

# REACHING THE POOR WITH HEALTH SERVICES

2007

## Mexico

### Paying the Poor to Use Health Services— Conditional Cash Transfers in Health and Education

*Give a man a fish and you feed him for a day.  
Teach a man to fish and you feed him for a lifetime.*

—CHINESE PROVERB

To combat the country's stubbornly high poverty rate and replace a set of food-subsidy and other poverty relief programs that did not work, Mexico launched the Health, Nutrition and Education Program (known by its Spanish acronym "PROGRESA") in 1997. The programs before PROGRESA were poorly targeted, expensive, and inefficient. Administrative expenses took a third of the budget and instead of teaching skills that could help poor people break out of poverty, the old programs gave them handouts, merely temporary relief.

PROGRESA has replaced subsidies with conditional cash transfers to encourage and enable households to invest in education, nutrition, and health care, known as "human capacity development." Instead of giving men and women the proverbial fish which would provide food for one day, they would learn "how to fish" and be fed for a lifetime.

Since its inception, it has grown steadily. It managed to survive a landmark shift in power away from the political party that established it (the title of the Program, PROGRESA, was changed to Oportunidades in 2001). It now serves over 20 million people or approximately one-fifth of Mexico's population. The accomplishments were achieved at relatively modest administrative costs. Overall, administrative expenses have been held to under 10 percent of the program's total expenditures.

#### Beneficiary Selection

To make sure program benefits actually go to poor people, PROGRESA first selected beneficiary villages and then, families.

1. Poor villages were identified through a community score, based on national census data on things like educational attainment, occupation, housing, and health conditions. The lowest-scoring villages located within reachable distance of educational and health facilities were selected for participation.
2. Within the eligible villages, families were selected by a "proxy-means test." Information closely associated with income was collected from households in a special community census and combined as a poverty rating. The lowest-rated households qualified for inclusion. Originally, about half the households in the eligible villages were included. However, after local protests, the PROGRESA revised the selection criteria, and about 80 percent of the households of the selected communities qualified. Thus, the selection of communities became much more important in determining PROGRESA's targeting effectiveness than the identification of households.

In 2001, when PROGRESA became Oportunidades, the program was extended to urban areas.

#### Benefits Determination and Delivery

Program benefits were designed to further long-term human development and poverty alleviation, as well as to give immediate poverty relief. Women in beneficiary families were eli-



gible for regular cash payments only if they acted to improve their own and their families' educational, health, and nutritional status. Thus, the benefits paid under the Program were "conditional cash transfers," paid to participants if they kept their children in school and obtained health care for their families.

The benefits received were for:

- *Health.* An eligible family received a monthly food-transfer payment of 125 pesos (\$US12) if each child had two to four health checkups a year and each adult, one annual checkup. Pregnant women, however, had to have seven pre- and post-natal checkups. Nutritional supplements were available for young children.
- *Education.* Up to 305 pesos (\$US28) a month were paid for each child in grades three through nine, if the child attended at least 85 percent of its classes. Payments were higher for higher grades and also higher for girls.

The new Oportunidades Program extended the education grants to the high school level. The Fox administration also 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.

The Program based each beneficiary's payment amount on attendance information submitted electronically by school teachers and health personnel at the facilities where the beneficiary registers on enrolment in the program. The funds were telegraphed to local distribution points where beneficiaries collected their payments. When the funds arrived, beneficiaries were notified by their elected community volunteers who also performed many other liaison functions between the Program administrators and benefit recipients. Overall, these "conditional cash transfers" represent around 20% of participating family incomes.

### Implementation Challenges

Executing a program so drastically different from its predecessors posed many challenges. The complex, technocratic proxy procedure used to identify beneficiaries had to be explained to community residents so that they could understand it and accept its legitimacy. This was one reason the Program administrators felt compelled to include more people than originally envisaged, thereby diluting (but by no means completely negating) the targeting effectiveness.

Timely payment of benefits was another challenge. At first, delays cropped up at several points: within the community in submitting completed forms to the Program authorities, and at the central office in issuing payments once the forms had arrived. A related limitation was in the number of fund distribution points, which were often far from the beneficiaries' homes. More distribution points than planned were eventually opened to satisfy disgruntled beneficiaries.

Other issues involved keeping lists of eligible households up to date and monitoring the effectiveness and integrity of the procedures used to identify and pay beneficiaries. Early evaluations did not identify any major problems in procedural effectiveness or integrity, but the issues remained as major concerns to program administrators.

