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Mexico's Progres-Oportunidades and the emergence of social assistance in Latin America

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Abstract

This paper provides an overview of the political and economic context under which Mexico's Progresa-Oportunidades was introduced to prelude the emergence of social assistance in Latin America. The paper identifies four distinctive features of the programme that were revolutionary in their own right. First, the Progresa-Oportunidades embraced a multidimensional approach to poverty, linking income transfers with simultaneous interventions in health, education and nutrition. Second, the programme focused on the poor. This is in clear contrast to generalised food subsidies and other targeted interventions that dominated the antipoverty agenda in the past. Third, the programme followed a complex system of identification and selection of beneficiaries to prevent discretionary political manipulation of public funds. Finally, an independent impact evaluation protocol proved to be critical for both improving the programme's effectiveness and strengthening its legitimacy across different political factions and constituencies. The paper concludes that the success of Progresa-Oportunidades must be understood in a broader context, where a harsh economic and political environment, coupled with a rapid democratisation and increasing political competition, laid down the foundations for the introduction and then sustained expansion of the programme.

Keywords: social assistance, poverty, human development, Latin America, Mexico

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1. Introduction

At the turn of the century, social protection emerged as a new paradigm that shifted the antipoverty policy agenda in Latin America – and in the global South as a whole, from conventional approaches to food aid, subsidies and other forms of ‘safety-nets’ to regular, reliable and predictable forms of assistance. This new paradigm, described elsewhere as a ‘quiet revolution’ (Barrientos and Hulme, 2008), is currently reaching and changing the lives of more than 860 million people worldwide, 25 percent of whom live in Latin America and the Caribbean (see Table 2 below). This means that social assistance has become the most important policy instrument against extreme deprivation at the present time. The shift in policy thinking reflects an emerging consensus that eradicating poverty requires economic growth, basic service provision and social protection. It also reflects a shift in the conventional wisdom on the nature and causes of poverty, moving from poverty as a lack of income to notions of poverty as a multidimensional phenomenon.

The International Labor Organisation (ILO) divides the notion of social protection into three general categories: social insurance; labour market regulation; and social assistance. *Social insurance* includes contributory schemes designed to protect workers against life-course and work-related contingencies. *Labour market regulations* are legal frameworks aimed at ensuring minimum standards for employment and safeguarding workers’ rights. *Social assistance* includes tax-financed policy instruments designed to address poverty and vulnerability (ILO, 2001). In this paper, I discuss social protection with an explicit focus on social assistance, as it represents the most significant changes to the social protection systems in Latin America over the last decade. In particular, I will focus on one of the earliest and perhaps most studied social assistance programmes in the developing world: Mexico’s Progresa (later renamed Oportunidades). In the paper, the programme, hereafter referred to as Progresa-Oportunidades, is identified for having been revolutionary in at least four important respects.

First, the programme embraces, by design, a multidimensional approach to poverty. It links income transfers with simultaneous interventions in health, education and nutrition, placing a strong emphasis on tackling the intergenerational transmission mechanisms of poverty through human capital investment. The programme requires parents sending their children to school and attending periodical health checkups in exchange for income transfers that support expenditures on schooling, health and nutrition. In Section 4 I discuss the design features of Progresa-Oportunidades in more detail.

The ‘human development’ approach to social assistance has expanded rapidly in Latin America and beyond, with over 30 countries with large-scale programmes in place (Fiszbein and Schady, 2009). Barrientos, Niño-Zarazúa and Maitrot (2010) also report a number of pilot schemes emerging particularly in the sub-Saharan African region, with pilot projects already introduced in Kenya, Malawi, Ghana and Zambia; and at implementation stage in Nigeria, Liberia, Uganda and Tanzania. Second, one of the most distinctive features of Progresa-Oportunidades is its focus on the poor. This is in clear contrast to generalised food subsidies and other targeted interventions that dominated the antipoverty agenda in the past, and which were regarded as being highly regressive, and had high leakages to the non-poor (Levy, 2006). Third, Progresa-Oportunidades followed a

complex and statistically-based system of identification and selection of beneficiaries at the household level, with the specific objectives of improving the efficacy of policy outreach and preventing discretionary manipulation associated with opportunistic political behaviour and clientelism, as occurred with previous anti-poverty policies. That would ensure, it was assumed, that public resources distributed through Progresa-Oportunidades would be directed to those in most need, i.e. households in extreme poverty. Fourth, but not least, Progresa-Oportunidades included an independent impact evaluation protocol that included the academic research community both nationally and internationally. That helped not only in improving the programme's effectiveness over time, but also in strengthening its legitimacy across different political factions and constituencies (Skoufias, 2005).

These four elements are found at different levels in transfer programmes that have adopted the human development approach of Progresa-Oportunidades. The scale, coverage, transfer size, regularity of transfers, and the *duration* and *timing* of support can also be associated with broader political and economic factors, and well-grounded theoretical principles underpinning the design and implementation of the programme. In the remaining of this paper I discuss this broader picture. Section 2 discusses the political and economic conditions that preceded the emergence of Progresa-Oportunidades, and which help explain the shift in the antipoverty policy agenda in Mexico. Section 3 discusses the principles and design features that characterise this type of policy interventions. Section 4 analyses institutional design features, whereas Section 5 reviews the existing evidence on the impacts of Progresa-Oportunidades and other social assistance programmes in Latin America, with a specific focus on human capital and poverty. Section 6 concludes with a brief discussion on the key policy lessons.

