

Conditional Cash Transfers in a Neoliberal Era:  
The Evolution of Mexico's *Progres-a-Oportunidades*

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**Abstract**

Conditional Cash Transfer (CCTs) programs are increasingly becoming the new face of poverty reduction in the global South. Often called a magic bullet, the most common goal of a CCT is to break the intergenerational cycle of poverty. These programs transfer cash to families in extreme impoverishment provided they comply with pre-determined conditions. These conditions usually involve school attendance for children and health check-ups. By linking cash to nutrition, health, and education, CCTs aim to increase the human capital of the poor. It is through this accumulation of human capital that enables them to break the intergenerational cycle of poverty.

However, many CCTs have been unable to demonstrate significant reductions of poverty in a long-term, sustainable manner. Why is this so? In this thesis, I argue that the macroeconomic policies influence the design and implementation of conditional cash transfer programs. Using Mexico's *Progres-Oportunidades*, the first CCT of its kind, as my case study, presents a unique opportunity to examine this relationship. Mexico has faced deepening neoliberal reforms since the 1980s that continue to this day, while *Progres-Oportunidades* has remained the principle poverty reduction strategy. Nevertheless, poverty levels in Mexico continue to grow. I argue that the suite of policy regimes associated with neoliberal macroeconomic planning have adversely affected the objectives, implementation, and outcomes of the *Progres-Oportunidades* program.

April 30, 2015

## **Dedication**

This thesis is dedicated to my parents who have supported me unconditionally throughout my university career. This is the culmination of all of the hard work they have done in order to support me.

It is also dedicated to my sisters, who helped me correct my work and answer all of my questions, no matter how ridiculous.

También es para Alui, que siempre me apoyaba y confiaba en mis capacidades.

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## Section I

### Introduction

Conditional Cash Transfer (CCT) programs—cash transfers to the poor by the national government with formal conditionalities, such as child school attendance, attached to them-- have become a significant mechanism in national poverty reduction programs (PRPs) in the global South. But it is in Latin America that they have become one of the main social service programs used to combat poverty. In 2010 there were eighteen CCT programs operational throughout Latin America and Caribbean countries. These CCT programs have varying goals depending on what the government sees at the most pressing issue. For the purpose of this thesis, I will be examining the Mexican CCT program *Progres-Oportunidades* (PROP)<sup>1</sup>. Specifically, my research will focus on how the program's structure and effectiveness has evolved from 1997-2012 as a consequence of the federal government's neoliberal economic and social policies. The *sexenios* (the presidential term of office) being examined are those of Ernesto Zedillo Ponce de Leon (1994-2000), Vicente Fox Quesada (2000-2006), and Felipe Calderon Hinojosa (2006-2012).

*Progres-Oportunidades* is being examined since it is the first CCT of its kind to incorporate education, nutrition, and health within one integrated program. Many other

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<sup>1</sup> The program *Progres-Oportunidades* has been re-branded two times since its creation in 1997. In 1997 it was launched under the name PROGRESA, *Programa de Educación, Salud, y Alimentación*. In 2002 it was renamed *Programa de Desarrollo Humano Oportunidades*, or simply *Oportunidades* until 2013, when the Peña Nieto administration changed its name to PROSPERA *Programa de Inclusión Social*. For the purpose of this thesis, the program will be referred to as *Progres-Oportunidades* or PROP.

CCT programs throughout Latin American are based on the Mexican model because of its innovation and as it has been reviewed by the International Food Policy Research Institute (IFPRI) since its implementation. As a result of this early reviewing process, the program was able to adjust accordingly to address certain limitations.

PROP was launched in 1997 as the main poverty alleviation strategy of the Zedillo government. Ernesto Zedillo wished to distance himself from the Carlos Salinas de Gortari administration, who had caused considerable damage the Mexican economy and beyond, specifically through drastic neoliberal reforms. Zedillo inherited a government and country that was on the verge of crisis shortly after the signing of the North American Free Trade Agreement (NAFTA) in 1994, as well as facing increasing levels of poverty and an indigenous uprising of the Zapatistas in Chiapas. As well, the federal elections which Zedillo won were heavily contested and the introduction of a poverty alleviation program was also seen as a way to legitimize his government (Yaschine & Orozco, 2010:62).

In 2000, Vicente Fox won the presidential election and was the first non-PRI president in over 70 years. In an unusual move for Mexican politics, Fox did not throw out all the social programs of the previous administration, which is the norm every time there is a new *sexenio* (Yaschine & Orozco, 2010:67). Fox continued the PROP social program and re-branded it in 2002 under the name *Programa de Desarrollo Humano Oportunidades*, or simply *Oportunidades*. The re-branding went further than superficial

changes and many new policies were introduced, such as a greater emphasis on the educational component of the program

In 2006 Felipe Calderon took charge of the federal government and continued the neoliberal reforms of his predecessors. Faced with the 2008 world recession, Calderon focused on increasing deregulation and labour flexibility (Tetreault, 2012:58). Poverty levels began to increase once more from 2006-2012 as social programs became a lesser priority. The economic and social policies of the Zedillo, Fox, and Calderon administration, outlined above, will be examined in this thesis. The aim is to analyze how these respective policies have negatively impacted the effectiveness of the *Progres-Oportunidades* conditional cash transfer program.

I will focus my research into the evolution of Mexican CCT programs with the research question:

***How and to what extent have the neoliberal social and economic policies of the Mexican federal government affected the conditional cash transfer program Progres-Oportunidades from 1997-2012?***

## **Methodology**

I have not carried out any primary data acquisition, but have relied on a broad spectrum of secondary sources for my data. These sources have included: Secretary of Social Development (SEDESOL) PROP external evaluation reports, National Council for the Evaluation of Social Development Policies (CONEVAL) PROP Evaluation reports and Social Policy Evaluations, and Secretary of Inland Revenue and Public Credit

(SHCP) budgetary break downs from 2001-2012 for the Secretary of Education (SEP), Secretary of Health (SALUD), and SEDESOL.

I also used information from multilateral organizations, such as the United Nations Research Institute for Social Development (UNRISD) reports on CCTS and Social Services; World Health Organization (WHO) reports on health care in the developing world; CEPAL and Inter-American Development Bank investigations on CCTs; and World Bank (WB) and International Monetary Fund (IMF) statistical data mainly pertaining to GDP growth and poverty rates.

Primary source material was also obtained from the studies of other scholars, such as: Adato and Hoddinott, Banegas-Gonzalez, Boltivnik, Fiszbein, Hanlon et al, Medrano, Tetrault, and Valencia.

## **Thesis Structure**

This thesis is structured as follows: Section II of this thesis will provide a review of literature and the central issues relevant to my research. Beginning with social services and development, the debates being explored include the benefits of privatizing social services versus retaining social services as a public good. The role of the state and its effectiveness in providing for its population is a common theme in relation to this topic. This is debated by scholars such as Lawrence Martin and Christine Ludowise who cite the benefits of privatization, and by Santosh Mehrotra and Enrique Delamonica who argue for universal social service provision. Next, CCT programs are examined. They key



issues raised by Hanlon et al, as well as Jishnu Das et al, revolve around whether cash transfers should be conditional or unconditional, and the possible impacts conditionality has on participants. These authors also argue in favour of cash in comparison to in-kind food transfers and other subsidies. Cash is cited as more efficient and less expensive than traditional subsidies.

We will then move on to discuss conditional cash transfer programs in Latin America. Hanlon et al and Laura Rawlings present CCTs as a global South response to traditional northern aid agencies and say the idea is “revolutionary”. In contrast, many Latin American authors such as Julio Boltvinik, Anahely Medrano, Carlos Barba, and Jose Pablo Bentura claim that CCT programs are purely a continuation of pre-existing neoliberal policies present in Latin America. As well, the role that economic growth plays in poverty reduction and in CCT programs is explored by Cindy Clavo and Nora Lustig.

Finally, we will discuss the current debate surrounding the central issues connected with the Mexican conditional cash transfer program *Progres-a-Oportunidades*. This section begins with a brief overview of Mexican social services starting from the 1970s and providing context for the emergence of PROP. I will continue by discussing the debates centred on the quality of service provision within PROP as well as the role the program has played in the reduction of poverty in Mexico.

Section III, the empirical section of the thesis, will provide data in relation to each of the topics in the literature review. Data obtained from federal governments, the International Monetary Fund, the World Bank, and the United Nations Research Institute

for Social Development (UNRSID), among others, will be used to highlight budget costs of social services in various countries worldwide. Information and statistics relating to conditional cash transfers programs and conditional cash transfers in Latin America will be collected via federal government budgets, World Bank databases, United Nations Development Reports, as well as scholars and independent studies that have collected information in relation to this topic.

Information about Mexican macroeconomic policy from 1980-2012 will be provided, followed by Mexican social policy in the same time period. For the purpose of this thesis, only macroeconomic policies are being investigated. Next will be general background data and statistics on Mexico to introduce the reader to the social context of PROP. Empirical information in relation to the PROP program will be obtained via CONEVAL, SEDESOL and scholarly evaluations of the program, such as Banegas-Gonzalez and Tetreault.

Section IV will present an analysis and discussion of the core issues presented in the literature review with respect to the data presented in Section III. It will show the limitations of the *Progres-a-Oportunidades* program in relation to the neoliberal social and economic policies of the Mexican federal government. Citing reduced expenditure in basic social services, and the neglect of rural institutions, I will prove that these macroeconomic policies are impeding the effectiveness of the CCT program.

Section V will conclude the work of this thesis. I will begin by outline the findings from the empirical data section and the analysis. I will then summarize the importance of

analyzing CCT programs in the broader context of a countries macroeconomic policy, and policy recommendations will be made based on the findings. At the end of this section an extensive bibliography is provided.

### **Thesis Statement**

My argument in this thesis will be that the suite of policy regimes associated with neoliberal macroeconomic planning have adversely affected the objectives, implementation, and outcomes of the *Progres-a-Oportunidades* program.

## **Section II**

### **A Review of the Literature**

#### 1. Social Service Programs and Development

Many scholars and prominent world organizations acknowledge the role social services play in the alleviation of poverty. According to the United Nations Research Institute for Social Development (UNRISD), social services “[...] increase the chances that individuals and their families can lift themselves out of poverty and live dignified and productive lives” (UNRISD, 2010:161). UNRISD also states that poverty can be perceived as the result of the non-attainment of basic capabilities arising in part from the absence of social services. As well, access to education and health care is a fundamental right enshrined in various UN declarations. Universal access to these services is considered a vital tool for the attainment of the Millennium Development Goals (MDGs). Yet, social services incorporate many different types of supports and programs. Elizabeth Wickenden (1976) concedes that there is difficulty in finding a common understanding of what social services incorporate. Social services can be understood broadly as all people orientated services and benefits. They can also be restricted to specific services such as pensions, unemployment insurance, or education. For the purpose of this thesis, basic social services are understood as education and health care.

Nevertheless, while organizations have universally agreed upon the basic social services, there is debate regarding how to implement these services. These services may be either as marketable good via privatization or as a public good run by the state.

The Thatcher and Reagan administrations signalled the beginning of wide sweeping privatization in the global South. One of the results of this new policy change was the commercialization of basic social services. The International Monetary Fund (IMF) states that privatization and other structural reforms implemented in developing countries promote economic efficiency and growth. Many developing countries were pressured by international financial institutions such as the International Monetary Fund and the World Bank (WB) to implement these neoliberal policies. This is because state enterprises in the global South are often overstaffed overpaid and unproductive. As a result, these enterprises drain government budgets and slow overall economic growth (IMF, 1999:3). These policy changes were made as part of the conditions in a structural adjustment program in order to qualify for development assistance loans and debt relief (Mehrotra & Delamonica, 2005:3).

The IMF also argues that the poor have better access to goods and services, such as food and basic social services, if market forces are allowed to determine prices (IMF, 1999:23). As well, researchers state that the commercialization of social services through contracts and outsourcing can act as a mechanism to protect individual rights, raise efficiency and promote accountability to the public (Ludowise, 2004:2).

The main focus of federal governments, such thinkers maintain, should therefore be on the creation of new public-private partnerships. Martin (2004) asserts that the problems of implementing social services are too complex for governments to address (p. 177). The privatization of social services aids in the reduction of costs, as Etzioni (2011) estimates that by 2030, entitlements in the United States will consume 70% of the federal budget. This demonstrates how privatizing social services can have a huge impact on the reduction of debt and state spending. It also aids in the improvement of the quality of the services as well as addressing any underserved populations (Martin, 2004: 7).

However, Etzioni continues by saying that increasing the budget instead of re-dividing existing money would allow for the choice and not the obligation to cut social services (p. 110). He states that the US government alone loses almost one trillion dollars every year from tax loopholes. Many of these losses are incurred by giveaways to special interests groups and persons. Etzioni recommends tax reform, not only to raise the taxes of the rich but also to address these major discrepancies in the law (pp. 110-111).

UNRISD argues that social service systems that are fragmented with multiple programs and providers tend to have higher costs, lower levels of redistribution, and limited access for the poor. This last idea is elaborated by explaining how the widespread commercialization of social services beginning in the 1980s destabilized much of the previous advances towards universal access in many regions of the world. Such privatization and destabilization subsequently contributed to rising costs, in particular for

the poor and vulnerable populations, and greater inequality and exclusion (UNRISD, 2010: 161).

Mehrotra and Delamonica (2005) state that developing countries should not have wide spread privatization of social services. Their reasoning includes the idea that the majority of developing countries' populations are still not covered under the most basic of health care and educational services. Commercialization would, therefore, neglect these vulnerable populations and deny them further care (p. 3).

