

**Examining the Impacts of Progres-
Oportunidades on Poverty and Inequality
A Case Study in Las Margaritas, Chiapas, Mexico**

by

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Abstract

In a short period of time, Conditional Cash Transfer programs (CCTs) have expanded throughout Latin America and beyond, becoming one of the main approaches to combat poverty at the global level. Among the pioneers of these types of programs is Progresa-Oportunidades, which was implemented to invest in the human capital of the rural poor with the goal of enhancing their productivity, thereby helping to insert them into more profitable labour markets. The central argument of this research is that Progresa-Oportunidades is not only limited in its ability to reduce poverty, but may also contribute to increasing regional and intraregional inequality. In addition, it may have become a contributing factor to worsening labour conditions in Mexico. I argue that Progresa-Oportunidades has been an integral component of Mexico's *neoliberal* development strategy, aiming to relocate subsistence farmers while providing cheap labour to other sectors of the economy. However, the failure of *neoliberal* policies to produce sustained economic growth and jobs, particularly in those rural areas where the program operates, has resulted in rural out-migration to urban and semi-urban areas. The result of this out-migration is that the human capital and productivity gains, as well as a portion of the cash transfers themselves, are transferred from the country's poor rural areas to more dynamic urban centers. A case study is provided to illustrate the program's impact on poverty and inequality in the rural and very poor municipality of Las Margaritas, Chiapas.

Keywords: Mexico; Progresa-Oportunidades; poverty and inequality; regional and intraregional inequality

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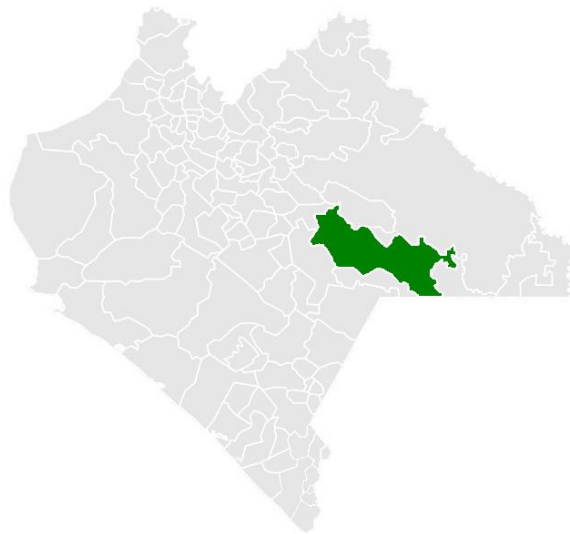
List of Acronyms

CCTs	Conditional Cash Transfer Programs
CDI	National Commission for the Development of Indigenous Peoples
CNH	National Crusade Against Hunger
CONAFE	National Council for the Promotion of Education
CONASUPO	National Company for Popular Subsistence
CONEVAL	National Council for the Evaluation of Social Development Policy
DGEI	General Directorate of Indigenous Education
FISM	Municipal Social Infrastructure Fund
EZLN	Zapatista Army of National Liberation
NAFTA	North American Free Trade Agreement
INEA	National Institute for the Education of Adults
INEGI	National Institute of Statistics and Geography
OPORTUNIDADES	Oportunidades Human Development Program
PROCAMPO	Program of Direct Support for the Countryside
PROGRESA	Program for Education, Health and Nutrition
PRONASOL	Solidarity National Plan
SEDESOL	Ministry of Social Development
SEP	Ministry of Public Education
SSA	Ministry of Health and Assistance
ZAP	Priority Attention Zones

Maps of Chiapas and Las Margaritas



Map of Mexico, highlighting the state of Chiapas
Source: http://commons.wikimedia.org/wiki/File:Mexico_states_chiapas.png



Map of Chiapas, highlighting the municipality of Las Margaritas.
Source: http://commons.wikimedia.org/wiki/File:Mexico_states_chiapas.png

Chapter 1.

Introduction

1.1. How may Progresa-Oportunidades affect regional and intraregional inequality?

Conditional cash transfer programs (CCTs) have spread rapidly throughout Latin America and other countries of the developing world, becoming one of the main approaches for combating poverty at the global level (UNRISD, 2010). In 2010, about 19% of the population in Latin America were targeted by CCTs. In Brazil and Mexico alone, approximately 79 million people were recipients of cash transfers (Cruces and Gasparini, 2013: 50). CCTs are based on the premise that targeting cash transfers to the poorest households and attaching conditions to the transfers, is a more effective and efficient way to reduce immediate and future poverty than previous policies and programs. While CCTs share these common features, some, like Mexico's Progresa-Oportunidades,¹ put greater emphasis on building human capital.