2. Shifting the antipoverty policy agenda in Mexico: the emergence of Progresa-Oportunidades

Mexico's Progresa was launched in August 1997, two years after the country experienced one of the most difficult political and economic crisis in more than five decades. In January 1994, the uprising of the Zapatista Army for National Liberation in the southern state of Chiapas coincided with a series of events, notably the assassination of the Presidential candidate of the ruling Institutional Revolutionary Party (PRI) in March that year. These events generated great political uncertainty that contributed to trigger the Peso crisis of December 1994 (Gil-Diaz and Carstens, 1996). The setback of seven percent in real GDP in 1995 had a devastating impact on household welfare. The headcount index (or poverty incidence) associated with a food-based poverty line soared from 21.2 percent just before the crisis to 37.4 percent in 1996.¹

¹ Two additional poverty lines are used in Mexico: A *capabilities-based* poverty line that includes, as well as the food-based basket, other expenditure items such as health care, education, clothing, housing and public transport. If adopting that poverty threshold, the headcount index increases from 30 percent in 1994 to 47 percent in 1996. The third poverty line is *asset-based*, and results from adding up to the food-based basket the mean value of non-food expenditure of households belonging to the lowest 10th percentile. When this poverty line is adopted, the poverty incidence in Mexico raise from 52.4 percent just before the crisis to 69 percent in 1996. For more details, see Secretaria De Desarrollo Social (2002).

In the aftermath of the crisis, the incoming Zedillo administration (1994-2000) was faced with limited capacity to assist the poor, for two important reasons: on the one hand, severe budgetary restrictions resulting from the slowdown of the economy and austerity measures meant that the government had very little room for manoeuvre to increase social spending; on the other hand, most antipoverty policies at the time consisted of generalised and targeted food and in-kind subsidies that reached just a fraction of the poor. Indeed, more than 75 percent of the total budget for subsidised food consumption was allocated in urban areas, despite the fact that nearly 60 percent of the poor lived in rural communities. That meant that a large percentage of the income transfer distributed through food subsidies were captured by the non-poor (Levy, 2006). As a result, the temporary measures adopted to offset the impact of the crisis had very limited effectiveness, particularly amongst the poorest.

The other social policy available, the National Solidarity Programme (Pronasol) – a matching grant programme for financing small and medium-sized infrastructure and social projects, introduced by President Salinas de Gortari to compensate the adverse effects and vulnerabilities associated with the rapid market liberalisation and structural change of the 1980s, lost legitimacy, as it was heavily criticised for its political manipulation by the ruling PRI during the Presidential election of 1994 (Molinar Horcasitas and Weldon, 1994).²

2.1 Political considerations

Political manipulation in the distribution of social spending in Mexico had been more of a norm than an exception, particularly in the absence of clear and effective transparency and accountability rules. Practices of this sort have also been reported from other incumbent governments in Latin America and industrialised countries. For example, Schady (2000) finds that during Alberto Fujimori's administration, an increased expenditure of Peru's social fund Foncodes was given to provinces where his party had received support in previous elections. Gibson and Calvo (2000) show that the government of Carlos Menem in Argentina manipulated social spending to gain support at Congress to introduce economic reforms. Dahlberg and Johansson (2002) also find strong evidence of a skewed distribution of municipality grants towards regions with large proportions of swing voters during the Swedish 1998 election.

In a context of rapid democratisation and increasing political competition, the Zedillo administration decided to reform the rules of antipoverty policy to improve the transparency and efficiency of those systems (Escobar Latapi, 2002). In particular the government began a process of decentralisation that culminated in a new law (Law of Fiscal Coordination), in which funding decisions on public infrastructure such as schools, health clinics and rural roads were taken at state and municipality level and allocated on non-discretionary principles, on the basis of statistical poverty indicators (Somuano et al., 2006). These reforms, in addition to the introduction of Progresa-Oportunidades, signalled a major shift in antipoverty policy thinking in Mexico. In particular, a major change in policy was the focus on households rather than on communities. Progresa-Oportunidades aimed, by design, at promoting a direct relationship between the federal government and the recipient

² Studies have found strong correlations between allocation of Pronasol funds and political outcomes. Overall, evidence suggests that Pronasol was used to mobilise PRI's electoral machinery to gain support from both core and swing constituencies. For further discussion, see: Dion (2000).

households, whilst explicitly limiting the involvement of local governments and civil society organisations. This had the objective of preventing the reproduction of corporatist, authoritarian and clientelistic practices that peasants' cooperatives, rural workers' unions and community associations have shown in the past (Dagnino et al., 2006, Levy and Rodríguez, 2004). And although some private intermediaries were involved in the beginning of the operation of the programme, from 2002 onwards, the entire operation was under coordination of a federal coordinating agency without the participation of any civil organisation. At the same time, civil society organisations showed no particular interest in overseeing or taking part in the programme, as there were no economic incentives and/or means to cover fees, commissions and other administration costs. They left most activities to the federal coordinating agency (Hevia de la Jara, 2008).

2.2 Financing issues

It is worth noting that Progres-Oportunidades gradually replaced previous food subsidies that were ineffective in reaching out to the poor. That was a key policy decision, as the introduction of Progres-Oportunidades on the top of food subsidies would have simply been unfeasible under conditions of limited fiscal resources. Levy (2006) has pointed out the importance of the presidential leadership in phasing out food subsidies that had been in place for over two decades. The substitution of social policies helped the government to avoid additional pressures on the federal budget.

