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Conditional cash transfer programs in Mexico:

Progresos - oportunidades

Margaret Arnold & Alejandro de la Fuente

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Margaret Arnold and Alejandro de la Fuente, World Bank

Progresa is a human-capital-conditional cash-transfer program introduced by the Government of Mexico in 1997 and re-launched as *Oportunidades* in 2002. Its basic objective is to improve the education, health and nutrition of poor families, particularly children and their mothers. In addition to nutritional supplements, it provides cash transfers to families in exchange for regular school attendance and visits to health clinics. With an outreach of six million poor households nationwide, the payments are provided directly to mothers or the female head of household. Numerous evaluations have confirmed the positive impact of *Oportunidades* on health, education and nutrition of the poor.

In addition to its designed goals, *Oportunidades* has proven successful in reducing the vulnerability of the poor in other ways. According to some studies, the program's cash transfers have reduced household vulnerability through asset accumulation and more stable income flows that allow them to better plan their expenses, pay their debts and get credit more easily, resulting in increasing consumption of goods and services (Latapí, 2005; González de la Rocha, 2005). Yet other studies have found that *Oportunidades* has been performing a *de facto* safety-net function through its cash transfers (de Janvry et al., 2006), though sometimes imperfectly and at the expense of its designed objectives (de la Fuente, 2008). The transfers have been used for small scale, idiosyncratic, one-off events that occur around the dates when the cash transfers arrive. While protecting household assets, this safety-net function distracts resources from the human-capital-enhancing goal of the program. For instance, parents use the cash earmarked for educational expenses to meet other unrelated, but momentarily more pressing needs, such as setting up the maize crop.

The findings above have spurred a debate on whether this flagship program of social policy in Mexico should remain faithful to its original mandate and further its objectives by granting its youth “graduates” funds to continue into university-level studies or by connecting them to career-type employment opportunities; or whether it should expand its design into a broader system of social protection through its cash-based component (Latapí, 2005; Inter-American Development Bank, 2006). A World Bank initiative is analyzing the long-term welfare impacts of idiosyncratic and covariate shocks on the beneficiaries under *Oportunidades* to inform this debate, and exploring ways in which *Oportunidades* can potentially strengthen the adaptive capacity of poor households in the face of increasing climate and disaster risk.

A first step in transforming the program into a robust mechanism for the accumulation and protection of poor households' assets would be connecting beneficiaries to the financial and banking system. The vast majority of program beneficiaries receive their cash in physical cash payments, which is becoming increasingly dangerous, as many cash transports are being attacked and robbed. *Oportunidades* recognizes the need to modernize its distribution system, and has started piloting the use of debit cards and smart cards. Such mechanisms not only improve the efficiency of the transfer distribution, but enable access to other financial services such as credit

and insurance. In this way, poor households would increase their capacity for building and protecting their asset base, strengthening their long-term resilience to hazards events.