

Mexico's *Oportunidades* Program

Oportunidades is the principal anti-poverty program of the Mexican government. (The original name of the program was Progresa; the name was changed in 2002.) *Oportunidades* focuses on helping poor families in rural and urban communities invest in *human capital*—improving the education, health, and nutrition of their children—leading to the long-term improvement of their economic future and the consequent reduction of poverty in Mexico. By providing cash transfers to households (linked to regular school attendance and health clinic visits), the program also fulfills the aim of alleviating current poverty.

The program design was based on the idea that poor families do not invest “enough” in human capital and are thus caught in a vicious circle of intergenerational transmission of poverty. According to *Oportunidades*'s vision, poor families are aware of the benefits of investing in their children but cannot afford the monetary costs of attending school or the opportunity costs of sending children to school (the income or value of income that children would earn if they were working, rather than attending school). Since families need this income for current consumption, they take their children out of school at early ages and send them to work. Thus, the idea of *Oportunidades* is to provide parents the equivalent of that income to send their children to school instead.

Oportunidades provides monetary educational grants to participating families for each child under 22 years of age who is enrolled in school between the third grade of primary and the third grade of high school. The program began operating in 1997 in poor rural areas and recently expanded to cover urban areas. The number of families benefiting from *Oportunidades* has surpassed 4 million, with over 2.5 million families in rural areas and over 1.5 million in urban areas. *Oportunidades* also has won a significant commitment from the government, currently representing 46.5 percent of Mexico's federal annual anti-poverty budget.

Implementation

The critical design and implementation of *Oportunidades* includes many features. The three chief components of *Oportunidades* are education, health, and nutrition. Under the education component, grants are provided for primary through high school. The grants increase as children progress to higher grades and, beginning at the secondary level, are slightly higher for girls than for boys. The amounts of the monthly grants range from about \$10.50 (105 pesos) in the third grade of primary to about \$58 (580 pesos) for boys and \$66 (660 pesos) for girls in the third year of high school. Beginning with secondary school, the grants are higher for girls to remain in school because they tend to have a higher drop-out rate;

The health component provides basic health care for all members of the family, with a particular emphasis on preventive health care. This service is provided by government public health institutions. The nutrition component includes a fixed monetary transfer, equal to about \$15.50 (155 pesos) monthly, for improved food consumption, as well as nutritional supplements

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for children between the ages of four months and two years, malnourished children aged 2 to 4, and pregnant and lactating women.

The program is targeted, using both geographical targeting and proxy means tests, where household surveys for all households in eligible communities are carried out. Families are chosen through the analysis of the socio-economic information at the central government level. Payments are given to the female head of family (in accordance with international literature showing women make *better* use of financial resources);

The program was conceived and staffed by a group of experienced and highly credentialed government officials in different ministries of the government and with strong presidential support. This has carried over to an effective collaboration between the education, health, finance, and social security ministries of the Mexican Government on the operation of the Program.

It has a rigorous, ongoing evaluation process, with the first stage administered by an external and independent organization, the International Food Policy Research Institute (IFPRI). The credibility of this evaluation has helped strengthen the program's legitimacy in Mexico, leading to its expansion into urban areas as well as support across political administrations, and to international recognition, including a loan of one billion dollars from the Inter-American Development Bank.

Oportunidades impact analysis: credibility and effectiveness

Oportunidades was the first social program in Mexico to carry out a rigorous independent evaluation of program impacts that included randomly assigned treatment and control groups. Given the size and ambitions of the program, program officials emphasized the importance of accurate, credible data as a strategy to measure effectiveness and to try to ensure that the Program would survive changes in government. An external firm, the International Food Policy Research Institute (IFPRI) was hired to conduct the evaluation, along with some academic economists.

The results of the IFPRI evaluation can only be characterized as extremely positive. In the words of the Coordinator of the Oportunidades-IFPRI evaluation, Emmanuel Skoufias:

The results of the evaluation of IFPRI show that after only three years, poor Mexican children living in the rural areas where Oportunidades operates have increased their school enrollment, have more balanced diets, are receiving more medical attention, and are learning that the future can be very different from the past.

Important positive impacts were reported in school enrollment, health clinic attendance, and nutrition. In the case of education, the largest impacts were reported on children who enter secondary school, where impacts represent a percentage increase of enrollment over 20 percent for girls and 10 percent for boys. Significant health and nutrition effects were also reported. Oportunidades children 1-5 years have a 12 percent lower incidence of illness than non-Oportunidades children (Gertler 2000). Additionally, data suggest that Oportunidades has had

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large impact on increasing child growth and in reducing child stunting. Behrman and Hoddinott (2000) report an impact of Oportunidades equivalent to an increase of 16 percent in mean growth rate per year (corresponding to 1 cm) for children who received treatment between 12 and 36 months of age.

While the first phase of the Oportunidades evaluation concluded in the year 2000 (with the end of the three-year contract with IFPRI), there have been a number of important continuing efforts in the evaluation. Given the expansion of the program to urban areas, a new urban evaluation is under way. Additionally, the rural evaluation is continuing with the objective of analyzing the medium term impacts of the program, such as the effect of increased schooling on the future income of its participants.

Changes in the program

There have been two principal modifications in Oportunidades, in large part, due to the IFPRI evaluation. First, the program has been extended to urban areas. Oportunidades was originally a rural program focused on primary and secondary education, although its plan was to first achieve a generalized coverage in rural areas and then slowly extend to poor urban areas. This is exactly the pattern that has evolved.

The second important change has been the extension of education grants to the high school level. And, the Fox administration recently announced a new component of Oportunidades called “Youth with Opportunities” (Jovenes con Oportunidades), a savings plan for participating high school students that grows with each year, from ninth grade through graduation.

Some lessons learned

The positive impacts of Oportunidades show that conditional cash transfer programs of this nature can be an effective feasible instrument in both reducing current poverty as well as improving the future of children through increased investment in their health and education.

The experience of Oportunidades also shows that it is feasible to carry out a targeted conditional cash transfer program on a very large scale even within poor isolated areas with few services, and in particular in a developing country with a limited welfare state (Scott, 2003).

Among the important factors behind the success of the program is that the initial evaluation was planned from the beginning of the program. This ensured the feasibility of having a control group and also insured that results were available at an early juncture in the program, when program changes are easier to carry out and when programs may be more susceptible to budget cuts. Involving prestigious academics in the evaluation also was important; this made the credibility of the results difficult to question.