Financing has emerged as a key constraint in discussions on extending social assistance, particularly in low-income countries. Tax revenues are a major source for financing social assistance. In low- and lower middle-income countries, taxes represent about 80 percent of government revenues, followed by revenues from property income, sales of goods and services, international aid, and property income (IMF, 2009). Low-income countries in particular face heavy constraints on their capacity to improve tax collection systems. These constraints are associated with the structure of the economy – the rural subsistence economy and the informal sector are very difficult to tax – as well as with the administrative capacity of revenue authorities (see Barrientos and Niño-Zarazúa, forthcoming-b).

Budgetary considerations have contributed to making the global coverage of social assistance largely skewed towards middle-income countries. The mean spending on social assistance in Latin America is in the order of one percent of GDP, although that proportion is conditional on the size of economy, the efficiency of tax collection systems and the scale and scope of the interventions. So while upper middle-income countries, such as Colombia, Chile, Mexico, Peru and Uruguay, spend less than one percent of GDP in social assistance, lower middle-income countries, such as Bolivia and Honduras, allocate more than two percent of GDP (Grosh et al., 2008). In particular, Progres-Oportunidades absorb just a fraction of Mexico's GDP, about 0.3 percent, and that proportion is expected to diminish under positive economic growth and a sustained reduction in poverty.

It is worth pointing out here the fact that although the programme was 'home-made' and financed with domestic resources during the first years of operation, the international community, via the Inter-American Development Bank and the World Bank, supported the expansion of the programme

later on, with credit and technical assistance, especially after the political transition of 2000.³ But most importantly, the international community played a significant role in the dissemination and replication of similar programmes with a human development focus across the developing world. Overall, the economic crisis of 1994-1995, coupled with a number of factors, notably a process of rapid democratisation and political competition and a reallocation of budgetary resources, laid down the conditions for the introduction of Progres-Oportunidades. In the following section, I briefly discuss the principles and objectives underpinning the programme, whereas in Section 4 attention is paid to relevant institutional design features.

3. Principles and programme objectives

Mexico's Progres-Oportunidades, as many other human development programmes in Latin America – also referred to in the literature as conditional cash transfers or CCTs – combine income transfers with preferential access to health or education services. The programme is centrally run by a federal agency that identifies and selects programme beneficiaries (see Section 4 below). That agency also coordinates payments, monitoring systems, and service delivery with ministries and agencies at federal and state level. Thus, whilst the federal government is responsible for making payments and coordinating policy, state governments are in charge of the direct provision of health and education services. Human development programmes explicitly aim at both *reducing extreme poverty* and *promoting investments in human capital*, particularly amongst children. These two policy objectives are linked to co-responsibilities that consist in requiring parents to send their children to school and attend periodical health checkups.

3.1 Targeting extreme poverty

The first policy objective, i.e. reducing extreme poverty, is a distinctive feature of social assistance programmes in Latin America. Unlike food subsidies and other development interventions in the past, these programmes aim at protecting basic levels of consumption of the poor and most vulnerable. There is an important political economy dimension associated with social assistance focusing on the extremely poor. Shared perceptions and values about the causes of extreme deprivation can play a role in persuading political constituencies to support policy interventions that assist the poor (Barrientos and Neff, forthcoming). This was actually what happened in Mexico. A generalised consensus about the urgent need to tackle poverty, and the emerging evidence pointing at significant impacts from Progres (see Section 5 below), persuaded the incoming conservative Fox administration (2000-2006) to keep, and subsequently expand the programme (and rename it thereafter Oportunidades) to urban areas. In Brazil, President Lula signed a law in 2004 that introduced the notion of universal basic income for all; however, due to budgetary

³ In 2002, the Inter-American Development Bank agreed a US\$1 billion loan to Progres-Oportunidades, the largest loan ever made by the bank to a poverty reduction programme, and in 2005 the loan was renewed for US\$1.2 billion for another four years (Levy, 2006). In January 2010, the government announced an expansion of Progres-Oportunidades to cover an additional 600,000 low-income households, primarily in urban areas. However, as the budgetary capacity of the Mexican government had been severely constrained as result of the global financial crisis, the expansion of the programme was financed with public borrowing: a US\$1.5 billion fixed-spread loan from the World Bank and a US\$600 million loan from the inter-American Development Bank (see Barrientos and Nino-Zarazua, forthcoming).

constraints, it was decided that the focus of Bolsa Familia would be on the poorest first, as they were the most urgently in need of support.

The judgement about assisting the poorest with social assistance has a strong foundation in principles of social justice. Welfare economics suggests that policies focusing on the poorest are welfare-enhancing. This means that an additional unit of income transferred to the worst-off would produce a greater benefit than the same additional unit of income transferred to be better-off. In other words, “a dollar that helps us avoid poverty is more valuable than a dollar that helps us become very rich” (Rabin, 2000: 1281). The effectiveness of social assistance programmes in reaching out to the poor is largely contingent on the methods for the *identification* and *selection* of the intended beneficiaries. In Section 4, I return to this issue.

3.2 Facilitating human capital investment

The second policy objective of Progres-Oportunidades, i.e. promoting investments in human capital, is based on strong theoretical principles and empirical evidence showing that the formation of human capital, through improvements in education, health and nutrition, plays a central role in enhancing people’s capacity to produce, interact with their peers and integrate in society. On the contrary, poor nutrition, poor health and limited schooling are associated with low labour productivity, low incomes, and ‘vicious cycles’ of poverty. In low-income countries, 43 percent of children aged five and under are underweight and the prevalence of malnutrition is often two to three times higher among the poorest income quintile (Wagstaff and Watanabe, 2000). There is also systematic evidence that poor households are less likely to be in a position to support their children’s education (World Bank, 2006). Children who do not have the opportunity to complete their basic education are also likely to face a lifetime of poverty (Hoddinott and Quisumbing, 2003).

