PROGRESA is one of the Mexican government’s major programs aimed at developing the human capital of poor households. Its 1999 budget of about $777 million equaled 0.2 percent of Mexico’s gross domestic product (GDP). By the end of that year, PROGRESA covered approximately 2.6 million families in almost 50,000 localities in more than 2,000 municipalities. These beneficiaries comprised about 40 percent of all rural families, or one-ninth of all Mexican families.

PROGRESA represents a significant change in the Mexican government’s provision of social programs. In contrast to previous poverty alleviation programs, PROGRESA applies community and household targeting to ensure that program resources are directed to rural households in extreme poverty. Communities are first selected using an index based on census data that measures their economic marginality. Within the selected communities, households are chosen using socioeconomic data.

PROGRESA focuses simultaneously on several dimensions of human capital. It intervenes in education, health, and nutrition in an integrated effort to decrease current and future poverty levels. Recognizing the potential of mothers to use resources effectively and efficiently in a manner that reflects the immediate needs of the family, PROGRESA gives benefits exclusively to mothers. Cash transfers and nutritional supplements are conditioned on children’s regular school attendance and visits to health care centers. The integrated nature of the program reflects a belief that addressing all dimensions of human capital simultaneously has greater social returns than their implementation in isolation.

In early 1998, the International Food Policy Research Institute (IFPRI) was asked to assist the PROGRESA administration in determining if the program was “functioning in practice as it is intended to by design.” In PROGRESA and Its Impacts on the Welfare of Rural Households in Mexico, Emmanuel Skoufias synthesizes the findings contained in a series of reports prepared by IFPRI for PROGRESA between 1998 and 2000.

EVALUATING PROGRESA

IFPRI’s evaluation of PROGRESA consisted of two critical elements. First, researchers adopted an experimental design in the early stage of the implementation of the program that enabled them to measure program impact by comparing the mean values of key outcome indicators among beneficiary households (the treatment group) with similar households that were not yet covered by the program (the comparison or control group). Second, researchers collected information from these two household groups before and after implementation of the program.

The full sample used in IFPRI’s evaluation of PROGRESA consists of repeated observations (panel data) collected for 24,000 households from 506 localities in 7 Mexican states. These households were interviewed periodically between November 1997 and November 1999. Focus groups and workshops with beneficiaries, local leaders, PROGRESA officials, health clinic workers, and schoolteachers were also carried out.

The majority of IFPRI’s findings suggest that PROGRESA’s combination of education, health, and nutrition interventions into one integrated package has had a significant positive impact on the welfare and human capital of poor rural families.

The initial analysis of PROGRESA’s impact on education shows that the program has significantly increased the enrollment of boys and girls, particularly of girls, and above all at the secondary school level. Most of the increase in school attendance is attributable to children, especially boys, working less to earn money for their families. The results imply that children will have, on average, about 0.7 years of extra schooling because of PROGRESA. Taking into account that more schooling is associated with higher levels of income, the estimations imply that children will have 8 percent higher lifetime earnings due to the education benefits they have received through PROGRESA.

As a result of PROGRESA, both children and adults are also experiencing improvements in health. Children receiving PROGRESA’s benefits have a 12 percent lower
incidence of illness and adults report a decrease of 19 percent in sick or disability days.

In the area of nutrition, PROGRESA has significantly reduced the probability of stunting for children 12–36 months of age. PROGRESA has also had important impacts on food consumption. Program beneficiaries report higher caloric consumption and are eating a more diverse diet, including more fruits, vegetables, and meat.

A detailed cost analysis also provides strong evidence that PROGRESA is generally administered in a cost-effective manner. For every 100 pesos allocated to the program, only 9 pesos are “absorbed” by administration costs. Given the complexity of the program, this level of program costs appears to be quite small.

POLICY IMPLICATIONS

Poverty alleviation programs such as PROGRESA are an important component of the set of instruments that government has at its disposal for redistributing income and assets among households and improving human capital. Program evaluation can improve the design and implementation of programs so that they can have a greater effect on household poverty. There are also social and political reasons for undertaking program evaluation.

One of the most important outcomes of IFPRI’s evaluation of PROGRESA was that the Mexican state continued the program in spite of the historic change in government after the 2000 elections. The overwhelming (and unprecedented) evidence that a poverty alleviation program showed significant impact on the welfare and human capital of poor rural families contributed to the Fox administration’s decision to continue the program (renamed Oportunidades) and to expand its coverage into poor urban areas after improving program design. As of mid 2005, Oportunidades had increased its coverage to a total of 5 million poor families.

The majority of the improvements were based on findings that revealed the need for enhancement of some of the structural components and operation of the program. For example, initially the award of PROGRESA’s educational benefits was conditional on regular school attendance but not performance. Oportunidades improved on this design feature by linking benefits to performance, for example, by granting bonuses to encourage successful completion of a grade.

In spite of several such improvements, some issues remain to be resolved. For example, the targeting of the program has introduced some social divisions between beneficiaries and nonbeneficiaries. In poor rural communities it may be preferable to include all residents into the program instead of discriminating among households. Also, the program was found to have no measurable impact on the achievement test scores of children in beneficiary localities. If the program is to have a significant effect on the human capital of children, more attention needs to be directed to the quality of education provided in schools.

The opportunity to conduct a rigorous evaluation of PROGRESA has set a higher standard for the design and conduct of social policy in Mexico and in Latin America in general. Policymakers now have a better sense of the basic elements of a program that can be effective in alleviating poverty in the short run and, perhaps, in the long run as well.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE • 2033 K STREET, NW • WASHINGTON, DC 20006-1002 USA
T: +1-202-862-5600 • F: +1-202-467-4439 • ifpri@cgiar.org • www.ifpri.org
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