Ul-Haq (1996) maintains that the provision of basic social services are vital for the reduction of poverty and the creation of a stable state (pp. 2-3). It is only by accessing social services that individuals can increase their economic opportunity and achieve gainful employment. Consequently, if these opportunities are denied to impoverished groups they will be denied social mobility. An example of the social services that ul-Haq discusses is income transfers. Income transfers can take many forms, however this thesis will be examining the social service programs which are built around conditional cash transfers.

## 2. Conditional Cash Transfers and Development

Conditional cash transfer programs (CCTs) are praised by various international organizations and scholars as the greatest innovation in development policy of the past decade (Adato & Hoddinott, 2010: 4). CCTs are unique social service programs as they link social safety nets directly to human capital by investing in basic social services

(Slater, 2008: 11). CCTs are considered to have three main characteristics which contrast with traditional supply side social service provision: Firstly, conditional cash transfers are targeted interventions to the poorest of households instead of broad or universal participation; secondly, beneficiaries are provided cash which is usually given directly to the mother; thirdly, in order to receive the transfer families must comply with certain predetermined conditions, the most common being enrolling children in school and health clinic attendance (Adato & Hoddinott, 2007: 1).

There is much debate about the role conditional cash transfers play in the reduction of poverty. In countries where CCTs are implemented, poverty is often understood as an intergenerational issue (Hanlon et al. 2010). Children in poor families tend to have lower levels of education and poorer health. This translates into fewer economic opportunities, which results in their children becoming poor as well. One of the biggest arguments in favour of CCTs notes that by incorporating conditions such as school enrollment and health clinic attendance, it allows families to break this intergenerational cycle of poverty (Hanlon et al. 2010).

The advocates for conditionality elaborate this idea by citing the role conditional cash transfers play in the accumulation of human capital. The main theoretical premise behind human capital is that with better health and education, families will begin breaking the intergenerational cycle of poverty by increasing their productivity in the labour market (Hanlon et al. 2010). The World Bank states that in developing countries, parent's investment in their children's human capital is too low, thus perpetuating the cycle of



poverty. This aids in the World Bank's justification of the conditionality of the money, citing the role conditions play in augmenting impoverished families' investment in human capital.

Imposing conditions not only allows for greater investment in human capital, it also makes programs more politically acceptable. Greater support for CCTs is gathered by presenting the program not as a handout but rather as a social contract (Das et al. 2005; Hanlon et al. 2010). Advancing the program as a social contract reflects a negative social opinion of the poor; that the impoverished are partly to blame for their circumstances and therefore must be told how to escape their poverty (Slater, 2008). This opinion however is much more politically viable, as agencies, governments, and voters are more reluctant to simply give a hand out and relinquish total control.

Das et al. (2005) continue this argument by stating how supporters of conditions in CCTs indicate the ability conditionality has to alter behaviour. When an individual's actions do not conform to societal preference, such as turning to crime, CCTs can be used as an incentive to change anti-social behaviours and to protect individuals from their own irrationalities. Sala-I-Martin (1997) elaborates by saying that CCTs "[...] are a way to *bribe* poor people out of activities that are socially harmful, such as crimes, revolutions, riots, and other forms of social disruptions" (p. 83). Conditional cash transfer programs can thus be seen as a tool to maintain social order and to make the poor conform to societal norms.

However, some scholars argue for the transfers to be unconditional. Skoufias (2005) states that simple economic theory describes how households would be better off by receiving the money unconditionally. This is because the imposed conditions force the households to make decisions that are different from those they would make if they were able to use the money at their own discretion (p. 17)

Other authors, such as Hanlon et al. (2010) assert that the poor are capable of properly investing their money without an external body dictating how it should be done. The conditions placed upon impoverished participants are activities that they want to participate in however they lack the necessary financial resources. The authors continue by adding that families with restricted income use the extra money wisely and creatively without the instruction of external bodies (p. 130).

Nevertheless, there is limited evidence to support the idea that the conditions themselves are the reason for positive health and educational outcomes (Slater, 2008). Moreover, Slater states that income predictability may be just as, if not more important than, conditionality. Unfortunately there have been no intensive studies to validate this hypothesis. This leads into the next big issues surrounding conditional cash transfer programs, the question of providing cash instead of in-kind transfers like food aid.

Cash, in comparison to in-kind food transfers, has been credited for being more efficient and creating savings in terms of reduced logistical costs. In addition, cash also avoids negatively impacting local food production (Slater, 2008). Monetary transfers aid in the stimulation of the local economy, as households participating in CCT programs

have been shown to spend their money locally on food, clothing, and other inputs (Hanlon et al 2010). This subsequently creates an upward spiral of economic growth in the locality.

Monetary transfers are also acknowledged as being less expensive compared to other forms of social programs (Adato & Hoddinott, 2007), and CCTs reduce bureaucracy by giving the money directly to the family instead of through intermediary organizations (Hanlon et al. 2010). Also, many governments in developing countries spend more on programs directed at the non-poor, such as energy subsidies. In comparison, their spending is dramatically smaller on poverty reduction programs, which demonstrates that low income countries are able to afford conditional cash transfer programs.

As a rebuttal to this point, Slater (2008) argues that much of the data used to analyze the budget of cash transfer programs does not include additional complementary costs. These complementary costs include investments in educational and health care centres, markets, roads, and other infrastructure needed to improve the effectiveness of CCT programs. It is important to invest in these areas because CCT programs will have limited success and possible negative effects, such as higher food prices, if other government support programs are not in place. Adato and Hoddinott (2007) address this concern by distinguishing between the difference of initial start-up costs and the fixed costs once the program has been established. Significant investment is needed in other sectors during the launch of the program, but the longer the program is in place, the more efficient it becomes.

### 3. Conditional Cash Transfers in Latin America

Brazil and Mexico are considered the leaders of conditional cash transfer programs in Latin America and the world. Each country exhibits a significant shift from traditional poverty reduction efforts by using a demand side transfer in addition to the simultaneous incorporation of health, nutrition, and education services. Four main trends are attributed to this shift in international development thinking which spurred the creation of conditional cash transfer programs (Paes-Sousa et al. 2013:2-3): Firstly, Latin America suffered economic stagnation during the 1980s and 1990s that resulted in increased levels of poverty and labour informality which left large portions of the population unprotected by traditional social insurance schemes; secondly, the revived economic growth in the 2000s permitted greater government spending on social assistance programs; thirdly, with the increased social spending, a shift in economic thinking orientated governments towards ‘pro-poor’ growth; lastly, the political economy of CCT programs contributed to securing support from politicians and voters (Paes-Sousa et al. 2013:2-3). These trends influenced how CCTs were designed contributed to the success of many of these programs.

A key attribution of CCTs is the evaluation and impact reports built into the program. The evaluations monitor many aspects of the programs, most notably being program efficiency, targeting, and resource allocation. For example, the Mexican program *Progres-a-Oportunidades* has external evaluations conducted by the International Food Policy Research Institute (IFPRI), which began analyzing the program as soon as it

was implemented (Yaschine and Orozco, 2010:66). After witnessing the initial success of the Mexican and later Brazilian CCTs and the positive reviews by external agencies, many other Latin American nations initiated their own programs. Consequently, conditional cash transfer programs have gradually been replacing traditional in-kind transfers such as food aid, price, and consumption subsidies (Paes-Sousa et al. 2013). As of 2010 there were eighteen CCT programs operational throughout the Latin American and Caribbean region, covering an estimated 24% of the region's population (Paes-Sousa et al. 2013:1).

According to Hanlon et al. (2010), conditional cash transfer programs represent a paradigmatic shift of development thinking in the global South. CCTs are a challenge to northern aid agencies with complicated development strategies and represent instead poverty reduction from the bottom up. Hanlon et al. argue that the poor should be the instigators of their own development; governments should commit to providing the resources the impoverished require instead of dictating what they should do. According to Hanlon et al., this means distributing monetary transfers to the neediest households so they can subsequently be breaking the intergenerational cycle of poverty.

Rawlings (2005) elaborates the use of demand side financing adopted by CCT programs to appropriately target the neediest populations. Demand side financing is in contrast with the customary supply side mechanisms for social services such as food aid and other general subsidies. CCTs also take advantage of market principles by increasing the purchasing power of participants via monetary transfers, as well as reflecting the

growing economic social policy of market orientated, demand side interventions. Adato and Hoddinott (2010) point out that cash is also efficient and flexible; it allows for more precise targeting of needy households, as well as giving participants spending discretion. It also prevents the creation of secondary markets and price distortion (p. 14).

In rebuttal to this point, various Latin American scholars have labelled conditional cash transfers as a continuation of neoliberal policies as a result of the CCT respect for the free market. The emphasis on individual responsibility and the limited role for the state, combined with providing cash instead of an in-kind transfer, coincides with the suite of neoliberal policies (Barba, 2014; Medrano, 2013). Additionally, by providing monetary transfers, the World Bank and governments are still interpreting poverty as a monetary problem, such as being below \$1.25 USD a day, instead of treating poverty as a structural issue. Abiding by rules of the free market is paramount as governments are encouraged to help correct market failures without challenging the idea that economic growth is the key solution to poverty reduction. Overall, Puello-Socarras and Gunturiz (2013) interpret CCTs as superficial answers to poverty reduction as the programs do not address the inequality that exists in a free market system.

Along similar lines, Bentura (2014) furthers the argument that CCTs are inherently neoliberal by stating that the main objective of the programs, in conjunction with neoliberalism, is integration into the market. He points out the double standard of CCT social-political regulation: On the one hand, social services, as well as other goods and services, have been commercialized, thus reducing their access to poor populations;

on the other hand, the regulation of the excluded groups arises from their inability to participate in the market, therefore they are monitored via CCT programs.

Much of the debate is revolved around the role the free market plays in CCTs and poverty reduction. Valencia (2008) concurs that CCTs represent a continuation of the neoliberal economic policies implemented in Latin America during the 1980s and 1990s. Consequently, conditional cash transfer programs are more respectful of market principles than the traditional supply side interventions. Also, monetary transfers allows for compatibility with the market as cash avoids distortions of relative prices and gives participants freedom to spend their money on consumer goods. However, Valencia continues by admitting that the debate around CCTs should not be restricted to the extremes of neoliberalism or universal systems. He concludes by suggesting renewed participation of the state in the provision of basic social services in conjunction with more effective targeting of needy populations.

In contrast, international financial institutions (IFIs) such as the World Bank and the International Monetary Fund have consistently placed emphasis on the role economic growth plays in the reduction of poverty. According to a World Bank report, the average rise in income in middle class families is reflected proportionately in the income of the poorest fifth of society (Dollar & Kraay, 2001:1). Economic growth that trickles down to the poor can be obtained via liberalized trade and other macroeconomic policies that benefit the poor as much as they do the middle class. Dollar and Kraay also criticize “pro-poor” policies such as public expenditure on basic social services as the “growth of

income of the poor does not appear to respond systematically” (p. 32). They conclude by stating how pro-economic growth policies such as fiscal discipline and openness to international trade should become the main focus of poverty reduction strategies. These two contrasting opinions of Latin American and Western scholars and financial institutions represent the core issue of the role the market plays in poverty reduction.

As a rebuttal to the World Bank, the United Nation’s *Comisión Económica para América Latina* (CEPAL—Economic Commission for Latin America and the Caribbean) develops the claim that economic growth cannot be the sole strategy for poverty reduction. In a 2002 CEPAL report, Lustig (2002) signals the double standard that exists between economic growth and poverty reduction. While economic growth can help reduce poverty, Lustig argues that the more unequal a society is, the less impact economic growth has on poverty reduction (p. 3). As well, if the government is focused on raising the average national income, these policies will have little effect if the geographical areas where the impoverished are concentrated are left out. While Lustig’s claim is valid, this issue is difficult to address as the majority of poor populations are traditionally found in rural areas, which have less employment opportunities and few connections with the private sector. Not only this but if the government growth strategy does not include unskilled manual labour, it will result in higher marginalization of the poor, as unskilled labour is one of the biggest economic assets the poor possess (pp. 5-9).

Clavo (2011) elaborates on the connection between CCT programs and economic growth. The objectives of conditional cash transfers are to break the intergenerational



cycle of poverty by increasing the productivity of the poor via greater investment in human capital. This includes better health and higher levels of education. However, Clavo identifies a vital problem with CCT programs—the assumption that jobs will be available for the beneficiaries. On the contrary, she describes how many countries with CCT programs do not have sufficient economic growth to absorb the new generation of higher educated people (p. 67).

This urgent problem of employment is reflected in a 2011 report issued by CEPAL about conditional cash transfer programs and their experiences in Latin America. While the report by Cecchini and Madariaga for CEPAL concedes that CCTs have had a significant impact in the short term reduction of poverty, they criticize the programs ability to integrate the beneficiaries into the formal market (Cecchini & Madariaga, 2011). In Chile, Brazil, and Mexico, the report found that the majority of the participants were unable to sustainably insert themselves into the formal labour market, and that the informal sector is still the most feasible option (p. 146). There are limited job opportunities in rural areas where links with the private sector are few or non-existent. Clavo elaborates this point by demonstrating how in many rural regions in Mexico there were no returns on higher levels of education in the employment sector. The predominant employment options available in these regions do not require the higher levels of education that the participants have (p. 67).