Social assistance programmes become critical in that context, as they can relax households’ budget constraints while encouraging human capital investment. Indeed, empirical evidence shows that human development programmes in Latin America have allowed poor households to increase the quantity and quality of food they consume. They also seem to have facilitated intra-household time reallocation, so that their children can go to school (see Section 5 below). More schooling and better health and nutrition for children can translate into greater future productivity, higher economic development and social mobility. The complementarities between nutrition, health and education, and the spillover effects and positive externalities emerging in labour and credit markets, are key to understanding the expansion of social assistance, in terms of scale and global coverage, with a human development focus.

But while design features, particularly the so-called conditionalities, have dominated the discussion surrounding human development programmes in Latin America, issues of coverage, scale and transfer size, regularity and duration of support are of much greater significance. The theoretical principles underpinning conditionalities in social assistance rely on the assumption that under situations of extreme deprivation, households heavily discount children’s future consumption on healthcare and education. In those contexts, conditionalities are expected to price up the underestimated value of service utilisation and, therefore, have a greater impact on household welfare than unconditional transfers. However, the evidence on this is inconclusive. While

conditions are reported to increase service utilisation more than unconditional transfers in Latin America (see e.g. de Brauw and Hoddinott, 2008, Schady and Araujo, 2006, Bourguignon et al., 2003), other studies show that unconditional transfers can also have positive impacts on household welfare (Duflo, 2000, UNICEF, 2000). Few controlled experimental studies are currently being conducted to compare the effects of conditional and unconditional transfers, and they may provide further evidence on this particular subject. The marginal costs and benefits of enforcing conditionalities are not fully known either, and more empirical work is needed on this area. Nonetheless, the idea of households' co-responsibilities in tackling poverty have played an important role in gaining public support to expand social assistance, particularly at early stages of institutional development of pioneer programmes such as Progres-Oportunidades, as rigorous impact evaluations were not available at the time. In the following section, I discuss the features that characterise the institutional design of Progres-Oportunidades.

4. Institutional design⁴

The effectiveness of Progres-Oportunidades has been largely contingent on the methods adopted for the identification and selection of beneficiaries. The programme developed complex systems of identification and selection, with the specific objective of improving the efficacy of policy outreach and avoiding its politicisation, as it occurred in the past with other social policies. These systems involve the geographic selection of poor areas using census-based marginality index, categorical criteria to identify poor households using socioeconomic survey and census data, and proxy-means tests to select beneficiaries.

4.1 Scale and coverage

Budget restrictions made it necessary for the Mexican government to roll out the programme gradually. In 1997, Progres was introduced in rural areas, in selected regions and only in localities with school and health infrastructure, as its multidimensional approach to poverty required the provision of public services. About 300,000 households living in 6,344 rural communities received support. The programme focused on rural localities first, as a large percentage of households in poverty lived in rural localities. By 2000, before the Presidential elections of July 2000, the rollout phase of the programme was completed, reaching nearly 2.5 million households living in 53,232 communities (see Table 1). However, by focusing exclusively on rural areas, Progres was *de facto* excluding the urban poor, who remained disqualified to receive support simply for not having lived in the selected geographical settings. At the same time, the requirement that communities possessed the necessary public infrastructure excluded remote rural areas with poor infrastructure. The human development focus of the programme also militated against the inclusion of households without children. These induced 'exclusion errors' were key in persuading the Fox administration to modify the programme to include other vulnerable groups, such as the elderly, and extend it to urban areas in 2003.⁵

⁴ This section borrows from the discussion in Section 3 in Barrientos & Niño-Zarazúa (forthcoming-a).

⁵ For a detailed discussion, see Skoufias (2005).

Table 1. Coverage and scale of Progresa-Oportunidades

Year	Municipalities	Localities	Beneficiary households
1997	357	6,344	300,700
1998	1,750	40,711	1,595,500
1999	2,155	53,152	2,306,300
2000	2,166	53,232	2,476,430
2001	2,310	67,539	3,116,042
2002	2,354	70,520	4,240,000
2003	2,360	70,436	4,240,000
2004	2,429	82,973	5,000,000
2005	2,435	86,091	5,000,000
2006	2,441	92,672	5,000,000
2007	2,444	92,961	5,000,000
2008	2,445	95,819	5,049,206
2009	2,445	97,922	5,209,359
2010*	2,445	103,612	5,512,086

Source: National Coordinating Agency of Oportunidades.

* Figures to June 2010.

By June 2010, Progresa-Oportunidades covered more than 5.5 million households living in more than 103,600 localities, meaning that one out of every four families in Mexico received support from the programme. More than 70 percent of beneficiaries are regarded as extremely poor. The rapid expansion of the programme coincides with a steep rise in the global coverage of social assistance in Latin America and in the developing world. The share of the population covered by transfer programmes in Latin America varies from country to country. This ranges from just a fraction of those in poverty covered by Paraguay's Red de Protección y Promoción Social, to nearly 40 percent of households covered by Ecuador's Bono de Desarrollo Humano. All in all, different types of transfers reach in excess of 190 million poor households worldwide, with approximately 860 million people currently benefiting directly or indirectly from social assistance (see Table 2). This means that social assistance has become the most important policy instrument against extreme deprivation at the present time. Remarkably, Progresa-Oportunidades and other programmes in Latin America have made a significant contribution to tackling poverty and severe deficits in wellbeing (see Section 5). Several factors seem to contribute to the poverty effectiveness of social assistance, but especially important are transfer size, regularity of transfers and duration of support.

