

Reading Group: Conditional Cash Transfer Programs

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Journals to Subscribe

- ▶ If you want to follow what has been established in Economics profession, read *Journal of Economic Literature* regularly.
- ▶ If you want to know how established economists think about different issues, read *Journal of Economic Perspective*.

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What is Conditional Cash Transfer Program?

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- ▶ simultaneously reducing current poverty and inhibiting its intergenerational transmission.
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What is *Progres/Oportunidades*?

1. *Progres/Oportunidades* was (is) a CCT Program in Mexico, began in 1997.
2. in its first two years, was rigorously evaluated using a randomized design.
3. aim to alleviate current poverty and, in addition, reduce future poverty by augmenting **human-capital** levels of children and youth from poor families, thus increasing their lifetime earnings potential.
4. The main innovation in *Progres/Oportunidades* lies not in the conditionality per se, but rather in tying benefits to human-capital investment.

Progres/Oportunidades Description

- ▶ subsequent to a major macroeconomic crisis in Mexico in 1995 in which real GDP fell by 6 percent
- ▶ was financed from the elimination of general food subsidies (principally to tortillas and milk)
- ▶ a major shift in antipoverty spending in Mexico from primarily urban to primarily rural
- ▶ The targeting of the poor and the empirical determination of the program-eligible population were also integral parts of the development of *Progres/Oportunidades*.
- ▶ The program provides benefits in education, health, and nutrition.

Progresa/Oportunidades Description

- ▶ The program began operating in small rural communities in 1997 and gradually expanded to urban areas in 2000 and 2001.
- ▶ It remains predominantly a rural program, with about 70 percent of all beneficiaries in 2013 from rural areas.
- ▶ As of 2013, the program covers almost six million households, about 20 percent of all households in Mexico
- ▶ it provides cash payments to families that are tied to children regularly attending schools and family members visiting health clinics for checkups.
- ▶ Additionally, nutritional supplements are given to pregnant women and to children under the age of five.
- ▶ Program take-up was exceedingly high when the program first began in rural areas, with 97 percent of families who were offered the program electing to participate.

Progresa/Oportunidades Description

TABLE 1
BUDGET AND AVERAGE BENEFITS OVER TIME: *PROGRESA/OPORTUNIDADES*

Year	Total budget as % of GDP	Number of beneficiary families	Annual benefits per household US\$	Annual benefits 2010 pesos	Average benefits/potential benefits
1997	0.000079	219,944			
1998	0.000720	1,618,536	254	4,186	0.54
1999	0.001227	2,166,462	316	5,455	0.69
2000	0.001470	2,189,720	359	5,615	0.71
2001	0.001802	3,018,681	370	5,115	0.38
2002	0.002374	4,037,096	324	4,838	0.36
2003	0.002898	4,240,000	351	5,390	0.40
2004	0.002933	5,000,000	432	6,395	0.47
2005	0.003167	5,000,000	474	6,409	0.47
2006	0.003179	5,000,000	546	7,237	0.53
2007	0.003218	5,000,000	582	7,494	0.53
2008	0.003402	5,000,000	571	8,791	0.59
2009	0.003952	5,200,000	668	9,189	0.61
2010	0.005127	5,800,000	715	9,006	0.65

Source: Authors' calculations using data from INEGI: inegi.gob.mx, *Oportunidades*: oportunidades.gob.mx.

Progresas/Oportunidades: Education

- ▶ The specific grant amounts range in 2003 from \$9.50 (105 pesos) in the third grade of primary to about \$53 (580 pesos) for boys and \$60 (660 pesos) for girls in the third year of senior high school (grade ten-twelve).
- ▶ For comparison, the minimum wage in Mexico was 44 pesos per day in 2003 (with some minor variations by region), corresponding to about 966 pesos (\$87.4) monthly for full-time work (22 days).
- ▶ By the senior year of high school, the grant amount represents about two-thirds of a minimum wage.

Progresa/Oportunidades: Education

TABLE 2
CASH BENEFITS OF *Progresa/Oportunidades*: MONTHLY PESOS, 2003 SECOND SEMESTER

	Boys	Girls
Primary school		
Grade 3	105	105
Grade 4	120	120
Grade 5	155	155
Grade 6	210	210
Middle school		
Grade 7	305	320
Grade 8	320	355
Grade 9	335	390
High school		
Grade 10	510	585
Grade 11	545	625
Grade 12	580	660
Fixed monthly nutrition grant per household	155 pesos	
Maximum household monthly transfer with no children in senior high school	950 pesos	
Maximum household monthly transfer with children in senior high school	1,610 pesos	

Progres/Oportunidades: Education

- ▶ To receive the grant, parents must enroll their children in school and ensure their regular attendance, defined as 85 percent of days.
- ▶ Program rules allow students to fail each grade once, but students are not allowed to repeat a grade twice and continue to receive the grant.⁵
- ▶ Enrollment and attendance are verified before grants are paid.

Who gets the Money?

- ▶ All monetary grants are given to the mother of the family,
- ▶ **Exception:** scholarships for upper-secondary school, which the youth can receive themselves **subject to the mother's authorization.**
- ▶ There is a limit of monthly benefits for each family equivalent to about \$80 for families with children in primary school and junior-high school and \$146 for those with at least one child in high school (grades ten-twelve).

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Who gets the Money? Why?