The main goals of Progresa-Oportunidades are to alleviate short-term poverty by increasing basic consumption and to tackle long-term poverty by enhancing the productive capacity of the poor by improving their nutrition, health, and education. The central assumption behind the implementation of Progresa-Oportunidades was that investing in the human capital of the poor, particularly children, would contribute to breaking the intergenerational transmission of poverty by reducing the likelihood of children replicating their parents' activities, usually subsistence farming or other informal activities, and improve their chances of integrating into more productive and well remunerated jobs, usually found in the industrial or services sectors (See Levy, 2006).

¹ Mexico's main antipoverty program was launched in 1997 as PROGRESA (Program of Education, Nutrition and Health) and renamed *Oportunidades* in 2002. As this research examines both periods, for the sake of simplicity, I refer to the program as Progresa-Oportunidades.

Progresa-Oportunidades is an incentive based program, which aims to change the behaviour of the poor in ways that are assumed to be effective for the reduction of poverty; while at the same time contributing to Mexico's market-oriented or *neoliberal* development strategy.

For its innovative features, Progresa-Oportunidades has been heralded as a model of an effective antipoverty program and has been extensively evaluated. Not surprisingly, the literature has tended to focus on examining the program's impacts on human capital and poverty reduction, while less attention has been given to the program's impacts on inequality, despite its targeting of the poorest people and areas in Mexico. This research aims to contribute to closing this gap by addressing the following question: how may Progresa-Oportunidades affect regional and intraregional inequality in Mexico? This question is relevant, given that Progresa-Oportunidades targets the poorest communities, municipalities and states of Mexico and therefore, has the potential to reduce regional inequalities. Progresa-Oportunidades not only provides a regular income to the poorest households, but injects significant resources in the country's poorest municipalities. In addition, it enhances the productivity of poor rural youth by investing in their human capital. By enhancing the productive capacity of the poor, the program influences labour mobility across sectors and regions; and its effects in this regard are potentially large given that the program has targeted between 22-30% of the country's population (Oportunidades, 2010a). In 2010, about 30 million people, nearly 6 million households, were recipients of cash transfers from this program (Oportunidades, 2010a: 4).

There is a consensus that regional inequality has increased in Mexico, mainly as a result of economic liberalization, however, there is less agreement on the factors behind this process (Kanbur and Venables, 2005). For some scholars, the effect of trade liberalization on regional inequality will depend on the degree of inter-regional labour mobility and the specific conditions of the country (Rodríguez-Pose, 2010: 14). Government policies and programs, particularly those that influence regional labour mobility, have the capacity to enhance or attenuate regional inequality. This study examines the direct and indirect impacts of Progresa-Oportunidades, Mexico's largest antipoverty program, and their relation to the recent trends in regional inequality. By

indirect impacts this study refers to changes resulting from Progres-Oportunidades that are not explicit in the program goals and objectives and that may affect the non-recipient population. A case study in Las Margaritas, Chiapas, which is representative of the rural municipalities in which Progres-Oportunidades operates (high proportion of indigenous population, relying on subsistence farming, living in small and dispersed communities) seeks to illustrate the impacts of the program on poverty and inequality at the local level.

Most impact evaluations have examined CCTs for their ability to reduce poverty and therefore, have concentrated on evaluating the direct impacts on recipient households. Some scholars have called for broadening the scope of the evaluations to capture the wider, indirect impacts of CCTs on issues such as migration and regional economic development (Behrman, Parker and Todd, 2005; Levy, 2006; Angelucci and De Giorgi, 2009; Barrientos, 2012; Kabber, Piza and Taylor, 2012; Hagger-Zanker and León, 2012). For example, Angelucci and De Giorgi (2009) argue that CCTs may impact the local economy at large, not only the treated population, and focusing only on the treated results in underestimation of the program impact. They argue that the unit of analysis to evaluate CCTs should be the entire local economy, rather than the treated population. Thus, in order to capture both the direct and indirect impacts of Progres-Oportunidades on poverty and inequality, this study expands the unit of analysis from the household to the municipality level.²

This research examines the impacts of Progres-Oportunidades in the very poor municipality of Las Margaritas, located in Chiapas, the state with the largest percentage of people living in poverty (CONEVAL, 2012a: 13). Las Margaritas is a predominantly rural and indigenous municipality, made up of 398 communities, 396 of which have fewer than 2,500 people (Informe Municipal, 2011).³ Las Margaritas is also the name of

² After states, municipalities are the main territorial and administrative unit in Mexico. Municipalities vary significantly in size and population, and contain a number of communities, known as 'localidades', which surround the main town or city, where administrative and economic activity is concentrated, and which is referred to as the 'cabecera municipal' or simply as 'cabecera'. In Mexico, the government of the municipality is responsible for providing basic public services (including water, sewage, public safety) to its population.