Table 2. Coverage of social assistance in Latin America and the Caribbean

Programme title	Country	Type	Number of households (millions)	Number of beneficiaries (millions)	Income group 1/	Poverty focus 2/
Bolsa Familia (absorbed Bolsa Escola in 2003 and Child Labour Eradication in 2006)	Brazil	Income transfer plus	12.5	52.30	Upper middle income	High
Prêvidencia Rural	Brazil	Pure income	7.5	37.50	Upper middle income	Categorical
Progres-Oportunidades	Mexico	Income transfer plus	5.5	27.50	Upper middle income	High
Beneficio de Prestação Continuada	Brazil	Pure income	2.4	10.00	Upper middle income	High
Bono Juancito Pinto	Bolivia	Pure income	1.8	9.00	Lower middle income	High
Familias en Accion	Colombia	Income transfer plus	1.5	7.50	Upper middle income	High
Programa Familias para la inclusión social	Argentina	Income transfer plus	0.7	7.50	Upper middle income	High
Bono de Desarrollo Humano (Bono Solidario)	Ecuador	Income transfer plus	1.2	6.00	Lower middle income	High
Generalización de la asignación familiar por hijo	Argentina	Pure income		5.75	Upper middle income	Moderate
Programa de Apoyo Alimentario (PAL)	Mexico	Income transfer plus	0.825	4.13	Upper middle income	High
70 y mas (non-contributory pension)	Mexico	Pure income	2	4.00	Upper middle income	Categorical
Régimen No Contributivo de Pensiones por Monto Básico	Costa Rica	Pure income	0.79	3.95	Upper middle income	High

Pensiones Asistenciales - became Pensiones Solidarias 2009	Chile	Pure income	0.7	3.50	Upper middle income	Moderate
Bono Dignidad	Bolivia	Pure income	0.676	3.38	Lower middle income	Categorical
Programa de Atención a Jornaleros Agrícolas (PAJA)	Mexico	Public works	0.65	3.25	Upper middle income	High
Asignación Familiar	Uruguay	Pure income	0.522	2.61	Upper middle income	Categorical
Mi Familia Progresá	Guatemala	Income transfer plus	0.478	2.39	Lower middle income	High
Programa Solidaridad	Dominican Republic	Income transfer plus	0.46	2.30	Upper middle income	High
Programa Juntos	Peru	Income transfer plus	0.421	2.11	Upper middle income	High
Chile Solidario	Chile	Integrated Antipoverty	0.335	1.68	Upper middle income	High
Programme of Advancement through Health and Education	Jamaica	Income transfer plus	0.318	1.59	Upper middle income	High
Programa de Empleo Temporal (PET)	Mexico	Public works	0.25	1.25	Upper middle income	High
Bono Madre Niño and Bono Juana Azurduy de Padilla	Bolivia	Pure income	1.2	1.20	Lower middle income	High
Subsidio Unico Familiar	Chile	Pure income	1.2	1.20	Upper middle income	High
PRAF II	Honduras	Income transfer plus	0.17	0.85	Lower middle income	High
Juntos	Colombia	Income transfer plus	0.1	0.71	Upper middle income	High

Avancemos	Costa Rica	Income transfer plus	0.131	0.66	Upper middle income	High
Programa de Ampliación de Cobertura de la Educación Secundaria (PACES)	Colombia	Pure income	0.13	0.63	Upper middle income	High
Tekopora/PROPAIS II	Paraguay	Income transfer plus	0.12	0.60	Lower middle income	High
Plan de Atención Nacional a la Emergencia Social – PANES	Uruguay	Integrated antipoverty	0.083	0.42	Upper middle income	High
Red Solidaria	El Salvador	Income transfer plus	0.08	0.40	Lower middle income	High
Pensiones Asistenciales	Argentina	Pure income	0.075	0.35	Upper middle income	High
Programa de Pensiones No-Contributivas	Uruguay	Pure income	0.06	0.32	Upper middle income	High
Red de Oportunidades	Panama	Income transfer plus	0.07	0.26	Upper middle income	High
Target Conditional Cash Transfer Programme (TCCTP)	Trinidad and Tobago	Income transfer plus	0.032	0.16	High income	High
Red de Protección y Promoción Social	Paraguay	Income transfer plus	0.009	0.05	Lower middle income	High
Total Latin America and the Caribbean			46.63	214.97		
TOTAL developing world			172.65	863.27		

1/ This column classifies countries by income groups according to 2009 gross national income (GNI) per capita, calculated using the World Bank Atlas method. The groups are: 1) Low income, \$995 or less; lower middle income, \$996–3,945; upper middle income, \$3,946–12,195; and high income, \$12,196 or more.

2/ Poverty focus has three categories: High if targeted on extreme poverty or poverty; (ii) moderate if it covers some of the non-poor; (iii) categorical covering poor and non-poor.

Source: Barrientos, Niño-Zarazúa and Maitrot (2010) and World Bank.