- ▶ Benefits are provided directly to female beneficiaries by wire transfer to their bank accounts or to offices physically located near the communities.
- ▶ The design feature that benefits are provided to women, generally mothers, was motivated by the early literature on intra-household allocations
- ▶ Thomas (1990) showed that income in the hands of women has greater effects on child wellbeing than income in the hands of men.

Progresar/Oportunidades: Health and Nutrition

- ▶ The health-care component provides basic health care for all members of the family, with some emphasis on preventive care.
- ▶ The services are provided by public-health institutions in Mexico.
- ▶ The nutritional component includes a fixed monthly monetary transfer equal to about \$14.00 (155 pesos)
- ▶ To receive the health transfers, all members of beneficiary families must comply with a regular schedule of clinic visits.
- ▶ Beneficiaries (generally mothers) are also required to attend monthly health and nutrition talks at the clinic on topics such as nutrition, hygiene, and immunization.

Progresa/Oportunidades: Health and Nutrition

TABLE 4
ANNUAL FREQUENCY OF HEALTH-CARE VISITS REQUIRED BY *PROGRESA/OPORTUNIDADES*

Age group	Frequency of check-ups
Children	
Less than 4 months	3 check-ups: 7 and 28 days, and at 2 months
4 months to 24 months	8 check-ups: 4, 6, 9, 12, 15, 18, 21, and 24 months with 1 additional monthly weight and height check-up
2 to 4 years old	3 check-ups a year: 1 every 4 months
5 to 16 years old	2 check-ups a year: 1 every 6 months
Women	
Pregnancy	5 check-ups: prenatal period
Postpregnancy	2 check-ups: 1 immediately following birth and 1 during lactation
Adults and youths	
17 to 60 years old	One check-up per year
Over 60 years old	One check-up per year

Source: *Oportunidades*, 2004 (Program Operating Rules) oportunidades.gob.mx.

Progresas/Oportunidades: Eligibility

- ▶ Discriminant analysis is used to distinguish eligible from noneligible **rural** households using household characteristics that include dwelling conditions, dependency ratios, ownership of durable goods, animals and land, and the presence of disabled individuals to predict household income.
- ▶ A cutoff divides eligible from ineligible households and benefits are offered to all those above the cutoff.
- ▶ Eligible households are offered the program and, once they agree to participate, they receive registration forms for schools and the family clinic.
- ▶ Nearly all selected families enrolled in the program in rural areas, so that self-selection in program participation is not a significant evaluation concern for studies using the experimental data.

Progresas/Oportunidades: Eligibility

- ▶ In **urban** areas, the process by which individuals enroll in the program differs from that in rural areas.
- ▶ Individuals apply for the program at modules set up throughout the country, which are typically only open for a few weeks.
- ▶ Individuals answer a basic socioeconomic survey (similar to the ENCASEH) and, on the basis of these self-reports, an initial eligibility classification is determined.
- ▶ For those declared initially eligible for Progresas/ Oportunidades, there is a home visit to verify the socioeconomic information given on the application form and confirm eligibility.
- ▶ Self-selection in program participation is an issue in urban areas, as many eligible households do not apply, in part because they are unaware of the program or of their eligibility for the program.

Progresar/Oportunidades: Eligibility

- ▶ Beneficiary families remain in the program for three years without further verification of their economic status.
- ▶ After three years, a reinterview takes place, at which point, either their beneficiary status is renewed or they are transitioned to a scheme of partial benefits (called Esquema Diferenciado de Apoyos or EDA),
- ▶ which includes only secondary and high school educational grants but excludes primary-school grants and cash transfers associated with the health/nutrition component.

Theoretical Framework

- ▶ Develop a simple theoretical model to show how CCTs imply both a price and an income effect

$$\max U(C_1, L_1) + \beta U(C_2, L_2)$$

Subject to time and budget constraints.

Evaluation Design and Methodology

- ▶ Begun in 1998, the evaluation of Progresas/Oportunidades was a pioneer in the introduction of randomized designs for evaluating development programs.
- ▶ The evaluation was a model for many subsequent pilot programs and randomized experimental designs (Duflo and Kremer 2005).
- ▶ The initial impact-evaluation results were used to modify the program design and to justify scaling up the program.

Evaluation Design and Methodology

- ▶ For the experimental evaluation, 506 rural communities from 7 Mexican states were selected in 1997,
- ▶ with 320 randomly assigned to receive benefits immediately and the other 186 to receive benefits later.

Randomization

TABLE 5
TIMELINE FOR *PROGRESA* RURAL EVALUATION AND DATA SOURCES

	Fall, 97	March, 98	May, 98	Nov, 98	May, 99
1) ENCASEH survey to determine program eligibility	X				
2) Experimental design (randomization) 506 communities, 320 T1998, 186 T2000	X				
4) Treatment (T1998) begins to receive benefits			X		
5) Follow-up ENCEL		X		X	X
	Jan, 00	May, 00	Nov, 00	Oct, 03	
5) Follow-up ENCEL		X	X	X	
6) Control group (T2000) begins to receive benefits	X				
7) New comparison group added (C2003) to sample 152 new rural communities				X	

Definitions:

- T1998 = original treatment communities under experimental design, began receiving benefits in May 1998.
- T2000 = original control communities under experimental design, began receiving benefits in January 2000.
- C2003 = new matched-comparison communities never receiving benefits before 2003.

Source: Oportunidades, 2004. Nota metodológica de la muestra rural.

Conclusion

- ▶ CCTs are very effective
- ▶ participate in our reading group!