Possible solutions provided for these problems in conditional cash transfer programs is to diversify capacitation skills of participants and integrate CCTs with other

structural reforms (Cecchini & Madariaga, 2011; Clavo, 2011; Paes-Sousa et al. 2013). Economic growth should form part of the long-term CCT objectives as the benefits of human capital are expected to be absorbed into the formal economy. If not taken into account, poverty levels will remain the same despite the increased investment in human capital simply because the newly educated generation cannot find better employment. Despite the claims of CCT program success, the program itself is not the only answer to poverty. In order to achieve sustainable poverty reduction, investments must be made in other sectors of society in order to guarantee the success of the CCT program.

#### 4. Social Services and Conditional Cash Transfers in Mexico

Since the 1970s, the Mexican federal government began targeting the poor by using integrated development policies (Yaschine & Orozco, 2010:55). Between 1970 and 1990, Mexico's federal government created various poverty reduction programs, primarily targeting the rural poor. Programs such as PIDER, SAM, and COPLAMAR<sup>2</sup> focused on rural farmers by promoting agricultural development, farming coops, food subsidises and consumption support (pp. 57-59).

Unfortunately for the programs, Mexico in the 1980s suffered a severe economic crisis. Under the administration of Miguel de la Madrid (1982-1988), structural adjustment programs (SAPs) and conditional loans were handed out by the World Bank

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<sup>2</sup>PIDER: Programa de Inversiones Públicas para el Desarrollo Rural

SAM: Sistema Alimentario Mexicano

COPLAMAR: Plan Nacional de Zonas Deprimidas y Grupos Marginados

and the IMF in order to help stabilize the economy. As part of the SAP, social spending was subsequently reduced which led to an increase in poverty.

In 1988 President Salinas de Gortari inherited a stable economy and until the end of his term in 1994 (Yaschine & Orozco, 2010:60). This allowed his administration to re-invest in social services that had previously been cut. Consequently, the program PRONASOL<sup>3</sup> was created to target those who did not feel the benefits of economic growth during his term. PRONASOL was an umbrella organization that coordinated programs in three main sub-spheres: social welfare, support for production, and regional development (Yaschine & Orozco, 2010:61). The policy style was described as ‘social liberalism’, which was the Mexican interpretation of adjustment with a human face. The aim of social liberalism was to adjust social policy to a development strategy that emphasizes the market in attaining growth and social integration (Ordóñez, 2012; Medrano, 2013). PRONASOL was directed primarily towards indigenous groups and those living in extreme poverty in both rural and urban areas. Their participation in the program was used as a condition to receive the benefits; in many ways it was the first type of CCT (Medrano, 2013).

While PRONASOL achieved minor results in poverty reduction, it failed to specifically target the neediest populations and it did not deal with the root causes of poverty. As well, the program was accused of being used politically, as the main areas targeted were where the opposition parties had more control (Yaschine & Orozco, 2010).

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<sup>3</sup> Programa Nacional de Solidaridad

These failures were exacerbated during the 1994 pesos crisis after the signing of North American Free Trade Agreement (NAFTA), which led to greater unrest about the growing levels of poverty (Yaschine & Orozco, 2010).

Ernesto Zedillo was elected president under very contentious and questionable elections in 1994 (Yaschine & Orozco, 2010:62). As a result of the economic crisis and the questionable presidential win, Zedillo attempted to distance himself from the previous administration which was blamed for the social uprisings and pesos crisis. In an attempt to regain some legitimacy as president and to address the ever increasing levels of poverty, in 1997 PRONASOL was dismantled and *Progres-a-Oportunidades* (PROP) was created.

PROP is an innovative program currently being enacted that is the first of its kind to simultaneously incorporate nutrition, health, and education in an attempt to tackle the root causes of poverty: lack of education and poor health. The architect of the program is economist Santiago Levy, who describes the principle aim of PROP as fostering the development of human capital of the poor, allowing for greater productivity. It provides cash transfers for food as well as scholarships for children's attendance in schools. These transfers are conditioned, meaning that families are required to comply with predetermined activities in order to receive the money. These conditions include health clinic attendance, the women's participation in *pláticas*, or group workshops, about nutrition and health, as well as children's attendance in schools.

As well, the program had a built in evaluation system run by the International Food Policy Research Institute (IFPRI). However the decision for the external evaluation is questionable, as some see it as a political move aimed at demonstrating how the governing administration was politically neutral, therefore indirectly increasing the PRI's chance for re-election (Skoufias, 2005:65).

The CCT program targets Mexicans living in extreme poverty. PROP uses a non-discretionary system that is comprised of three stages: Firstly, geographical targeting to identify the poorest localities for rural settings and the poorest areas in urban settings; secondly, a proxy means testing to identify individual households; and thirdly, verification of the list of beneficiaries in a community assembly for rural cases (Rodriguez, 2008). The families can stay in the program for up to three years if they comply with all the conditions. After the three-year period the families are reassessed to see if they still qualify for the program. Since the aim of PROP is to break the intergenerational cycle of poverty via increased investment in human capital, the quality of services remains key to successful human capital accumulation. One of the main critiques of the program notes the need for the improvement in the quality of services, specifically in education (Adato & Hoddinott, 2010; Cecchini & Madariaga, 2011; Barrientos & Santibañez, 2009; Lustig, 2002). Critics argue that the positive effects of human capital investment will be limited if the quality of the services provided is poor.

Education is often cited as the most important tool for poverty reduction. In Mexico, a study by Medrano (2013) revealed that education and economic growth were

the most common factors cited by Mexican elites as the most appropriate tools for poverty reduction (p. 217). Education is understood as the precursor to boosting economic growth, and subsequently investment in children's human capital was met with considerable favour. While various studies indicate the improved attendance rates of children in primary, secondary and preparatory schools, many of these fail to discuss the quality of the education received. Clavo (2011) signals the assumption that human capital will automatically translate into improved standards of living and better employment. She states that this cannot be taken for granted as the transformation of human capital is strongly mediated by the quality of the resources and the ability of the economy to later absorb the next generation of higher educated people.

However there is insufficient literature describing the quality of education provided in the regions where PROP operates, as well as the cause-effect relationship that poor quality education has on the beneficiaries. This is an important area for future study as education is considered a key component of CCT poverty reduction strategy. Studies investigating this problem within the program would allow for the federal government to address the issues. Not only this, but the studies would also aid in the improvement of the entire Mexican educational system, which in turn would help spur economic growth.

Despite the success of PROP, an alarming social trend has been evolving: poverty rates have been steadily increasing since 2006. In spite of this trend, there is also a considerable lack of academic studies done on why poverty levels in Mexico keep increasing despite critically acclaimed success of the program. Some Mexican

newspapers such as *La Jornada* have provided details about the severe limitations of PROP; however, few academics or institutions have researched the underlying causes of these faults.

Levy (2007) states that the program will not reduce poverty since it is only focused on one group and is not a complete strategy to combat poverty (p. 2). He describes how the program lacks support in terms of creating and providing jobs for the graduates of the program. The majority of the support provided to the participants ends before the children who have finished school are incorporated into the workforce. As well, there is a major risk in relying solely upon economic growth to create jobs and absorb the more highly educated graduates of the program. The government instead needs to incorporate a multi-faced strategy that incorporates economic growth, the composition and geographical distribution of public and private investment, along with better provision of social security (pp. 10, 67).

The Mexican newspaper *La Jornada* is also critical of the program. It describes how PROGRESA is not effective in combatting poverty because the program has insufficient coverage (Norandi, 2008). According to a study published in by the Mexican institute CONEVAL, PROP does not reach the most marginalized and poorest communities as they are located too far from educational and health care centres. Subsequently, these families do not qualify to participate in the social service program and therefore receive no benefits or support (Norandi, 2008). Consequently, the program

is failing to target the most vulnerable populations which it claims to protect and help escape from poverty.

The Mexican federal Secretary of Social Development (SEDESOL) has also acknowledged the limitations of the PROP program in lifting families out of poverty. In 2010 SEDESOL stated that the program is insufficient to aid in poverty reduction, the program rather aids in containing the growth of poverty (Enciso, 2010). This is an important area for investigation, as it signifies that there is a fundamental problem within PROP and other areas of Mexican society. If these issues are not addressed, poverty levels will continue to increase despite the social service programs in place.

In the empirical section that follows, I will be examining data related to social service programs and development and conditional cash transfers and their role in development. Following this, I will provide information on conditional cash transfers in Latin America, Mexican economic policy from 1990-2012, and finally the social service program PROP. This thesis will be arguing that the suite of policy regimes associated with neoliberal macroeconomic planning have adversely affected the objectives, implementation, and outcomes of the *Progres-a-Oportunidades* program.



## Section III

### Research Data

#### 1. Social Service Programs and Development

In the 1980s, neoliberal reforms were implemented in many countries around the world, mainly through the provision of debt relief and loans. The loans received from various IFIs were conditioned, meaning that the country had to comply with the stipulations in order to receive them. Table 1 shows the most common loan conditions and the amount of countries it was imposed upon:

**Table 1**

Loan Conditions by Expenditure Reform Objective, 1980-1994

<b>Condition</b>	<b>Number of countries on which condition was imposed</b>
Expenditure reforms	126
Privatization and marketization	43
Social sector restructuring	60
Poverty alleviation	10

*Source: Data adapted from Bangura, 2000:11.*

It is clear that expenditure reforms were the most common loan condition, followed by social sector restructuring. These cuts had major impacts on the provision and quality of basic social services, especially since wide-spread privatization was also imposed. The World Bank aimed to address fiscal problems as well as economic

stabilization, and as a result, education investment was drastically cut and further loan conditions were introduced. These extra conditions targeted civil service wages and employment that continued to damage both education and health sectors (Bangura, 2000:14).

Those in favour of the privatization of social services argue that the funding required presents a major drain on government budgets. However, industrialized countries backing IFIs that promote privatization in the developing world are the ones that spend the most on social security. Health care is the most expensive out of total social security expenditure for all regions, with the exceptions of Asia and Europe, where pensions are the most costly service, as seen below in Table 2:

**Table 2**  
**Social Security Spending By Region**

	<b>Pension</b>	<b>Health Care</b>	<b>Others</b>	<b>Total Soc. Security expenditure</b>
<b>Africa</b>	1.4	1.7	1.2	4.3
<b>Asia</b>	3.0	2.7	0.7	6.4
<b>Europe</b>	12.1	6.3	6.4	24.8
<b>LAC</b>	2.1	2.8	3.9	8.8
<b>North America</b>	7.1	7.5	2.0	16.6
<b>Oceania</b>	4.9	5.6	5.6	16.1

*Source: Reproduced from De Ferranti, 2004:269.*

Europe has the highest social security expenditure, which is more than six times what Africa invests and three times that of Latin America. North American spends the most on health care, while their social security expenditure total is double that of Latin

America. These numbers can in part be explained from the loan conditions imposed on developing countries as seen previously in Table 1.

For example, in Africa, government and WB expenditure on education, as an average percentage of GDP in 21 countries, fell from 4.6% in 1980 to 2.6% in 1985. The World Bank contribution as a percentage of education budgets in 21 countries was almost non-existent, as it was slashed from 37.7% in 1975 to only 0.9% in 1985. As well, education as a percentage of total government budgets dropped from 20% to 9.8% from 1980-1985 (Bangura, 2000:14).

The effects of education cuts can also be seen in Indian and Bangladeshi public sector teachers, who had absence rates ranging from 13 to 26 per cent in 2004. UNRISD elaborates by stating how trained personnel are drawn to private sector employment opportunities by better pay and working conditions. This draws the professionals away from the public sector, thus worsening the quality of public social service provision which are often thinly stretched (p. 171; Mehrotra & Delamonica, 2005:154).

Issues in education provision in developing countries was not the only public sector affected by IFI structural loans. Health services also suffered from the lack of available resources. For example, poorly paid public sector doctors in various African nations have been found to supplement their low income by selling drugs that were intended for free distribution (Mehrotra & Delamonica, 2005:144). This has consequently lead to the drugs being distributed among the relatively non-poor who can afford them while denying treatments to indigent populations.

However, instead of reducing costs, there is increasing evidence that greater privatization of health services is resulting in rising costs in both low and middle income countries (Mehrotra & Delamonica, 2005:154). In Vietnam, the average cost of hospital admission was, in 2001, equivalent to two months wages, therefore resulting in loans and debts. Consequently, 60% of poor households were in debt with one-third of them citing medical costs as the main reason (Mehrotra & Delamonica, 2005:155). Greater exclusion and inequality in treatment are also associated with higher levels of privatization of primary health care services.

As a result of the commercialization of basic social services in the global South, private spending as a percentage of total health expenditure is significantly higher in low income countries and among lower income groups. Lower income groups are much more likely to face out of pocket payments compared to their wealthier counterparts (UNRISD, 2010:169). In fact, according to UNRISD (2010), 5.6 billion people in low and middle income countries finance over half of their health care spending via out of pocket payments, and annually 100 million people are pushed into poverty due to excessive health care costs (p. 169).

It can therefore be seen that greater commercialization of basic social services can have a profound negative impact for poor and vulnerable populations, as well as lowering the overall quality of service. However developing countries do not always have a choice with regards to social service funding, as loan and debt relief conditions often include social sector restructuring. One result of the restructuring is that the cost of basic social

services in heavily privatized and fragmented systems have higher costs for those seeking treatment, which in turn puts more economic strain on poor and vulnerable families. Also, a significant increase in private sector growth may lead to a drain of resources for public services, subsequently increasing the strain on an already thinly-stretched public sector.