4.2 Transfer size

Transfer size is connected with programmes objectives and the principles underpinning programme design choices. Among human development programmes in Latin America, the generosity of transfers varies considerably. Measured as percentage of household income, transfers range from six percent in Brazil to nearly 20 percent in Mexico (Grosh et al., 2008). Transfer size can be important in determining the poverty effectiveness of social assistance programmes. Larger transfers are likely to have greater effects on poverty, but with limits. The results from some studies suggest that *ceteris paribus* the marginal social return to transfer size – in terms of increasing schooling, improving nutritional and health status, or reducing poverty – may become lower at high levels of transfers (see e.g. Filmer and Schady, 2009, Bourguignon et al., 2003). There is an important gender dimension worth noting here. First, income transfers are given to mothers under the explicit assumption that women are effective agents of social change, given that they are found to be more committed to the wellbeing of their children than men (Dwyer and Bruce, 1988, Gómez-Hermosillo, 2005). Second, the size of the educational grant for girls increases with school progression. This is with the explicit objective of providing incentives to keep girls at school to reduce gender inequalities at secondary and high education.

4.3 Regularity and duration

Regular, predictable and reliable income transfers provide a minimum level of security that is essential for consumption smoothing and medium- and longer-term investment decisions. Empirical evidence suggests that regular transfers can relax credit constraints. In Brazil, the regularity of Prêvidencia Social Rural, which was introduced to cover informal workers, has enabled pensioners to access bank loans, as the membership to the programme seems to have reduced screening and other informational costs to lenders (Schwarzer, 2000). Similar effects are reported from Bolivia (Martinez, 2007), where a large percentage of beneficiaries of social pensions have invested part of their transfer in small-scale enterprises, livestock and productive assets to support their households. In that context, social transfers are a critical element for protecting the poor and vulnerable.

As regards transfer duration, there is no rule of thumb to guide policy, as the optimal length of assistance may be contingent on the targeted population and the socioeconomic context. Households facing extreme poverty are more likely to require a longer time window of support to tackle accumulated deficits in productive capacity and basic capability. Human development programmes in Latin America provide support to the poorest families for a period long enough to build human capital amongst beneficiary children. Progres-Oportunidades, for example, makes payments in cash at distribution points⁶ every two months, and for periods that can last for several years until children graduate from high school. The timing of policy is also important here. Nutritional and health interventions in early life are significant determinants for improving the productive capacity of people in adulthood. This connects to the issue of breaking the

⁶ In 2003, Progres-Oportunidades, together with a Bansefi and a network of savings and credit cooperatives and microfinance institutions, began a programme to distribute payments through electronic accounts in nearly 1,800 branches that the network has across the country. By 2010, half a million households had received Oportunidades through debit cards.

intergenerational transmission mechanisms of persistent deprivation. The real value of transfers is important too, as inflationary pressures can erode the purchasing power of transfers and undermine their effectiveness. In the next section, I briefly review the impact evidence emerging from Progresa-Oportunidades and other transfer programmes in Latin America.

5 Impact evaluation of Progresa-Oportunidades and other social assistance programmes in Latin America

The rigorous and independent evaluation protocol of Progresa-Oportunidades has been one of its hallmarks. It marked a precedent to the general practice that characterised previous antipoverty policies in Mexico – and in most developing countries. Indeed, until the introduction of Progresa-Oportunidades, social spending was hardly subjected to rigorous evaluations, meaning that governments lacked reliable information to assess whether programmes worked, and to take decisions to improve policy effectiveness. The decision to incorporate an experimental design to the impact evaluation protocol – opened to public scrutiny – also meant that impact results could be treated as reliable and detached from political manipulation. Indeed, impact studies played an important role in making the case to sustain Progresa-Oportunidades during the political transition of 2000. The evaluation protocol also set a precedent in Mexico to assess social policy, and prompted other countries to adopt similar impact evaluation policies.

In the remainder of this section, I discuss the impact evidence emerging from Progresa-Oportunidades and other social assistance programmes in Latin America. I pay attention to the effects on human capital and poverty, as these are two key policy objectives.⁷ Section 5.1 reviews impact studies on nutrition; Section 5.2 presents evidence on health; Section 5.3 reviews evidence on schooling, and Section 5.4 discusses the impacts on poverty. The sections below cannot review the available evidence in full but, instead, aim at outlining the general findings associated with these wellbeing dimensions. By and large, the focus is on quantitative studies, as their methodology facilitates a comparative discussion across countries and programmes.

5.1 Impacts on nutrition

Nutrition plays a central role in enhancing human development. A well balanced diet is the foundation for healthy living and a central input for labour productivity. Good nutrition is especially important for young children, as critical cognitive developments take place at an early age (see Alderman et al., 2006, Glewwe and King, 2001). Child (mal)nutrition is normally measured with the use of anthropometric data. Weight for age provides insights into the short-term impact of improved nutrition, whereas height for age provides information on the long-term effects of improved nutrition. Height for age is particularly informative as regards the longer-term impact of social transfers, as studies have consistently found that height deficits originated in early life are associated with limited cognitive development (Hoddinott and Kinsey, 2001), and low future earning capacity (Thomas and Strauss, 1997).

⁷ For a detailed review of the impact of social assistance programmes, see International Labour Office (2010).

Evaluation studies of Mexico's Progresa-Oportunidades find that children exposed to the programme gained one centimetre in height for age compared a control group, two years after the start of the programmes. The gain was 0.65cm six years after the start of the programme (Neufeld et al., 2005). In Ecuador, households receiving support from Bono de Desarrollo Humano had a 25 percent increase in food expenditure, which was linked to improvements in nutritional status (Ponce and Bedi, 2009). In Colombia, a substantial increase in intake of protein-rich foods and vegetables was reported as a result of participation in Familias en Acción (Attanasio, 2003). Changes in consumption especially benefited small children: 12-month-old boys grew 0.44 centimetres more than similar children who did not benefit from the transfer. Evidence on improvements in nutritional status as a result of transfer programmes is strong across countries and throughout different types of programmes. Overall, studies confirm a direct link between social assistance and food consumption, where evidence is particularly strong in terms of improvements in child nutrition.