³ In Mexico, rural areas are generally defined by government institutions as communities with less than 2,500 people, and semi-urban areas as communities with less than 15,000 people (CONAPO, 2010: 48).

the main town, the center of the municipality's administrative work. As the majority of the households within the municipality of Las Margaritas are recipients of cash transfers from Progresa-Oportunidades, the initial purpose of the research was to study the impacts of the program on the reduction of extreme poverty in the municipality. During the summer of 2012, a total of 35 interviews were conducted, 17 with direct recipients from La Trinidad, a very poor indigenous community within the municipality; and 18 with government officials from eight relevant institutions located in Las Margaritas, Comitán and Tuxtla Gutiérrez.

The findings from the interviews conducted during the field research complement official data which suggest that while Progresa-Oportunidades has been effective in targeting the poorest households, overall levels of poverty have not changed. Interviews and field observations also raised the possibility that indirectly, the program has contributed to increased regional and intra-regional inequality. Given that Progresa-Oportunidades redistributes significant resources to the poorest people and areas in Mexico, it has been considered one of the most progressive programs in Mexico, and as such my argument may seem unlikely. I argue that the evaluation literature on Progresa-Oportunidades has focused mainly on the program's impacts on poverty of its direct recipients, rather than its indirect impacts on the whole regional economy. These broader, indirect impacts can include undesirable outcomes, such as increased regional and intra-regional inequality. This research focuses on the ways in which the program may produce such impacts by: 1) reviewing relevant literature on Progresa-Oportunidades; and 2) conducting ethnographic research in Las Margaritas, Chiapas.

The findings from the field research and the review of the impact evaluation literature suggest that: 1) while cash transfers boost basic consumption among eligible households, the *spill-over effects* of cash transfers are likely to end up in the municipality's "cabecera" and in the pockets of the local elites, who own the main stores in Las Margaritas, and increasingly in the profits of national and transnational businesses such as banks and super markets like "Bodega Aurrerá" (which is owned by Walmart) which has recently opened a branch in Las Margaritas; 2) while the program reaches the majority of communities within the municipality, the *lack of school infrastructure* at a secondary level means that children from the poorest households

(who are predominantly in small, remote and indigenous communities) drop-out of school at earlier stages and are more likely to remain in poverty, continuing to rely on subsistence farming; and 3) finally, while the program is somewhat effective in increasing school enrollment, the severe *lack of non-farming jobs* available in Las Margaritas puts pressure on the more educated youth to migrate to more dynamic urban centers to seek jobs according to their level of education. Increased out-migration, however, is reducing the potential for sustainable development in the municipality by expelling its more productive and qualified labor force, reproducing the marginal economic role of Las Margaritas at the regional level.

Progres-Oportunidades is based on the assumption that increased investment in human capital (particularly in education) will help break the intergenerational transmission of poverty by inserting the poor into better remunerated jobs. Although Progres-Oportunidades is not directly responsible for job creation, it is reasonable to assume that poverty reduction cannot be achieved without labor market insertion upon graduation from the program. The few evaluations conducted on the long-term impacts of Progres-Oportunidades conclude that the ability of the program to reduce poverty is severely limited by the lack of employment opportunities in the country, particularly in those marginal rural areas where the program widely operates (Rodríguez-Oreggia and Freije-Rodríguez, 2008; 2012; González de la Rocha, 2008; Ibararán and Villa; 2010; Yaschine, 2012; Sánchez and Jiménez, 2012).

González de la Rocha (2008) argues that those who achieve higher education migrate either to the United States or to large urban areas, while those who stay are exposed to what the author calls “precarious local labour markets”. This author concludes that what really threatens the program’s effectiveness “is the lack of jobs in the micro-regions due to underdeveloped and less dynamic labour markets” (2008: 35). Rodríguez-Oreggia and Freije-Rodríguez conclude that “the accumulation of human capital may not guarantee better earnings if labour market conditions are not favorable” (2012: 20). These and other scholars argue that without complementary policies and programs, to provide jobs and improve access to and quality of schools to the poorest households, Progres-Oportunidades is severely restricted in its ability to facilitate the

insertion of ‘program graduates’⁴ into the labour market and therefore to reduce poverty. Winters and Chiodi add that: “Putting Oportunidades in place without complementary policies to promote rural income generation is unlikely to promote rural development and in fact, may lead to increased rural out-migration” (2011: 536).