## 2. Conditional Cash Transfers and Development

The primary objective of a cash transfer program is to aid a household's ability to meet their basic consumption needs (Slater, 2008:10). Some critics argue that the implementation of cash transfer programs are too expensive, especially for small impoverished states. This is because CCT budgets often have higher initial start-up costs due to necessary investment in certain infrastructures and institutions that the program relies upon (Adato & Hoddinott, 2007). However, cash transfer programs have some of the lowest costs with the highest return rates, especially when compared to other social service programs such as traditional food subsidies.

In India, the National Rural Employment Guarantee Scheme guarantees each rural household 100 days of unskilled wage labour per year. The wage provided is no less than 60 Rupees per day (\$1.25 USD). The program is typically used in April when agricultural work is limited (Hanlon et al. 2010:41-42). Launched in 2006, the program expanded to include all 600 rural districts by 2009. Participants are typically employed on small scale construction projects that are labour intensive. The average salary provided is \$1.70 USD

per day with a household average of 40 days of work per year. The program has a cost of around 4 billion, or 0.3% of GDP (Ibid).

In contrast, the Indian food subsidy program Targeted Public Distribution System had a budget in 2009 of 12.4 billion USD, or 1% of GDP (Jha et al. 2013:888). However, the effect it had for the poor was very minimal. In order to receive the subsidies, the respective state governments must properly identify households that qualify for BPL (Below Poverty Line) cards which in turn permits the households to purchase subsidized food. In a survey conducted in 2004-2005, only 37.6% of rural households below the poverty line had BPL cards, and 25.7% in urban areas (Jha et al. 2013:889). As well, the program had substantial leakages, with 36.7% of the subsidized grain being sold to non-poor households. Furthermore, 58% of the subsidized food grain did not reach families below the poverty line due to targeting errors, and 10% of all grains were also spoilt during transportation and storage. As a result of the high cost of handling food grains, the government ultimately spends 8.5 Rupees per 1 Rupee transferred to the poor (Jha et al. 2013:889).

Conditional cash transfers are not only more cost effective but they have lower leakage rates. By targeting only the extreme poor using proxy-means testing and various data collected by government agencies, CCTs have consistently proved to be the best targeted social service programs (Bastagli, 2010:12). This improved targeting means that the neediest indigent populations receive the cash transfer, therefore improving their ability to meet basic consumption needs.

However, conditional cash transfers link this short term objective with longer term development aims of human capital accumulation. The bulk of these programs are targeted towards families living in extreme poverty. In CCTs, the poor’s lack of human capital is a result of inadequate family practices that restrains them from being sufficiently competitive to participate in the market (Barba, 2014:110). Consequently, the families are trapped in the intergenerational cycle of poverty. This inadequate family practice is rectified in CCTs via the conditions attached to the transfer.

The most common conditions of CCTs, school enrollment for children and health clinic attendance, are frequently used as they promote greater investment in the human capital of children. According to Fiszbein and Schady (2009), CCT programs worldwide have resulted in a greater uptake of social services by the beneficiaries (p. 160). School enrollment rates have increased, especially in higher grades where base enrollment was low, as seen in Table 3. As well, there has been greater uptake of preventative health care services, as seen in Table 4.

**Table 3**  
**Impact CCTs on School Enrollment**

<b>Country</b>	<b>Program</b>	<b>Age/Grade</b>	<b>Base Enrollment (%)</b>	<b>Impact</b>
Colombia	Familias en Acción	Ages 8-13	91.7	2.1
		Ages 14-17	63.2	5.6
Bangladesh	Female Secondary School Assistance Program	Ages 11-18 (girls)	44.1	12.0
Cambodia	Cambodia Education Sector Support Project	Grades 7-9	65.0	21.4

*Source: Adapted from Fiszbein and Schady, 2009:128-129.*

**Table 4**

Uptake of Health Services from Various CCTs

<b>Country</b>	<b>Program</b>	<b>Outcome (Child)</b>	<b>Age Range (years)</b>	<b>Baseline Level (%)</b>	<b>Impact</b>
Colombia	Familias en Acción	Growth and development monitoring	0-1	n.a	22.8
			2-4	n.a	33.2
			4+	n.a	1.5
Nicaragua	Red de Protección Social (RPS)	Health centre visit at least once in past 6 months	0-3	69.8	8.4
Honduras	Programa de Asignación Familiar	health centre visit at least once in past month	0-3	44.0	20.2

*Source: Adapted from Fiszbein and Schady, 2009:137-138.*

This data demonstrates how CCT programs can have a positive impact on the uptake of social services previously underused by indigent groups. This increased usage is the main tool used for breaking the intergenerational cycle of poverty via the accumulation of human capital in CCT programs. Despite the impressive nature of these statistics, it is crucial to remember that unless the services are of good quality, there will be no significant gains in human capital formation.

CCTs have not consistently demonstrated reductions in short term or long term poverty, nor have they shown signs of breaking the intergenerational cycle of poverty despite the increased usage in social services (Barba, 2014:106; Borzutzky, 2012:1). This can be understood mainly as a result of the poor quality of the basic social services provided. CCT policy assumes that greater levels of education automatically translates into greater human capital, without taking into consideration the importance of service quality. Evaluations of CCT programs contribute to this limitation, as they tend to focus



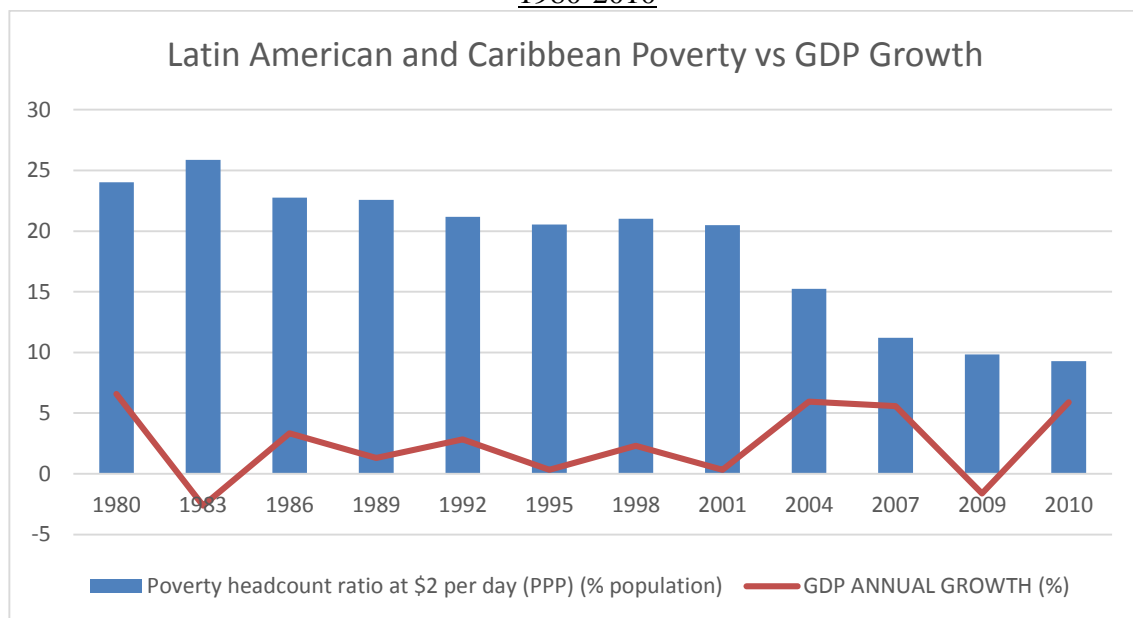
solely on the uptake of the services and other quantitative information about the program, instead of investigating the quality (Barba, 2014:107). This is a critical point for further investigation, as the success of conditional cash transfer programs rely upon quality institutions.

### 3. CCTs in Latin America

Cash transfer programs have their origins in the 1980s and 1990s, in which various trends contributed to a shift in international development thinking (Paes-Sousa et al. 2013). Economic crisis and unstable growth during the 1980s and 1990s contributed to increased poverty, as seen below in Figure 1:

**Figure 1**

Latin American and Caribbean Poverty Headcount Ratio vs. GDP Annual Growth (%)  
1980-2010



Source: World Bank GDP Growth (Annual %) <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> and World Bank Poverty Headcount Ratio at \$2 a Day (PPP) (% of Population) <http://data.worldbank.org/indicator/SI.POV.2DAY>. Elaborated by the author.

Poverty levels rose during the 1980s as GDP fell, however the renewed growth during the 1990s enabled Latin American governments to focus on increasing social spending. To target extreme poverty, Mexico and Brazil implemented the first conditional cash transfer programs in the late 1990s. Latin America is now home to the largest amount of cash

transfer programs in the world. Eighteen countries implement some type of cash transfer program, ranging from CCTs such as *Bolsa Familia* in Brazil, to the Bolivian program *Renta Dignidad*, which is Latin America's only universal, non-contributory pension (Hanlon et al. 2010:43-44). Table 5, provides a condensed list of the most prevalent Latin American cash transfer programs, along with their coverage and cost as a per cent of GDP.

**Table 5**  
**Various CCT program Costs and Coverage**

<b>Country</b>	<b>Program</b>	<b>Cost as % GDP</b>	<b>Coverage</b>
Mexico	Progres- Oportunidades	0.39% (2005)	5 million families, 24 million people
Brazil	Bolsa Familia	0.41 % (2006)	11.2 million families
Nicaragua	Red de Protección Social	0.22% (2005)	24 000 families
Argentina	Plan Jefas y Jefes	0.80% (2003)	1.9 million people
Peru	Peru Juntos	0.11% (2006)	71 000 families
Ecuador	Bono de Desarrollo Humano	0.60% (2005)	1 million families
Bolivia	Renta Dignidad	1% (2008)	97% eligible population covered

*Source: Adapted from Valencia, 2008:476.*

These programs have seen a degree of success in reducing income poverty, despite the programs' low operating cost. In Brazil, *Bolsa Familia* contributed to a 12% reduction in the poverty gap as well as a 10% reduction in the Gini coefficient from 2001-2005 (Bastagli, 2010:12). In Mexico, PROP reduced the poverty gap in rural areas by 19% from 1996-2006. According to a 2011 CEPAL report, 10.3% of per capita income of beneficiary households is provided by CCTs and other public welfare transfers (pp. 117-118). This is enough to lift certain beneficiary households above the indigent line, thus

reducing the poverty gap. However, while CCT programs have successfully reduced the poverty gap, they have shown no significant impact on the headcount ratio of poverty (Bastagli, 2010:12).

The *raison d'être* of conditional cash transfer programs is to break the intergenerational cycle of poverty via increased investment in human capital, thus decreasing the headcount ratio of poverty. It is understood that human capital leads to improved integration into the labour market. Nonetheless, beneficiaries in various CCT programs have failed to gain stable employment in a sustainable manner (Cecchini & Madariaga, 2011:139). In the Chilean program *Chile Solidario*, households are required to have at least one family member working regularly with stable income as a requirement to exit the program. Unfortunately, this prerequisite has an 83.3% failure rate (Ibid.). In Brazil, those who gain employment do not work for periods longer than eleven months, while beneficiaries in Mexico's PROP program tend to work in the informal labour market (Ibid.). This limitation of CCT programs will be explored in depth in the next section, specifically examining the Mexican PROP program.

The nature of targeting in CCTs has also come under criticism, especially by the poor. Many people in communities where CCTs are present have questioned the nature of selection. The distinctions made between those who are absorbed into the program and those who are not is seen as arbitrary. This point is only exacerbated when people who do not need aid are included while those who do are excluded (Barba, 2014:109). In Brazil and Mexico, the total poor population (moderate and extreme) that was not included in

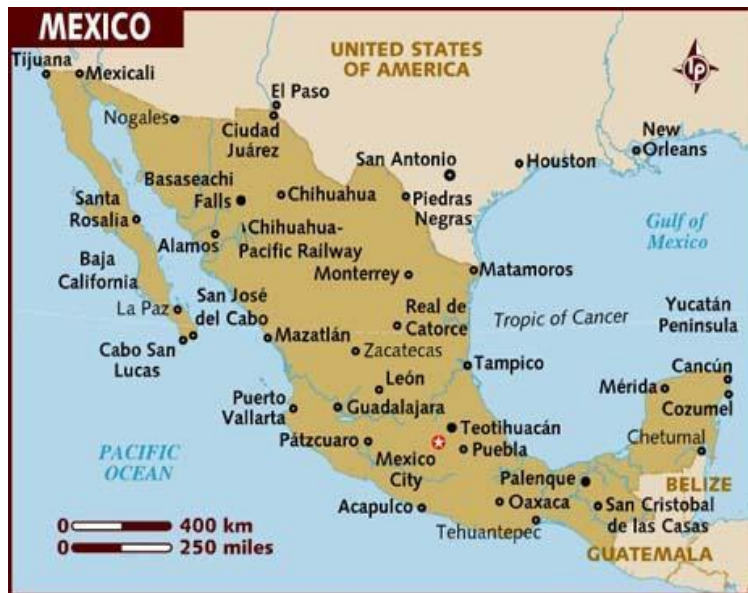
their CCT programs was 59% and 70% respectively. In 2004, *Bolsa Familia* and PROP also had respective inclusion errors of 49% and 36% (Barba, 2014:109). While the argument can be made that these programs were designed to incorporate only those living in extreme poverty, it remains difficult to justify their usage when such a large number of the total poor population is excluded from these services. This argument will also be examined in the next section with regards to Mexico's PROP, as well being explored in my analysis.

