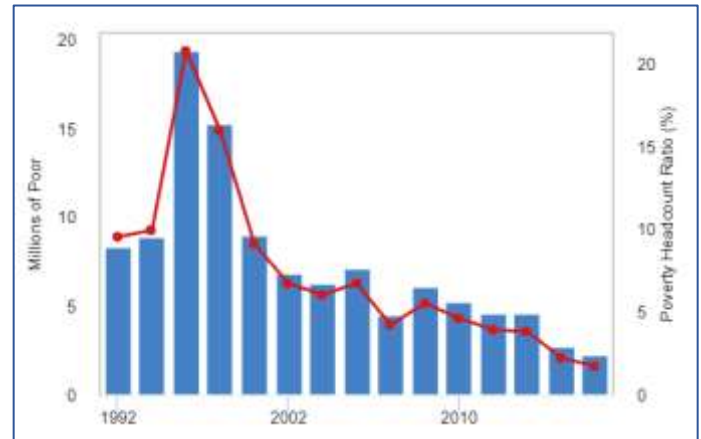
Program Impact

Impact on poverty alleviation

The program has achieved notable results in helping to alleviate poverty throughout Mexico.

P-O-P substantially improved the household income distribution in the country as well as strengthened other poverty indicators. Evaluations showed that expanding the program significantly reduced the poverty rate by 1.8 percentage points^{iv}. Figure 1 shows the decreasing trend in the poverty headcount ratio from the mid-1990s. Other indicators such as poverty incidence, poverty severity and inequality decreased dramatically due to the program^v.

Figure 1: Poverty Trend in Mexico¹



Source: World Bank Poverty Data¹

The program also helped in increasing overall labor participation, especially for women. Labor market effects that were found included an increase in women's profitability from working, a rise in the total number of work hours per woman and improvements in women's labor earnings^{vi}. Additionally, the program led to higher paying jobs for men as well as gains in employment benefits such as health insurance^{vii}.

Improvements in health

Evaluations of P-O-P showed that the program "increased the number of antenatal care visits, reduced infant mortality rates and improved postnatal care provided by trained personnel^{viii}". Due to program efforts, P-O-P beneficiaries received 12% more prenatal procedures^{ix} and utilized public clinics more than non-beneficiaries^x. Due to increased visits and less frequent illnesses, there was a reduced demand for curative care and a decrease in the number hospital inpatient stays. The health effects also proved strongly positive among children. The incidence of illness among children in recipient households diminished by nearly 23 percent. Children also recorded a reduced rate of anemia and an increased percentage in height^{xi}.

Increased access to education

The program conditions resulted into direct educational attainment benefits in Mexico. An analysis on the program's educational components found significant effects on student learning, particularly among indigenous children^{xii}. There was also increased enrollment at the tele-secondary and high school levels, especially for young girls^{xiii}. Younger children who benefitted from P-O-P were also found to be less likely to repeat a grade and more likely to progress to the next grade^{xiv}. The program was also shown to reduce school dropouts and encourage reentry among those who were out of school.

Key Factors of Success

Coordination across Ministries

The coordination of P-O-P was administered by a deconcentrated unit from the Ministry of Social Development (SEDESOL) responsible for the program's execution. Most decisions were taken at the national level, but offices were opened in the states to coordinate daily operations and establish relationships with the states. The central level also had a National Technical Council and National Technical Committee which consisted of representatives of SEDESOL as well as Ministries of Financing, Public Education, Health and Social Security.

Though the program was under the administration of SEDESOL, its origin is accredited to the policy efforts of the Ministry of Finance, particularly with former Deputy Finance Minister Santiago Levy being the architect of the program^{xv}. Once the administration implemented Levy's report on poverty alleviation, it increased "funding to be allocated to state governments for distribution to municipalities^{xvi}" and executed a successful pilot program. Based on initial observations of the pilot program, the former deputy finance minister advocated for better monitoring and increased interagency coordination before the scaling of the program^{xvii}.

P-O-P represented a significant paradigmatic change in the development of anti-poverty programs which implied not only the creation of the program, but the transformation and cancellation of existing programs and institutions, the creation and strengthening of others, as well as reallocation of public budget. The comprehensive approach, with each ministry having a 'stake' in the program's success, has been attributed as one of the factors that helped the program survive through changes in administration^{xviii}.

Evaluation project

For the first time in Mexico, the government incorporated an ambitious, long-term impact evaluation project during the rollout of the CCT program. This component has played a vital role in constructing evaluating practices and institutions in Mexico over the last few decades^{xix}. The rigorous

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Since evaluation was prioritized from the beginning, evaluators were able to collect baseline data used to construct quasi-experimental designs. The positive results of the evaluation project have helped in obtaining support for the expansion of the program. Progresa has been heralded as “one of the few poverty-reduction programs that has been able to prove its impact^{xxi}”.

Finance Mechanisms

One of the key decisions made by the Mexican government during the beginning of the program was to gradually reallocate food subsidies that had previously been ineffective towards Prospera^{xxii}. This not only re-designated funds that were being used inefficiently but also helped diminish additional pressures on the federal budget.

The program began with an initial coverage of 300,00 families and a budget of \$58 million (USD)^{xxiii}, accounting for 0.004% of the country’s GDP. The budget was progressively raised over a decade to represent 0.47% of GDP in 2016. While P-O-P was one of many programs in the state policy against poverty, it was the program that concentrated the highest budget. In 1997, it represented 1.67% of the overall budget of anti-poverty programs and, by 2017, reached 21.3%. These numbers demonstrate that P-O-P represented a key program in the social policy by dominating one-fifth of the total budget allocated to combat poverty in Mexico.^{xxiv}.

Challenges

Targeting

P-O-P used geographical and household targeting to maximize efficiency in its allocation of resources to the poor^{xxv}. The underlying design of this approach resulted in high, unexpected targeting errors that left an extensive proportion of poor families uncovered by the cash transfer mechanism.

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Implementation evaluations of the program showed that the “targeting mechanism failed to identify households with a small number of members or households without young children^{xxvi}.” It has been estimated that 24% of those who qualified were not covered and 22% of those who were not qualified received coverage^{xxvii}. The program’s focus on rural areas, particularly in places that already had school infrastructure and health services, effectively excluded the poorest with no access to public services as well as the urban poor^{xxviii}. An attempt to correct these deficiencies was made in 2016 when poor families without access to schools and health centers were incorporated to the program. Single families received an extra budget that represented around 12% of the budget that year.

Social Tensions

The household-focused method of distribution of cash transfers led to social tensions in some communities. Since certain households received benefits while others did not, it became easy for neighbors to tell who was or was not a beneficiary of the program. In a focus group with CCT recipients, 90% of the respondents believed that the selection process was ‘unfair’ as they perceived that those who needed benefits the most seldom received them^{xxix}. This perception of unfairness prompted “contempt, resentment or envy” within some communities^{xxx}. Although these types of problems were considered important by the general coordination, the rationale of selecting families did not change over the period of P-O-P’s existence as those decisions were based on a technical rationale.

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