### Program Accomplishments

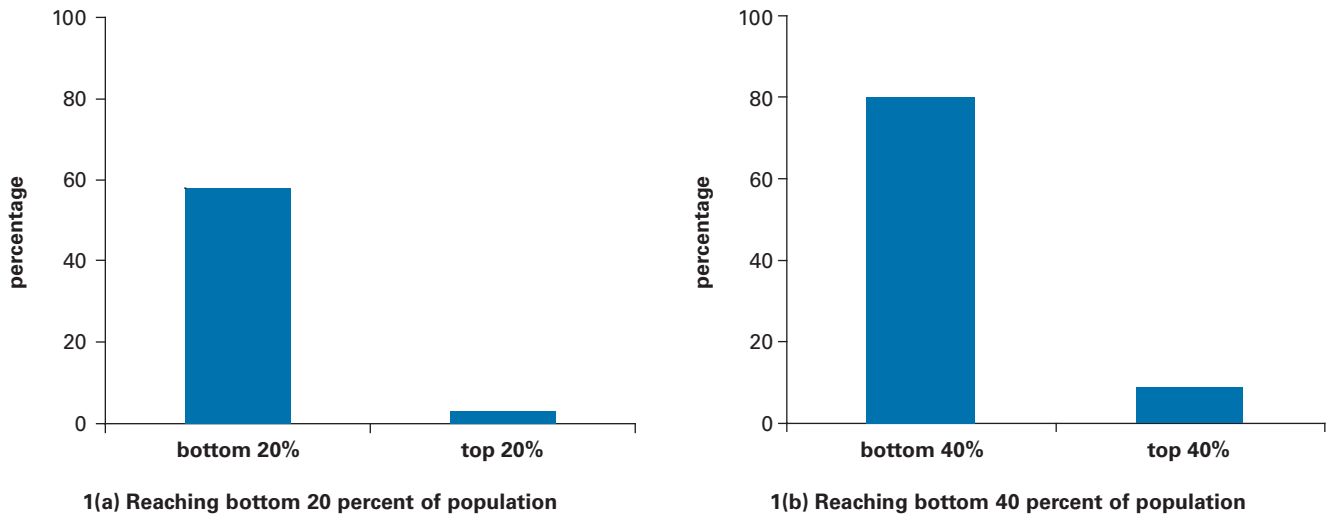
Despite these constraints, the Program grew steadily and remained strong after the new administration came to power. The Program was evaluated by household surveys just before its initiation and two years after, in 320 villages that had received services and 186 villages that had not. These and other evaluation studies suggested that most program benefits have gone to poor families and that the program produced i) noteworthy increases in school enrolments, especially in middle school enrolment; ii) declines in levels of child malnutrition and illness; and, iii) reductions in poverty.

*Record on reaching the poor.* The Program serves more than 20 million people currently a fifth of Mexico's population. Payments through the program make up 20 percent of the income of the households receiving them.

PROGRESA's record in reaching the poor is summarized in Figure 1. As can be seen, almost 60 percent of people reached by the Program belonged to the poorest 20 percent of Mexico's population. 80 percent of the beneficiaries were in the poorest 40 percent of the country's population. The Program also produced some enviable improvements in outcome indicators, 45 percent reduction in the severity of poverty being one of them.

The main factors behind these highly progressive results were the selection of poor villages and conditions tying payment of benefits to children's participation in education and health programs (since poor people have more children than do the better-off). The focus on choosing poor families within villages was less important (because most of the families in the selected villages were poor, and the program was not introduced in higher-income areas).

Figure 1. PROGRESA/Oportunidades Targeting Success in Reaching the Poor



Source: Coady, Filmer, and Gwatkin 2005.

*Record on adult and child health.* Illness profoundly affects child development and adult productivity. As a result of improved nutrition and preventive care, PROGRESA/Oportunidades children have fewer illnesses than non-PROGRESA/Oportunidades children from infancy to 5 years of age. It was reported that there was a 16 percent increase in the annual growth rate of children in their first 12 to 36 months, and a 20 to 25 percent reduction in the incidence of illness among children from infancy to 5 years of age. Adults in Program households have 17 percent fewer incapacitating days of illness than non-PROGRESA/Oportunidades adults.

*Record on education.* The Program expanded enrolment of boys and girls at both primary and secondary levels. At primary level, where enrolment was already high at the outset, the Program boosted the rates 1.07 percent for boys and 1.45 percent for girls. At the secondary level, enrolment grew 8 percent for boys and 14 percent for girls. The increase in educational attainment for both boys and girls was an estimated 10 percent, from a starting point of about 6.2 years for the average 18-year-old.

The students within the Program begin school younger, repeat fewer grades, and drop out less frequently, especially between primary and secondary school, than children from other groups in Mexico. Despite the higher financial incentives given to girls to continue their education at secondary

level, the program seemed to encourage more boys than girls to stay in school.

Although the Program has increased the number of children staying in school, any impact it may have had on performance at school is hard to quantify. Test scores did not improve noticeably, but teachers and other school personnel interviewed thought students had nonetheless benefited from the Program. Employment of both boys and girls in salaried and nonsalaried jobs fell because more were staying in school in PROGRESA/Oportunidades villages.

### Lessons Learned

The positive impacts of PROGRESA/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 PROGRESA/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 an initial evaluation was planned from the beginning of the program. This ensured the feasibility of hav-

ing 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 as this made the credibility of the results difficult to question.

---

This brief is intended to summarize good practices in Health, Nutrition, and Population. It was adapted from David P. Coady, Deon P. Filmer, and Davidson R. Gwatkin, "PROGRESA for Progress: Mexico's Health, Nutrition, and Education Program," *Development Outreach* 7(2, May 2005): 10–12; accessed November 15, 2006, at [www1/worldbank.org](http://www1.worldbank.org), and David Coady, "Alleviating Structural Poverty in Developing Countries: The Approach of PROGRESA in Mexico," Background Paper for the 2004 *World Development Report*, and "Mexico's Oportunidades Program" in Shanghai Conference: Case Studies Series. 2005. The views expressed in this note do not necessarily reflect those of the World Bank.