5.2 Impacts on health

By design, human development programmes in Latin America have the objective of improving the access to, and utilisation of, health services as a direct means of improving the health status of programme beneficiaries. Overall, programmes appear to have met their objectives. An evaluation of Colombia's Familias en Acción reports a rise in the percentage of children under 24 months attending health care check-ups (Attanasio et al., 2005). Improved utilisation of healthcare facilities directly affects morbidity rates. The proportion of children affected by diarrhoea declined from 32 percent to 22 percent among children under 24 months, and from 21.3 percent to 10.4 percent among older children.

Similar improvements in healthcare utilisation have been reported from Mexico, Chile and Nicaragua. In Mexico, Progresa-Oportunidades is reported to have doubled the per capita healthcare visits in rural communities. A study of Chile Solidario reports that preventative healthcare amongst children living in rural areas improved in the order of a four to six percentage points (Galasso, 2006). In Nicaragua, Red de Protección Social was associated with an 18 percent increase in immunisation amongst children aged 12-23 months (Maluccio and Flores, 2004). In-time immunisations can play a significant role in reducing illness and premature deaths amongst toddlers. In Mexico, a study reports a 12 percent lower incidence of illness amongst children receiving support from Progresa-Oportunidades vis-à-vis a corresponding control group (Skoufias, 2005).

5.3 Impacts on schooling

The design of Progresa-Oportunidades has been shaped by the knowledge that reducing poverty requires effective policy instruments to improve schooling amongst the poor. Studies have found a strong correlation between the programme and several education-related outcomes, including higher school enrolment rates, less grade repetition, better grade progression, lower dropout rates, and higher school re-entry rates among dropouts. The impact was especially notable in rural areas, where the number of children entering the first grade of secondary school rose by 85 percent and second grade by 47 percent (Molyneux, 2007). Dropout rates decreased by 24 percent, with a

corresponding rise in completion rates of 23 percent for rural secondary schools (Skoufias and di Maro, 2005). These results predict an increase in children's future permanent earnings by about eight percent when they reach adulthood (see Freije et al., 2006).

In middle-income countries, where enrolment in primary education is nearly universal, the impact of social assistance has been more significant on secondary education (see e.g. Attanasio et al., 2005, Cardoso and Portela Souza, 2003, Schady and Araujo, 2006). The extent to which these changes translate into improvements in knowledge and reduction in intergenerational transmissions of poverty is, however, more difficult to confirm at present. Schooling is a necessary, but not sufficient, condition to ensure that beneficiary children reach the labour markets with improved educational attainment levels. The quality of education and the functioning of domestic labour markets are also important.

5.4 Impacts on poverty

A key objective of social assistance in Latin America is to reduce poverty. There is a large literature assessing the poverty reduction effectiveness of these programmes. The findings from these studies cover social transfers of different typology and operating in different settings. In Mexico, an evaluation of Progres-Oportunidades showed a small reduction in the poverty headcount ratio –in the order of ten percent after two years of programme implementation; however, a large reduction in the poverty gap and the squared poverty gap⁸ was reported with reductions in the order of 30 and 45 per cent, respectively (Skoufias, 2005, Hoddinott et al., 2000). This is confirmed by more recent studies which find greater impacts on the poverty gap and poverty severity than on the headcount index (see e.g. Cortes et al., 2007). At the national level, the programme is reported to have reduced about one percent in terms of the food-based poverty line, while in rural areas, the poverty impact has been between two to three times greater than the one observed nationwide. Many other impact studies conducted in Latin America consistently confirm positive impacts of social assistance on poverty and food security.⁹

More recently, and amid the global financial crisis, some critics have questioned the effectiveness of Progres-Oportunidades in addressing poverty. Between 2006 and 2008, the headcount index that measures the food-based poverty incidence increased from 13.8 percent to 18.2 percent, whereas the capability-based poverty incidence, which in addition to the food-based basket includes other expenditure items such as healthcare, education, clothing, housing and public transport, increased from 20.7 percent to 25.1 percent. However, the setback in poverty reduction

⁸ The poverty gap measures the mean distance below the poverty line or income threshold that separates the poor from the non-poor, as a proportion of the poverty line, where the mean is taken over the entire population, counting the non-poor as having zero poverty gap. In other words, the poverty gap is an indicator of poverty intensity, reflecting the amount of income that would be needed to bring the poor above the poverty line, i.e. to eliminate poverty. Whilst the poverty gap measures the distance that separates the poor from the poverty line, the squared poverty gap measures the squared of that distance and can be seen as an indicator of poverty severity. The squared poverty gap takes inequality amongst the poor into account by giving more weight to the poorest.