#### 4. General Background on Mexico

Located in between the United States of America (U.S.) and Guatemala, Mexico is Latin America's second largest economy and is a vital link for Central and South America to the U.S. It shares a 3,110 km long border with the United States, which is also its biggest trading partner. The Mexican economy is based largely on the production and sale of petroleum and manufactured exports, such as cars. Remittances are also a fast growing source of revenue; in 2012 it contributed 22.4 billion to the economy (CNNExpansion).

Mexico is divided into 31 states and one Federal District. The capital, Mexico City, is located in the Federal District which is in the centre of the country.

**Figure 2**  
Map of Mexico



Source: <http://www.hima.sk/index.php/en/news/101-hima-has-been-awarded-the-1st-project-in-mexico>

Mexico has a population of 112 million people, in which roughly 25 million reside in the capital and the surrounding valley. The Mexican poverty institute CONEVAL estimated that in 2012, 53.5 million people lived in poverty. Of that population, an estimated 41.8 million lived in moderate poverty and 11.5 million in extreme poverty. Only 20.7% of the Mexican population, or 23.2 million people, were classified as neither poor nor vulnerable (CONEVAL, 2013:12).

In Table 6 below, it is clear that Mexico's poor population is overwhelmingly concentrated in urban areas, with incidences of extreme poverty being almost evenly distributed between both rural and urban zones.

**Table 6**

Distribution of Poverty in Mexico, Rural vs. Urban 2010-2012

<b>Localities</b>	<b>2010 (values in millions)</b>			<b>2012 (values in millions)</b>		
	<b>Total</b>	<b>Moderate</b>	<b>Extreme</b>	<b>Total</b>	<b>Moderate</b>	<b>Extreme</b>
<b>Total</b>	52.8	39.6	13.2	53.3	41.8	11.5
<b>Rural</b>	17.2	10.1	7.1	16.7	10.9	5.8
<b>Urban</b>	35.6	29.5	6.1	36.6	30.9	5.7

*Source: Adapted from CONEVAL, 2013:103.*

It is also important to note that extreme poverty has decreased, most notably in rural areas, however levels of moderate poverty in Mexico have increased. Although urban poverty is greater in numbers than rural poverty, rural areas have a higher percentage of indigent populations living in conditions of extreme poverty.

5. Social Services and Conditional Cash Transfers in Mexico

5.1 Mexico Macroeconomic Policy 1980-2012

Mexico's macroeconomic policy shift from import substitution industrialization (ISI) to neoliberalism has its roots in the 1982 economic crisis (Hogan & Hara, 2010). After the discovery of massive oil reserves in the country, the federal government increased the amount of state owned enterprises by 400% during the 1970s. However, with the newly acquired state enterprises, expenditure began to outpace the oil revenue and government tax income. As a result, the rate of inflation rose sharply in the early 1980s (Hogan & Hara, 2010). When oil prices fell in 1981. PEMEX announced that petroleum production would be insufficient to revive the economy (Hogan & Hara, 2010:10). Foreign loans were then necessary in order to sustain the economy and by the

end of 1981, 78 billion dollars was borrowed. By 1982 crisis struck with the cost of servicing the debt surpassing oil and other state revenue (Hogan & Hara, 2010:11).

1982 was election year in Mexico and the presidential debates were dominated by the economic crisis. Miguel de la Madrid was elected and immediately was locked into an IMF bailout (Hogan & Hara, 2011:13). His main macroeconomic policies were to move away from ISI towards trade liberalization, deregulation, and privatization. In 1986 de la Madrid signed the General Agreement on Tariffs and Trade (GATT), thus introducing market liberalization and free trade legislature (Sanchez, 2009: 255). These policies were coupled with fiscal and monetary austerity measures in order to stabilize the economy and reduce the fiscal deficit (Hogan & Hara, 2011:13; Ordóñez, 2012:216).

During de la Madrid's *sexenio*, 1,155 state owned enterprises were sold off to private companies and social expenditure was drastically reduced. From 1981-1988, social spending was cut from 9.3% to 6.1%. Poverty reduction programs were the most affected, as only two remained after the budgetary changes (Ordóñez, 2012:215-216). In 1982, social spending represented 10.9% of GDP, however by 1989 it was reduced to 4.9%, while food subsidies dwindled from 1.25% of GDP in 1983 to just 0.37% in 1988 (Yaschine & Orozco, 2010:60). By the end of his presidential term, de la Madrid had managed to achieve a growth rate in real GDP of 2.8% and reduce inflation to 51.7% (Pastor and Wise, 2002: 182).

The subsequent 1988 election brought Carlos Salinas de Gortari to presidential power. Salinas continued the neoliberal reforms that his predecessor had begun, as well as



implementing deep structural reforms (Pastor & Wise, 2003:183). The Mexican financial sector was fully liberalized and deregulated, and eighteen nationalized banks were sold to the private sector. In addition, the state airline, steel company, and telephone companies were sold and commercialized. More importantly, the communal farming *ejido* system was dismantled (Pastor and Wise, 2003:183). The Salinas administration hastened to privatize a large portion of state assets and signed one of the most well-known free trade agreements, the North American Free Trade Agreement (NAFTA). NAFTA raised exports and foreign investment, but this only made profits for a few multinational corporations. It consequently generated more social inequality by augmenting poverty levels and income inequality (Sanchez, 2009:261).

Throughout the Salinas *sexenio*, the economy began to register moderate and sustained growth which permitted for renewed investment in social development and programs. In 1993, expenditure levels returned to the pre-economic crisis levels of the early 1980s and in 1994, a historic maximum was invested (Ordóñez, 2012:218). In this context, Salinas implemented the program PRONASOL, which will be discussed in greater depth in the following section. While Mexico began to recuperate from the financial crisis, the policies implemented were still insufficient to regain the standard of living before the 1982 economic crash (Ordóñez, 2012).

Despite the apparent gains made by the Salinas administration, the peso crashed yet again in 1994 and was subsequently devalued (Hogan & Hara, 2011). Another multilateral bailout package worth \$50 billion USD was issued and once more social

expenditure was reduced by about 15% (Sanchez, 2009:261; Tetreault, 2012:52). As the Mexican economy began to recover from the financial crisis in 1996, President Ernesto Zedillo implemented *Progres-a-Oportunidades* in the following year as a measure to combat the heightened levels of poverty.

In 2000, Vicente Fox was elected the first non-PRI president for seventy years. Fox did not, however, make any drastic changes to Mexican macroeconomic policy. GDP growth from 2001-2006 averaged an annual rate of 2.3% and the economy remained relatively stable (Ordóñez, 2012). Fox did pass a critical reform to Article 126 of the Mexican Constitution; an amendment that established as a constitutional principle a balanced budget, subject only to temporary exemptions (Boltvinik, 2012:53). Subsequently, the principle objectives of the Bank of Mexico and of the Secretary of Inland Revenue and Public Credit (SHCP) was orientated towards inflation control and budgetary balance. This meant sacrifices in social spending in order to maintain fiscal balance. These changes were designed to help establish a base for sustainable development and equal distribution of public resources.

Fox also proposed a reduction in certain income taxes for companies that make additional contributions to pension funds and other long term investments, as well as those who reinvest in ways that benefit employment creation (Gonzalez & Anabitarte, 2001). The argument for these tax reductions was that it takes advantage of the various free trade agreements by promoting a more favourable condition for companies, as they are the ones that save, invest, and create jobs, . This would allow for the federal

government to create a budget surplus, as the need for the government to stimulate job creation and make pension contributions would be lessened.

(Boltvinik, 2012:52-53; Gonzalez & Anabitarte, 2001).

Vicente Fox also passed the General Law of Social Development in 2003. It established the legal framework to create CONEVAL and stipulated that social spending must increase every year in proportion to the expected GDP growth (Tetreault, 2012: 56). This legislature is a vital start to protecting social spending, as it was designed so that the government cannot drastically reduce social expenditure during economic crisis, despite the previous reforms to Article 126 that outline the principles of fiscal balance (Tetreault, 2012:56). Nevertheless, it does have some drawbacks. The wording used is ambiguous, as it does not define what ‘social development’ is, and it confuses the terms ‘marginalization’, ‘poverty’, and ‘vulnerability’. It also does not establish any means for the population to demand their social rights as outlined in Mexican law. Despite these limitations, it has served to institutionally consolidate and modestly expand the antipoverty strategy in a period of relatively stable economic growth (Tetreault, 2012:57).

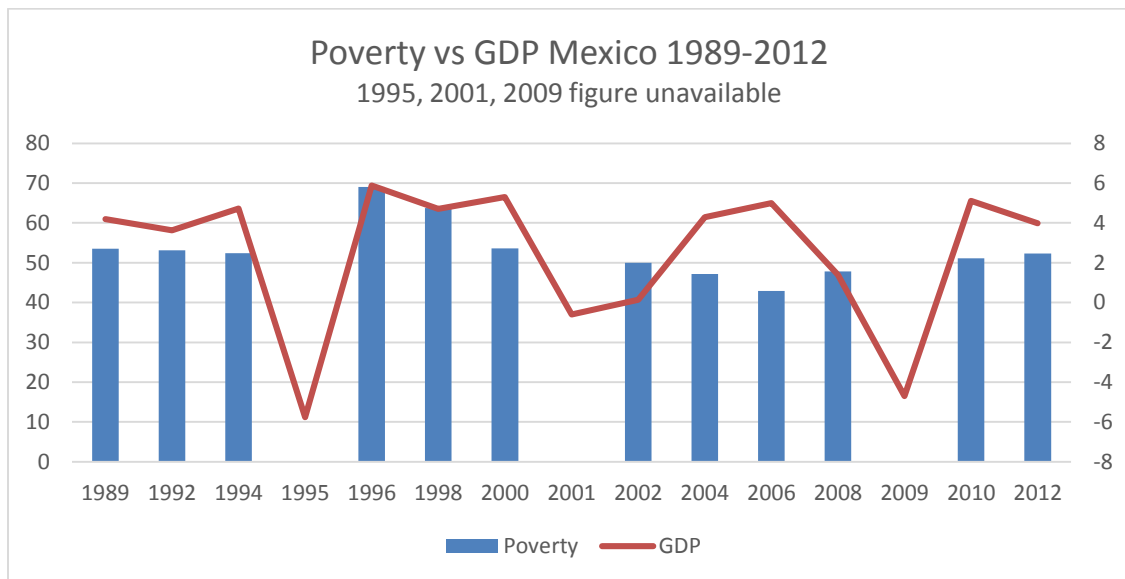
Neoliberalism continued to be the dominant philosophy and the Fox and Calderon (2006-2012) administrations continued to defend and sustain this macroeconomic and social policy. Calderon faced the 2008 economic crisis which once again devastated the Mexican economy. The president focused on deregulation, labour flexibility, and salary suppression, with the hope that it would create the necessary conditions for revitalized economic growth and private sector contracts (Tetreault, 2012:58). Calderon’s strategy

did not work, as formal sector employment creation could not keep up with the growth rate of the labour force. In 2006, formal employment represented only 39.8% of the economically active population, while the informal sector grew to 25.78 million workers (Tetreault, 2012:59).

Due in part to the inability of the Mexican economy to absorb the available workforce, poverty rates continue to increase. In summary, Figure 3 plots poverty levels against GDP growth from 1989-2012.

**Figure 3**

Poverty vs GDP in Mexico 1980-2012



Source: World Bank GDP Growth (Annual %) <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> and World Bank Poverty Headcount Ratio at National Poverty Lines (% of population) <http://data.worldbank.org/indicator/SI.POV.NAHC>

Figure 3 reveals the correlation between GDP and poverty levels, and how poverty has increased during times of economic crisis. It also shows the impact that a stable growth rate can have on reducing overall poverty levels.

### 5.2 Social Service Policy in Mexico 1988-2012

During the *sexenio* of Salinas de Gortari, the umbrella organization PRONASOL (National Solidarity Program) was introduced. The program was established in the context of social liberalism, which in essence was the Mexican version of ‘adjustment with a human face’. Social liberalism adhered to the principles of the free market by severing the fight against poverty from any factors that negatively affected the behaviour of macroeconomic variables or created distortions in the market (Ordóñez, 2012:229; Tetreault, 2012:51). As a result of this, deficit was the primary concern of the Salinas administration, thus spurring the elimination of most subsidies related to the production and consumption of food (Ordóñez, 2012:229). Social liberalism became the emerging face of social policy in the new neoliberal era in Mexico.

The main policy objective of PRONASOL was to alleviate extreme poverty in both rural and urban areas. It consisted of various sub-programs, one of which was Children in Solidarity which aimed to prevent poor children from dropping out of school before completing their primary education (Medrano, 2013:208). In many ways, PRONASOL was the first attempt of a CCT program in Mexico, as it not only focused on

education and only the extreme poor, but it also believed that the poor must actively participate in order to receive the benefits (Medrano, 2013:208)

When launched in 1989, PRONASOL had a budget of \$1,640 million pesos. In its final year, 1994, the budget reached \$9,233 million pesos, or roughly 0.65% of GDP (Tetreault, 2012:51). However PRONASOL had no transparency and was strongly centralized in federal government hands. This led to accusations of the program being used solely for political purposes, as it had a stronger presence in opposition controlled areas (Tetreault, 2012). The program contained the growth of poverty during its operation, however it did not contribute significantly to its reduction.

When Ernesto Zedillo assumed the presidency in 1994, his first move was to shift the focus of the country's social policy to human capital formation in cost effective via cost effective programs (Sanchez, 2009:261). He dismantled PRONASOL, which, despite its shortcomings, was the only source of access to social services for many poor Mexicans. Subsequently, the economic crisis of 1994 left many of the most poor and vulnerable Mexican citizens without any coherent poverty strategy. The creation of *Progres-a-Oportunidades* in 1997 came only once the economy had recuperated, since cuts to social expenditure had occurred during the crisis. During the remaining years of the Zedillo presidency, PROP was the main poverty alleviation strategy implemented.

From 2000-2012, both Felipe Calderon and Vicente Fox attempted to create a wider policy framework which would coordinate and integrate all social programs directed towards poverty reduction. Fox created CONTIGO, and it was designed to

complement PROP with other social programs, mainly focusing on job opportunities, social protection, and the creation of patrimony in the form of homes and infrastructure (FAIS) (Tetreault, 2012:54). However, 85% of the CONTIGO budget went to only two of those poverty reduction strategies: PROP and FAIS. Both programs represented more than 50% of the entire federal budget for fighting extreme poverty in 2003, with 45,121 million pesos allocated. CONTIGO investment in employment creation was only 12.5%, and it was principally directed towards temporary employment schemes and microfinance (Tetreault, 2012:55).

In 2008 Calderon launched Vivir Mejor. It had the same intentions as CONTIGO, whereby it aimed to coordinate and integrate the diverse public poverty reduction programs under one guiding institution (Tetreault, 2012:58; Ordóñez, 2012:230). In the same manner, Vivir Mejor was primarily discourse. It did not introduce any new mechanisms of coordination, nor were any new programs incorporated. It was, in essence, the umbrella organization inherited from Fox. PROP and FAIS continued to dominate expenditure, with employment creation receiving 1.99% of the total poverty reduction budget (Tetreault, 2012:58).

### 5.3 Progres-a-Oportunidades

The program *Progres-a-Oportunidades* (PROP) was launched in 1997 and initially included 140,000 households. It was deployed in poor rural communities which were selected based on both locality and household characteristics. Currently, PROP operates

in both rural and urban zones, in every municipality in the country. A total of 5.8 million families (22.4%) are impacted by this scheme. (Tetreault, 2012:64). The average amount received by beneficiary families is 728 pesos per month, equivalent to sixty Canadian dollars (Tetreault, 2012:64).

The main architect of this program is economist Santiago Levy. While designing PROP, he detailed five guiding principles:

1. Poverty programs must be congruent with structural reforms, and therefore must avoid generalized subsidies and price controls, which introduce counterproductive distortions into the market.
2. It is necessary to maintain fiscal balance, poverty programs must only get to the target population and so do in an efficient and cost effective manner.
3. The program must distinguish between moderate and extreme poverty.
4. Extreme poverty is not exclusively in rural areas, but the majority of it is.
5. Policies for those in extreme poverty must take advantage of the complimentary nature of health, nutrition, and education. (Tetreault, 2012:53).

These principles are very reminiscent of classical neoliberal economics with the policies being congruent with structural reforms and maintaining fiscal balance. These guidelines also are reflective of social liberalism; poverty reduction that does not distort the market.



The distinction that Levy makes between extreme and moderate poverty is also a key factor in determining who is eligible for the program. In order to qualify, a family must be in a selected locality and meet specific qualifications as outlined by PROP. Most importantly, the municipality in which the family resides must have both a primary school and a health clinic within a 5km radius. If one or both of these institutions is missing, then the family is ineligible for the program even if they are classified as extremely marginalized with a high incidence of poverty (Tetreault, 2012:60). This is done in order for the program to be more cost effective, fulfilling Levy's second principle, as building the missing institutions would be expensive in terms of infrastructure but also in the long term for staff wages.

In keeping with Levy's guiding principles, PROP beneficiaries are required to forgo any existing transfers and support from other programs, resulting in less 'double dipping' of social support (De Ferranti, 2004:279). PROP has also achieved extensive coverage while maintaining a very low cost in terms of GDP; PROP consumed 0.4% of GDP in 2012. The majority of the money is used for the education scholarships, followed by general transfers, as illustrated in Table 7:

**Table 7**

**Budgetary Breakdown of PROP 2001-2012**

YEAR	EDUCATION	HEALTH	GENERAL TRANSFER	BUDGET TOTAL (PESOS)	PROP % GDP
2001	5,584,800,000	2,099,805,302	5,317,691,900	13,002,297,202	0.13
2003	10,999,518,895	2,375,851,096	7,920,544,720	21,295,914,711	0.22
2004	11,987,819,376	3,290,900,091	10,546,354,000	25,825,073,467	0.25
2005	15,468,435,596	3,767,053,560	10,546,354,000	29,781,843,156	0.26
2006	16,550,000,000	3,800,811,617	11,208,917,170	31,559,728,787	0.25
2007	16,550,000,000	3,928,804,439	14,310,125,045	34,788,929,484	0.25
2008	17,350,000,000	3,430,216,730	16,430,848,840	37,211,065,570	0.26
2009	18,182,800,000	3,466,985,864	24,413,067,440	46,062,853,304	0.39
2010	22,860,520,104	4,926,496,104	34,273,855,107	62,060,871,315	0.45
2011	24,358,293,857	5,123,600,000	35,355,077,096	64,836,970,953	0.42
2012	22,758,293,857	5,314,414,228	34,941,400,000	63,014,108,085	0.40

*Source: Secretaría de Hacienda y Crédito Público, Presupuesto de Egresos. Ramos 11, 12, and 20. Análisis Funcional Programático Económico (AFPE or AP).*

*<http://www.shcp.gob.mx/EGRESOS/PEF/Paginas/PresupuestodeEgresos.aspx> Elaborated by the author.*

The education portion of the PROP budget considers only the scholarships provided to the children. Schools rely upon other sources for funding infrastructure and other administrative costs. The majority of this money comes from other programs, such as Quality Schools Program (PEC), National Reading Program, and Support for School Management. However, data was only available for PEC, but it did not specify where the money was allocated. The information pertaining to PEC expenditure is provided in the Appendix.

One of the main objectives of PROP is to foster the development of human capital of children in poor families. This is done via the conditions that are attached to the transfer. The two principle conditions of the program are children's school attendance and

regular health check-ups. In terms of usage of social services, PROP beneficiaries have shown an uptake in education and health services. Beginning with education, prior to PROP, primary schools had a 93% enrollment rate, junior high had 67% enrollment for girls and 73% enrollment for boys, and only 58% of those who had successfully completed junior high progressed to high school (De Ferranti, 2004:277).

After the implementation of PROP, enrollment in grades 3 through 6 saw a 2.2 percentage point increase in the 1997-99 period and a 4.9 % increase in junior high (SEDESOL 1999:174). In 2009, there was a 1.9% increase in grades 0-5, and an 8.7% increase in children registered in grade 6 (SEDESOL, 1999:166; Fiszbein and Schady, 2009:128-129). De Ferranti (2004) shows that the enrollment rate in the first years of junior high grew by 7.2-9.3% for girls and 3.5-5.8% for boys. He attributes these higher rates to students transitioning from grade 6 to junior high, rather than encouraging students who had previously dropped out to return (p. 277). With regard to the extra years of schooling obtained, girls added 0.72 extra years of schooling, while boys added 0.64 extra years. The author estimated that these educational gains are consistent with an overall increase of 8% in earnings once they become adults (De Ferranti, 2004:278).

Health services have also seen a rise in usage. As a result of greater clinic attendance, the diets of the participants have improved and they generally benefit from better health. Infants are taller and of greater weight, and there have been reductions in the child mortality rate, stunting, and illness (Tetreault, 2012:66). Preventative health visits for women in their first trimester of pregnancy witnessed an 8% increase, which

partly contributes to the better health of infants. An improvement in adult health has also been seen, with fewer cases of anemia and parents taking fewer sick days. Median food expenditure in PROP families has also increased by 11% (De Ferranti, 2004:279).

The data presented on health and education looks very positive at face value; children are going to school for longer periods of time and have better nutritional and health status due to the frequent health check-ups. However the quality of the services presents a major challenge to the potential success of the program.

According to a 2008 SEDSEOL external evaluation compiled by Campos (2008) of PROP, the quality of the institutions is grossly reducing any potential positive impacts it can have in the long term process of human capital accumulation. With respect to education, the lack of adequate infrastructure is the first warning sign of poor quality (p. 61). Many schools lack basic infrastructure and resources, such as missing doors and windows, an insufficient amount of desks, no bathrooms and no running water (Campos, 2008:64). There is a high rate of rotation of teachers in rural areas, and many of them do not have the proper degrees for a *normalista*, or student teacher. As well, many teachers look for options in urbanized schools as they have better resources and working conditions, this includes indigenous teachers and those from the communities that are covered by PROP (Campos, 2008:61-64).

The states of Chihuahua and Sonora had the best education quality of the schools assessed, however they had a disproportionately small amount of PROP children. Conversely, Oaxaca and Chiapas had the poorest education quality and the highest

percentage of PROP students (Campos, 2008:61-62). Primary schools where more than 70% of the students are from PROP were the ones with the lowest scores in Spanish and Math (Campos, 2008:63). The poor quality is because of the disproportional distribution of resources; schools located in the municipal capitals were allocated the majority of SEP resources, and schools with the no PROP students or with very few received the most money from other programs such as the Quality Schools Program (PEC). The National Reading Program distributed funds equally, while the Support for School Management favoured schools with high percentages of PROP students (Campos, 2008:63-64). As well, a study by Mancera et al had shown that this poor quality is reflected in the low impact PROP has had on the cognitive development of the children. They report that 55% of the beneficiaries that graduated junior high lack basic linguistic abilities and reading comprehension (Tetreault, 2012:65-66). In other words, “the poorest attend the poorest schools” (Campos, 2008:63).

Not only this, but various indigenous schools where a very high portion of the students live in extreme poverty are not covered by PROP. This is due to in part because they have no access to any nearby health facilities, and therefore are excluded from participation in the program (Campos, 2008:61-62).

Health care provision has also been insufficient, despite increased usage. The average duration of a doctors’ placement was less than one year, and many had just finished their medical degree; the average was three years from the date of graduation. The inexperience of the medical professionals can be seen through the over-prescription

of antibiotics, 53% of children who did not need antibiotics were taking them (Campos, 2008:41).

The same SEDESOL evaluation showed how most facilities have a reduced capability to offer health services and lack many basic materials and medical tools (p. 38). Health centres did have electricity but many faced constant outages. As well, 30% of facilities did not have piped water and almost 50% had no sewage connection and therefore used septic tanks (p. 40). In addition, a high percentage of facilities evaluated did not have the necessary material to monitor aspects specifically related to the PROP program, such as prenatal care, anemia diagnostics, and diabetes screening (pp. 39-40). If advanced treatment was needed, the average distance between the local health facility and a more advanced one is 32 kilometers. In 70% of the cases where patients had to be moved, it was dependent on the patient and their family. Travel times averaged about one and a half hours and it incurred many extra costs (p. 38).

As mentioned in the previous section, CCTs have had a poor rate of participant insertion into the labour market. Despite the investments made in the PROP program, regional economic activity in areas where PROP is present have not grown or improved in any substantial manner; employment opportunities remain the same as they did in the past few years (Campos, 2008:80). This is largely a result of PROP not investing in any local infrastructure, which instead is dependent on other programs.

A survey conducted by ENCEL (*Encuesta Evaluation de los Hogares*, or Household Evaluation Survey) in 2007 revealed that the large majority of the

beneficiaries interviewed worked in some form of primary activity, the most common being agriculture. In the same survey, of the students aged 14-24 who had participated in PROP since 1998, 46.7% of them carried out some form of primary activity (Campos, 2008:80). Employment and labour options were greater in the northern regions of Mexico, and a significant amount of internal migration was also reported. The migration was a response to the limited or non-existent labour opportunities in the beneficiaries' locality, many ended up in much larger urban settings in search of work (Campos, 2008)., For those unable to migrate, Cindy Clavo (2011) states that the higher levels of education obtained by the beneficiaries were unnecessary to attain employment for the three principle options available (p. 67). As a result of the failures of market insertion and poor quality institutions, the potential positive benefits of PROP are significantly limited and beneficiaries are unable to break the intergenerational cycle of poverty.

This has become clear in a study conducted by Banegas and Mora in 2012. It examines the eligibility trajectories of PROP families over a ten year period. It is essentially showing the 'success rate' of the program, as families no longer become eligible for the transfer and 'graduate'. The same families were observed three times over a ten year period in order to establish their eligibility for the program at the time of observation. Table 8 shows five of the twelve trajectories mapped by the scholars:

**Table 8**

Trajectory of PROP Beneficiary Families

<b>Trajectory</b>	<b>Frequency</b>	<b>Percentage</b>
1. Eligible → Eligible → Eligible	3,323	50.4%
2. Eligible → Eligible → Not Eligible	498	7.6%
3. Eligible → Not Eligible → Eligible	191	2.9%
4. Eligible → Not Eligible → Not Eligible	263	4.0%
5. Eligible → No Info → Eligible	947	14.4%

*Source: Adapted from Banega and Mora, 2012:46.*

The data presented demonstrates that over half of the families evaluated, after a 10 year period, were unable to graduate from the program and subsequently became ineligible for further benefits; they were still reliant upon the program for support. Some families had even graduated at one point in the program, only to fall once more into eligibility. This demonstrates the irregularities within the PROP program that are preventing families from escaping extreme poverty and graduating from the program.