⁹ For the case of Brazil's Bolsa Familia, see Lindert et al. (2007); for a discussion on Ecuador's Bono de Desarrollo Humano, see Ponce (2008); for a study of Colombia's Familias en Acción, see Attanasio et al. (2005); and for studies of social pensions in Chile, Argentina, Uruguay and Bolivia, see Bertranou et al. (2002), and Bertranou and Grushka (2002).

can be attributed to the level of systemic vulnerabilities that Mexico and other developing countries have faced against covariate shocks. In particular, the increase in international food prices, especially staples, that averaged 43 percent between March 2007 and March 2008 (FAO, 2008) caused an annual growth in the food basket values of about 18 percent in 2008. This had a significant negative income effect on households at the lowest income quintile. And with the global spread of the financial crisis, the net per capita income experienced a fall of nearly 13 percent between 2006 and 2008, with remittances and wages dropping by 29 percent and 26 percent, respectively (see Consejo Nacional de Evaluación de la Política de Desarrollo Social, 2009). These figures are likely to have just partially captured the full extent of the impact of the financial crisis, as the GDP growth rate fell by -6 percent in 2009.

It is worth noting here that the income contribution of Progresa-Oportunidades to poor households increased by 20 percent, which reflects the direct public intervention introduced in 2008 to address food insecurity in the country (Barrientos and Niño-Zarazúa, forthcoming-b). Moreover, it is estimated that in the absence of Progresa-Oportunidades and other social protection programmes in the country, the food-based headcount index would have increased by 13.5 percent, which represents about 2.6 million additional people in extreme poverty, 2.2 million of whom would have lived in rural areas and 0.4 million in urban areas (Consejo Nacional de Evaluación de la Política de Desarrollo Social, 2009). So although covariate shocks are at the root of the recent poverty increase in Mexico, poverty would have been much higher had Progresa-Oportunidades not been in place.

There is often an expectation that social transfers could have effects beyond the reduction of poverty and contribute to reducing income inequality. Transfer programmes in Sweden and other countries are generally referred to as having effectively contributed to reducing income inequalities. But it is often forgotten that coverage and size of these programmes are of a different order of magnitude to the ones operating in Latin America and other developing countries. Moreover, the Gini coefficient of Scandinavian countries is significantly lower than in Latin American countries. Nonetheless, and with a share of about 0.5 percent of gross domestic product in Brazil and Mexico, social transfer programmes are reported to have contributed to a 21 percent reduction of income inequality, in relative terms (Soares et al., 2007). Other studies of Brazil's Bolsa Familia ((Lindert et al., 2007) and Beneficio de Prestação Continuada (Soares et al., 2006), also report contributions of these programmes in *relative* reductions in the Gini coefficient. However, the distributional argument should not be mistaken. The contribution of these programmes to an *absolute* reduction in the aggregate Gini coefficient is marginal. In 2001, for instance, Brazil's, Mexico's and Chile's Gini coefficients were in the order of 0.58, 0.51 and 0.55, respectively. By 2007, the Gini coefficient of these countries had gone down, marginally, to 0.55, 0.51 and 0.52, respectively (World Bank, 2010). This is simply because the lowest deciles of the income distribution receive a very small share of the aggregate income. Nevertheless, as pointed out above, evidence shows that these programmes can contribute to addressing inequality among the poor, via reductions in the poverty gap and the squared poverty gap.

All in all, the brief review of impact studies presented above shows that social assistance makes a significant contribution to reducing poverty and facilitating human capital investment. The capacity of social assistance in improving wellbeing outcomes is, nonetheless, heterogeneous across

programmes, target groups, and socioeconomic environments. It seems to be associated with design factors, programme objectives, and institutional and financial considerations.

6 Conclusions

The analysis of Mexico's Progresa-Oportunidades and other social assistance programmes in Latin America shows that these programmes are effective in addressing poverty and severe deficits in wellbeing. They have led to an important shift in antipoverty policy thinking, moving from food aid and subsidies to reliable and predictable forms of assistance. Important policy lessons can be drawn from the discussion presented above.

First, the emergence of social assistance reflects important advancements in the conventional wisdom on the causes of extreme poverty. Human development programmes have paid special attention to reducing extreme poverty and facilitating human capital investment. The latter is particularly relevant to tackling the intergenerational transmission mechanisms of persistent deprivation.

Second, design features have relied on strong theoretical principles underpinning programmes' objectives. In particular, they justify the focus on the poor and the multidimensional approach to poverty. This is in clear contrast to food aid in-kind subsidies that dominated antipoverty interventions in the past.

Third, the success of Progresa-Oportunidades and other transfer programmes in Latin America must be understood in a broader context. For Mexico, the harsh economic and political environment that preceded the introduction of Progresa-Oportunidades, coupled with a rapid democratisation and increasing political competition, laid down the foundations for the introduction and then sustained expansion of the programme.

Fourth, well-designed systems of identification and selection of beneficiaries have set a precedent in several Latin American countries to prevent discretionary political manipulation that characterised past social policies. That has helped to generate political legitimacy and support across the political spectrum.

Fifth, limited financial resources also meant that the incumbent government had the political motivation to replace highly regressive and ineffective food and in-kind subsidies, and that political decisions prevented the government from incurring additional costs when Progresa-Oportunidades was rolled out. Financing has emerged as a key constraint in extending social assistance in Latin America and developing countries as a whole. The fiscal space to sustain social assistance is conditional on the size of economy, the efficiency of tax collection systems and the scale and scope of the interventions. For most countries in Latin America, public spending on social assistance average one percent of GDP, although low-income countries face the greatest challenge to financing social assistance.

Finally, the inclusion of rigorous impact evaluation protocols has meant that governments can test and improve programmes' effectiveness, while strengthening their legitimacy across different

political actors. Overall, the experience of Mexico's Progresa-Oportunidades has shown that the interaction between government, research community, bilaterals and multilaterals is paramount to advancing knowledge in the area of poverty to increase impact and improve policy and practice.

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