In the next section, I will be analyzing the data presented, beginning with *Progres-a-Oportunidades*. I will then examine how the program has evolved in tandem with the macroeconomic policies. I will be arguing that the suite of policy regimes associated with neoliberal macroeconomic planning have adversely affected the objectives, implementation, and outcomes of the *Progres-a-Oportunidades* program.



## Section IV

### Analysis and Discussion

With respect to the data presented, *Progres-a-Oportunidades* has achieved strides towards reducing extreme poverty in Mexico; from 2010-2012 CONEVAL recorded a reduction of 1.5 million people. This shows that PROP is beginning to complete its task of breaking the intergenerational cycle of poverty, thus allowing families to improve their living conditions. However, the program has shown inconsistency in attaining its results. The figures presented by Banegas Gonzalez and Mora Sala (see Table 9) reveal that 67.7% of the families were unable to escape extreme poverty and graduate from the program in a ten year period. Some beneficiaries had even graduated at one point in the program, only to fall back into eligibility some three years later. Of the figures presented, only 11.6% of families were able to graduate from the program after the ten year period. These statistics show that there are limitations in breaking the intergenerational cycle of poverty.

PROP suffers from this inconsistency due to a lack of policy integration and investment. It is a stand-alone program that is the only significant poverty reduction strategy used by the Mexican federal government. As previously seen, the administrations of both Fox and Calderon implemented wider poverty reduction frameworks that aimed to coordinate and integrate PROP with other public poverty alleviation programs. Unfortunately, CONTIGO and *Vivir Mejor* never realized their full potential as PROP

and FAIS consumed, on average, over half of their budgets. This meant that very few resources were allocated to other vital programs, such as employment schemes for PROP graduates, as well as other programs directed towards poverty alleviation for non-PROP beneficiaries.

With regards to the budget of PROP, the time frame I will be focusing on is the 2003-2008 period. This is due to the fact that in 2002 (for which budgetary information is unavailable), PROP expanded into urban centres containing less than one million inhabitants. Later, in 2004, the extreme poor in metropolitan areas such as Mexico City, Guadalajara, and Monterrey, were included (Tetreault, 2012:64). Also, while the total PROP budget spiked from 2001-2003, it had stagnated during the years 2003-2008. PROP coverage grew by 800,000 families from 2003-2004 and total coverage remained at 5 million households through to 2008 (SEDESOL, 2012:24). It is important to examine how the government handled the rise in beneficiary families and utilized its services in a period of rapid expansion followed by relative stability. A table with the PROP budget and coverage is provided in Table 9 in the Appendix, as well as information about the Quality Schools Program (PEC) in relation to total PROP education in Table 10.

Despite the large amount of resources allocated towards PROP in *CONTIGO* and *Vivir Mejor*, and the budget I had calculated in Table 7, total PROP expenditure does not include the complementary costs inherently associated with CCT programs. The education budget for the program consisted only of the scholarships provided to child beneficiaries. While this amount grew tremendously, from 5.5 billion pesos in 2001 to a

record 24.3 billion in 2011 (see Table 7), none of the money was directed towards infrastructure. Schools were forced to rely upon alternative sources of funding from the Secretary of Public Education (SEP). However, schools in the municipal capitals, and those with little or no PROP students, received a disproportionate amount of funding.

One of the major contributors to infrastructure funding, the Quality Schools Program (PEC), saw almost no increase in its budget despite the growing number of children attending schools in poor areas. From 2001-2003, the budget exploded by 257% from 350 million to 1,250 million pesos. However, it stagnated from 2003-2008, growing by only 0.65%, while PROP scholarships grew by 58% (see Appendix, Table 10). This was due to the fact that during this period PROP had begun its expansion into semi-urban and urban areas, providing scholarships for those who had reached high school. This consequently meant that millions of children were attending more schools, while the institutions received almost no change in funding to keep up with the demand. As can be expected, PEC funding was thinly stretched and preference was given to the municipal capital schools since they traditionally have more students. Although municipal capital schools may have fewer PROP children, the funding provided had a bigger impact in terms of service population, thus increasing resource efficiency. Under these circumstances, isolated rural schools containing large PROP populations lacked adequate resources to provide the basic infrastructure such as desks, doors, windows, and bathrooms. This is consistent to what was published in the 2008 SEDESOL report, which

stated that the more isolated rural schools lacked sufficient funding to provide adequate infrastructure.

Just as the education budget lacked transparency in terms of fund allocation, so too did the health budget. Between 2003-2008, PROP increased its health care funding by 44% (see Table 7). However, unlike education, it is unclear whether health centres in PROP areas received additional funding from other programs. If it did, then similar conclusions to those of education could be drawn. Namely, that the money was concentrated in the populous municipal capitals so as to achieve a bigger impact.

Unfortunately, investing limited funds into schools or health clinics that are located in isolated and marginalized areas with a small service population is not economically sound. This is especially true if there are already few resources available, as in the case of PEC. In order to achieve the biggest impact, it is better to invest in the schools and clinics that have greater service coverage. While other factors are certainly at play in the decision making of resource allocation, the scarcity of available funds has an important role. This demonstrates how PROP is unable to make strides in poverty reduction because funding of its key institutions is not a priority. Consequently, the quality of the services provided thus reducing the potential to accumulate human capital.

The issues PROP has with funding can be linked back to its lack of integration with other policies. The program was designed to rely upon its pre-existing infrastructure, and as such, very little has been done to expand upon these services. This is clear from the exclusion of localities that have neither schools nor health clinics. Building these

institutions would be incredibly expensive, as it would include not only building costs but also long term investments in staff and resource allocation. As PROP does not provide direct funding for infrastructures, resources from alternative, yet equally stretched programs would be required.

The failure to integrate PROP with other social policies is also due to how the program defines poverty. The causes of poverty are understood as a lack of human capital resulting from a failure to use basic social services; a failure of uptake, not a failure of rights or of calibre. This notion is re-affirmed by the WB, who states that the lack of human capital is a direct result of parent's poor investment in their children (Hanlon et al. 2010). This interpretation is obvious when examining evaluations of the program; the statistics usually show the increase in service usage and not the possible limitations of poor quality. In addition, by conditioning the money, the 'inadequate' behaviour blamed for poor human capital accumulation is corrected. The interpretation of poverty subsequently aids in justifying the conditionality of the transfer, despite evidence that has emphasized the importance of income predictability rather than the conditions themselves (Slater, 2008).

While it is important that the services be widely used, the calibre is what makes the impact in terms of human capital accumulation. PROP and other CCTs assume that higher education, coupled with an increased usage of health clinics, automatically translates into human capital formation. However, if the quality of the education and health care is poor, as we have seen in the previous section, then the participants do not

receive the maximum benefits. This was demonstrated by the Mancera study that showed how PROP children had lower cognitive development as a result of the poor quality education (Tetreault, 2012:65-66).

It is this assumption that contributes to the limited impact PROP and other CCTs have on poverty reduction. Santiago Levy, the economist and architect behind PROP, outlined five main principles, one of which was to maintain fiscal balance by making the program as cost effective as possible (Tetreault, 2012). One way in which he achieved this was by relying upon the pre-existing institutions, thereby eliminating the need for PROP to invest in those areas. The PROP budget increases as school funding and health remains the same, despite the fact that more people are using the services. Unfortunately, the inability to coordinate between the basic social services that are fundamental to the success of the program and the CCT ultimately means that the service quality will be poor.

However, despite these shortcomings, the design of PROP does conform to the neoliberal policy regime. This is because Levy created it around classical neoliberal economic principles. He created a program that focuses on demand-side, targeted interventions with the end goal of human capital accumulation for labour market insertion and social cohesion. It was an extension of the Salinas social liberalism paradigm: poverty reduction that does not interfere with the market and requires minimal state intervention while stimulating economic growth.

By examining PROP through the prism of demand, one can see that the organization has always been in the uptake of services. It is for this reason that the program is considered separate from other policies. The aim is for the people who already have access to basic social services to take advantage of them, not to expand access to those who do not have these institutions. As a result of this, the quality and infrastructure of schools and clinics are not a responsibility of PROP, as the question of supply is not factored into the program. As well, by not including the costs of the supply-side into the program, its budget as a percentage of GDP remains much smaller. Subsequently, this makes it more attractive to IFIs such as the World Bank and various development organizations who tout the minimal costs traditionally associated with these program. However, by not recognizing the codependency of the supply and demand, the quality of the institutions will suffer and the CCT will have minimal impact on human capital accumulation and poverty reduction.

Targeted interventions also aid in keeping program costs to a minimum since coverage is limited. Social liberalism recognizes the importance of addressing extreme poverty, yet it does not interpret those living in moderate poverty or vulnerability as the ideal target population. This is because minimal social spending on the extreme poor has a greater effect; rather, it is spending less money while receiving higher returns. However the demographics of Mexico are changing and the overwhelming majority of those living below the national poverty line are in conditions of moderate poverty. While the struggles faced by the extreme poor are palpable and an important issue to address, focusing only

on 20% of the total indigent population can be seen as questionable. This is especially true when there are no real mechanisms in place to help those in moderate poverty. PROP is the main strategy of the government and as stated earlier, it consumes the better part of the total poverty reduction budget.

Another issue with focused targeting is that the program is not a rights-based approach. Access to CCT programs is not a demandable right for the poor, and very little has been done by the federal government in enforcing and amplifying social rights. Fox did introduce the General Law of Social Development, however it did not establish new means for the poor and vulnerable populations to demand their social rights. By targeting only extremely impoverished groups via proxy-means testing and conditionality, the program is determining who can have access to the benefits of the program and consequently, education and health care. Those who do not qualify are subsequently excluded and are therefore unable to gain access to basic social services. This implies that services are not guaranteed for everyone, nor are they of the same quality. Since PROP is congruent with the neoliberal macroeconomic paradigm, it cannot become a rights-based program, as this would entail a universal approach rather than the targeted approach of separating the deserving from the non-deserving.

PROP also focuses on the end goal of labour market insertion. This is in some ways the 'pay-out' the state receives from the program: a larger labour force that is better educated which spurs economic growth. It is believed that this process is what creates the upward spiral of economic growth which subsequently aids in poverty reduction, a notion



often cited by the Mexican elites. However, improved labour insertion is reliant upon the quality of the services used (for human capital accumulation) and the creation of jobs. If there are no jobs available, or employment opportunities are created only in certain regions or in highly technical areas, then there is little impact on the options for the poor.

PROP has faced issues with employment availability for its beneficiaries, as the projects in CONTIGO and *Vivir Mejor* focused mainly on temporary labour or microfinance schemes that received minimal funding. As well, the Mexican economy has suffered from unstable growth rates for the past three decades, punctuated by various financial crises. Subsequently, the economy has been unable to keep up with the rapidly growing labour force and labour informality has become prevalent. In addition, PROP is separate from regional economic growth and employment schemes which consequently poses the same problems as education and health. Other areas of social policy are not receiving the necessary funding either and it has become evident that more resources needed to make the program fully functional.

All of the aforementioned issues are a result of the suite of neoliberal macroeconomic policies that were introduced by the Mexican government in the 1980s. *Progres-a-Oportunidades* is neoliberal in nature because it was designed to fit within the wider policy regime. Santiago Levy created the program to accommodate for this macroeconomic approach, however in 2007 he stated that PROP will not reduce poverty as it is too narrowly focused and is not providing the necessary integration with employment creation schemes (p. 2). However, placing economics as the primary focus

for social policy design and decision making has become ingrained in the Mexican neoliberal paradigm. Consequently, poverty reduction strategies tend to be subordinate to the economic policies of the country. This is why the program is not addressing the limitations described by SEDESOL and CONEVAL evaluations, as well as the program's designer.

This has been demonstrated in Mexico on various occasions. During times of economic crisis, specifically in 1982 and 1994, social spending was reduced as a means to regain macroeconomic stability. However, it is during economic downturns that the population is more vulnerable and reliant upon existing safety net programs. If these programs are cut or are operating with reduced capacity, people will inevitably fall below the national poverty line. This correlation is clearly seen in Figure 2, with significant spikes in poverty in the year following economic crisis.

In addition, Vicente Fox passed a reform on Article 126 of the Mexican Constitution which established a balanced budget as a constitutional principle. While budget balancing and inflation control are incredibly important for an economy, they should not come at the expense of social wellbeing. Fortunately, this has been somewhat counteracted with the 2003 General Law of Social Development, which prevents major budget reductions to social spending during times of financial crisis. Although the legislature is somewhat vague in defining what constitutes social development, it played a role in reducing the amount of people that were pushed into poverty as a result of the 2008 recession. Overall, poverty levels increased by only a small percentage, and in 2009

the PROP budget jumped to 0.36% of GDP compared to 0.26 and 0.25 per cent of GDP in 2008 and 2007 respectively (see Figure 3 and Table 7).

Comparing the results of the 1994/95 and 2008/09 economic crisis reveals the importance of the Social Development law. Both recessions had similar characteristics, whereby GDP fell below -4% followed by positive growth of 5% in the following year (1996 and 2010, see Figure 2). However, poverty levels soared by almost 20% between the 1994-1996 period, while levels increased by less than 5 percentage points in the aftermath of the 2008 crisis. Much can be said about the differences in response by Zedillo and Calderon, but the role of the Social Development law cannot be ignored. This is a positive example for other developing nations demonstrating the crucial impact social spending can have on the containment of poverty in times of crisis.

The case of Mexico presents valuable information and lessons that can be applied to other Latin American countries with CCT programs. The biggest limitation that PROP faces is the lack of policy integration. It is the most extensive poverty reduction scheme that the Mexican federal government has implemented but it is understood as a separate entity from all other social policies. Resources to improve service quality and basic infrastructure are not included as an aim of the program, nor is the creation of employment opportunities. However, PROP is entirely reliant upon the calibre of these very institutions in order to achieve its long-term goal of breaking the intergenerational cycle of poverty.

The disconnect between PROP and other policies is a result of its neoliberal nature. In order to reduce costs, it focuses on areas that have the necessary infrastructure, and the transfers are provided only to a select number of families. Emphasis is placed on labour market insertion, but there is no real strategy in motion for promoting the growth of the economy in rural areas or providing long-term employment. Doing so would create possible distortions in the market which PROP was designed to avoid. Instead, the federal government has been relying upon the market to fix itself. Unfortunately, Mexico has suffered from various devastating recessions which have severely damaged the economy. This damage has stagnated the growth of the formal labour market which in turn has not been able to keep up with the rapid expansion of labour demand. Thus, PROP beneficiaries are unable to find long-term employment that is a key element in breaking the intergenerational cycle of poverty.

This has also been the case in Brazil and Chile. *Bolsa Familia* beneficiaries did not keep their employment for longer than eleven months, and those in *Chile Solidario* could not find stable, long-term employment. These issues reflect the disengagement that CCTs have with other social policies. This disengagement is a result of the neoliberal nature by focusing on cost effectiveness. Programs focus only on demand while supply, despite being the most critical part of program operation, is excluded and infrequently mentioned. This leads many to believe that simply providing cash to the families is sufficient to increase their human capital and break the intergenerational cycle of poverty by “[...] pull[ing] themselves up by their bootstraps” (Hanlon et al. 2010:173).

There are, however, consequences to the promotion of poverty as simply a lack of cash. Consequently, CCTs do not confront some of the most important structural issues behind poverty, such as lacking rights and entitlements, as well as the inherent inequalities that exist within a market based system. On the contrary, CCTs benefit this system by providing a poverty reduction strategy that is demand-side and market orientated. For these reasons Latin American scholars such as Boltvinik, Medrano, Barba, Puello-Socorras and Gunturiz interpret CCTs as a continuation of neoliberal policies and therefore a superficial answer to poverty reduction.

CCTs are not effective in the long-term reduction of poverty as they lack the necessary integration with other social and economic policies. Since the rise of neoliberalism in Latin America during the 1980s, this policy regime has consolidated itself throughout the continent. Under these circumstances, economics takes precedence in social policy decision making, thus shifting development strategies towards market-orientated, demand side interventions. CCTs were designed around these macroeconomic policies and it is because of this design flaw that the programs are limited in their effectiveness.

Cost effectiveness is one of the biggest factors in the design of cash transfer programs, and as such, targeting has been limited to a small percentage of the poor population. Extra programming and support systems must be established to address the large number of people living in conditions of moderate poverty, otherwise long term sustainable poverty reduction cannot take place. As well, by viewing the problem as a

demand-side issue, investment has not increased in the pre-existing institutions that the program is vitally dependent upon. It is for these reasons that PROP and other CCTs have been unable to reduce extreme poverty in any sustainable manner.

The importance of basic social services in CCTs is evident. Improved health status and education are cited as the main driver for future economic growth. Access to these services, however, should not be dependent upon location, income, or the compliance of co-responsibilities. All poor and vulnerable populations are deserving of these services, and it is vital that social policy is no longer viewed solely through the prism of macroeconomic policy. This would, however, require a departure from the traditional neoliberal paradigm.

It is evident that examining the conditional cash transfer program *Progres-a-Oportunidades* that is has been shaped and influenced by the neoliberal macroeconomic policies. Subsequently, the market continues to play an important role in the reduction of poverty. The promotion of cost efficiency as well as congruency with structural reforms remains critical in the design of PROP. This has consequently resulted in the limited investment in basic social services contributing to the neglect of rural institutions. By not growing the funding for these facilities in tandem with program expansion, education and health centres have suffered from chronic poor quality and neglect resulting from a sudden surge in usage. The programs blindness towards the inherent interdependency with other sectors such as health, education, and employment creation, has thusly contributed to the failure of long-term, sustainable poverty reduction.

## Section V

### Conclusions and Recommendations

The suite of policy regimes associated with neoliberal macroeconomic planning have adversely affected the objectives, implementation, and outcomes of the conditional cash transfer program *Progres-a-Oportunidades*. PROP has been impacted in three ways: Firstly, the program conforms to the neoliberal policy regime because it was designed using classical neoliberal economic theory, thus accommodating the suite of macroeconomic policies implemented since the 1980s; Secondly, the understanding of poverty pushes for a demand-side, market orientated strategy that interprets poverty as a monetary issue; Thirdly, this perception has resulted in a lack of policy integration and investment. Combined, these three factors have limited the ability of PROP to break the intergenerational cycle of poverty.

The architect of *Progres-a-Oportunidades* was economist Santiago Levy, who designed the program using classical neoliberal economic principles. By constructing a program to be congruent with neoliberal macroeconomic policies, the market is placed first when designing social programs. This is demonstrated via three principles outlined: congruency with structural reforms and avoiding distortion in the market; delivering support in a cost effective manner; and targeting only those living in extreme poverty. These principles have shaped how poverty is understood in almost all CCT programs.

In PROP, poverty is a result of inadequate insertion into the labour market stemming from a lack of human capital. This results in lower wages and subsequently impoverishment. The intergenerational cycle is caused by insufficient cash that does not allow families to invest in human capital. Thus, poverty is a result of monetary problems that prevent them from taking advantage of basic social services. It is not a result of lacking social rights, nor is it the failure of inferior quality institutions. Therefore, the solution resides in the provision of cash and uptake of basic social services. This is the demand-orientated inference of PROP and other CCTs: increased school attendance and health check-ups automatically translate into improved human capital.

This assumption leads to the isolation of CCTs from other social policy initiatives and investments. Firstly, PROP is the only extensive poverty reduction program currently used in Mexico. As such, it dominates the total poverty reduction budget and is the main focus of social policy. As a result, little money is left over to dedicate to other poverty reduction strategies and social programs, such as the creation of employment opportunities for the poor. These programs are necessary for the improved integration of resources available to the poor once they have graduated from PROP.

However, the program relies upon pre-existing infrastructure, and since it focuses on demand, the expansion and improvement of these facilities is not one of its concerns. This has resulted in insufficient funding to vital sectors that are unable to keep up with the sudden surge in demand. Consequently, the quality of education and health service provision has suffered, as scant resources must be distributed among more facilities.



These extra costs are not included in the budget of PROP, even though the success of the program relies directly upon these institutions.

By targeting only the extreme poor and consuming the majority of the poverty reduction budget, PROP has both directly and indirectly excluded the majority of the indigent population. Those living in moderate poverty, vulnerability, and even some who live in extreme poverty are unable to gain access to the program benefits. The targeting selection of PROP reflects the program's neoliberal origins. By only focusing on extreme poverty, the allocated funds have a larger impact on poverty reduction than it would with moderate and vulnerable groups. Consequently, there are few resources available for social programming despite PROP covering only a fraction of the indigent population. As a result, overall poverty throughout Mexico has continued to increase due to the lack of allocated funds to address moderate poverty and vulnerability.

It is therefore evident that *Progres-a-Oportunidades* will not succeed in breaking the intergenerational cycle of poverty in the current suite of neoliberal policies. Although it was specifically designed to accommodate these principles, they have negatively affected the potential impact PROP could have on long-term poverty reduction. If PROP is not modified and services expanded to accommodate all who live under the national poverty line, then it will continue to contain the growth of extreme poverty since it has been unable to make any significant advances in reduction. Meanwhile, moderate poverty will continue to grow as there are no mechanisms in place to combat it.

Analyzing a conditional cash transfer in context of macroeconomic policy is necessary in understanding how the program is shaped and influenced. Major social programs are designed to accommodate the reigning macroeconomic paradigm and subsequently take on characteristics attributed to this outlook. In the case of PROP, it was an extension of social liberalism. It was centred on the market and did not question the role economic growth plays in poverty reduction. As such, the components of the program aim to contribute ultimately to the expansion and growth of the market. However, it is this outlook that has limited the contribution that PROP could have on poverty reduction.

My policy recommendations would be to construct a succinct interdependent approach to the program, beginning with an increase to the funding for programs which provide infrastructure investment to education and health facilities, like the Quality Schools Program. An in-depth examination of the quality of the education and health care provided is also necessary in order to understand the primary struggles faced by these facilities, as well as determining which institutions are chronically underfunded and understaffed. A survey of the areas excluded by PROP is also required in order to identify these communities as marginalized, and through the recognition of their social rights, provide them with basic social services.

While constructing schools and health clinics in every locality throughout the country is not feasible, there are alternative solutions. One such solution would be the usage of mobile clinics. These could provide basic health care to the isolated communities

which are too far away from larger health-care facilities. These mobile clinics would also be able to distribute nutritional supplements, basic first aid kits and additional medical supplies that would last until the next mobile clinic visited. The periodicity of these visits could be a two week placement once every four months. This time-frame would permit regular check-ups for the beneficiaries, and especially for the pregnant women.

*Progres-Oportunidades* must also have an integrated policy package that places equal emphasis on providing quality education and health services, as well as generating employment opportunities for graduates. This is crucial if the program wishes to be successful in breaking the intergenerational cycle of poverty. The basic framework is already in place for many support programs, but there must be greater political will backed by tangible resources in order for these policy packages to work. These changes should be well received, as they would benefit not only those in PROP but other members of the communities as well.

*Progres-Oportunidades* must also expand to cover those living in conditions of moderate poverty, or a separate, comprehensive strategy must be designed to provide some type of support mechanism to this group. If it is to expand, then the size of the transfer will have to be reduced in order to provide relief to all beneficiaries. In order to compensate, participants should be allowed to buy subsidized food. In order to control distribution, beneficiaries can be provided an identification card which states the number of family members in order to buy certain quantities of food. This process should be relatively simple as families are registered in the program with this information.

Another way to re-distribute funds would be to start the education scholarship in Grade 6 instead of Grade 3. This is because primary education base enrollment levels were already over 90% before PROP, so there is no need to award scholarships as a form of parental enticement for keeping their young children in primary school. Grade 6 has been proved as the critical point for children dropping out, and the scholarship has led to massive increase in the transition from primary to secondary school. The savings generated by eliminating those scholarships could be directed towards families living in moderate poverty.

Once the program has expanded and employment options are available for the beneficiaries, it can begin to shift from a conditional cash transfer to a universal style program. This would be a rights based approach to tackling poverty since all Mexicans are recognized as having the right to education and health care, regardless of location or condition compliance. As well, if the required facilities are in place and operational, and families have a stable source of income, then the uptake will not rely upon the transfer.

The social wellbeing of Mexicans can no longer be second to macroeconomic policies. As Valencia (2008) stated, the debate must not be limited to neoliberal or universal style policies. Rather, CCTs require state involvement and the recognition of the interdependency that exists between the program and other sectors. As they are currently implemented, CCTs serve to contain the rapid growth of poverty rather than eliminating it. If this is not addressed, then CCTs will fail to reduce poverty in a long-term sustainable manner.

## Section VI

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## Section VII

### Appendix

**Table 9**

PROP Budget in Pesos and as % GDP vs. Coverage 2001-2012

<b>YEAR</b>	<b>BUDGET TOTAL (PESOS)</b>	<b>PROP % GDP</b>	<b>PROP COVERAGE</b>
2001	13,002,297,202	0.138011836	3,100,000
2003	21,295,914,711	0.229662615	4,200,000
2004	25,825,073,467	0.257903117	4,200,000
2005	29,781,843,156	0.264433579	5,000,000
2006	31,559,728,787	0.251120431	5,000,000
2007	34,788,929,484	0.256477331	5,000,000
2008	37,211,065,570	0.26043669	5,000,000
2009	46,062,853,304	0.395760571	5,200,000
2010	62,060,871,315	0.453954574	5,800,000
2011	64,836,970,953	0.426247403	5,800,000
2012	63,014,108,085	0.408546048	5,800,000

*Source: Secretaría de Hacienda y Crédito Público, Presupuesto de Egresos. Ramos 11, 12, and 20. Análisis Funcional Programático Económico (AFPE or AP).*

*<http://www.shcp.gob.mx/EGRESOS/PEF/Paginas/PresupuestodeEgresos.aspx> and SEDESOL, 2012:24. Elaborated by the author.*

**Table 10**

**Education vs Quality Schools Program (PEC) budget 2001-2012**

<b>YEAR</b>	<b>EDUCATION</b>	<b>PEC</b>
2001	5,584,800,000	350,000,000
2003	10,999,518,895	1,250,000,000
2004	11,987,819,376	1,258,568,128
2005	15,468,435,596	1,247,538,843
2006	16,550,000,000	1,258,568,128
2007	16,550,000,000	1,258,071,379
2008	17,350,000,000	1,258,200,000
2009	18,182,800,000	1,499,827,896
2010	22,860,520,104	1,477,418,501
2011	24,358,293,857	1,920,895,646
2012	22,758,293,857	1,700,000,000

*Source: Secretaría de Hacienda y Crédito Público, Presupuesto de Egresos. Ramos 11, 12, and 20. Análisis Funcional Programático Económico (AFPE or AP).*

*<http://www.shcp.gob.mx/EGRESOS/PEF/Paginas/PresupuestodeEgresos.aspx>. Elaborated by the author.*