Drawing from the impact evaluation literature on Progres-Oportunidades, and studies on Mexico’s economic performance, I suggest that under the current economic conditions, Progres-Oportunidades is not only limited in its ability to reduce long-term poverty, but may be contributing to increasing regional and intra-regional inequality. This may occur as a result of transferring both economic (via economic spill overs) and human resources (productivity gains) from the poorest rural areas to more dynamic urban areas. The program may have also become a contributing factor to worsening labour conditions for Mexico’s workers during the last decades, by actively encouraging labour mobility, producing imbalances in the rural and urban labour markets. I argue that these negative results are linked to the neoliberal development strategy that Mexico has followed since the mid-1980s, of which Progres-Oportunidades is an integral component. In particular, Progres-Oportunidades is part of a larger strategy to relocate what was seen by policy-makers as a “redundant” rural population (mainly subsistence farmers); while providing cheap labor to other sectors of the economy (particularly manufacturing); in which the country would compete in a globalized economy, through the North American Free Trade Agreement (NAFTA). Finally, I argue that examining Progres-Oportunidades solely as an antipoverty program fails to capture the complexity of the role it plays in Mexico’s economy.

1.2. Research agenda

This thesis is organized as follows. Chapter two describes the design and implementation of Progres-Oportunidades within the context of the economic restructuring process the country experienced at the time. The chapter describes the main assumptions, goals and mechanisms of Progres-Oportunidades. It also examines

⁴ A person is considered a “program graduate” when he or she completes high-school (grade 12) with the support of Progres-Oportunidades cash transfers (scholarships).

the social, political and economic drivers behind its expansion. Chapter three reviews the literature on the direct and indirect impacts of Progres-Oportunidades, and contests the effectiveness of Progres-Oportunidades in reducing short and long-term poverty. Building on this literature, chapter four develops the central argument within the framework of the “neoliberal food regime” and “cheap-labor export model”. It examines the role that this program has played within Mexico’s neoliberal development strategy as well as its contribution to worsening labour conditions and increasing regional and intraregional inequality. Chapter five presents the results of the fieldwork in the municipality of Las Margaritas, Chiapas, and explores the distributional impacts of cash transfers; the unequal provision of basic services and migration patterns. Chapter six offers analytical conclusions and implications.

1.3. Methodology

This study makes use of primary and secondary sources, drawing from the extensive impact evaluation literature on Conditional Cash Transfers programs (CCTs) and on Mexico’s Progres-Oportunidades in particular, which is available in both English and Spanish. The study also draws from relevant academic literature on the impacts of neoliberal policies and programs in Mexico, in order to position the program within the broader social and economic context. The research relies particularly on the concepts of “neoliberal food-regime” as developed by Pechlaner and Otero (2008; 2010) and “cheap-labour export-model” by Cypher and Delgado-Wise (2007; 2010); which have been developed to describe the main tenets and outcomes of Mexico’s neoliberal development strategy. These concepts are used to contextualize the conditions in which Progres-Oportunidades operates; they are particularly useful to describe the conditions experienced by the majority of rural recipient households and the context into which it is assumed they will integrate (urban areas, non-farming jobs and formal employment). The concepts are mainly used, however, to hypothesize the role that Progres-Oportunidades has played within Mexico’s neoliberal development strategy, and its role in increasing regional and intraregional inequality.

For its redistributive effects, Progres-Oportunidades is seen as one factor in the recent reduction of income inequality at the national level during the early 2000’s, as

measured by the Gini coefficient (Soares et al, 2007; Esquivel et al, 2010; Cruces and Gasparini, 2013). While acknowledging this effect, this study approaches the impacts of Progresa-Oportunidades from the perspective of territorial inequality. Given that Progresa-Oportunidades targets certain regions and sectors (particularly rural, small and indigenous communities) and it aims to relocate rural population from low productive to high productive jobs, a territorial perspective is a more appropriate lens for examining the program's impacts on inequality. While income inequality, often referred to as *vertical* inequality, is used to describe disparities of income and wealth between individuals and households; *horizontal* inequality is used to describe disparities among groups or factors that determine identity, such as ethnicity, which can be geographically concentrated (UNRISD, 2010: 59). According to the 2010 UNRISD report on poverty and inequality "measures of inequality that rank individuals and households by income often exclude group and spatial dimensions [...] A focus on only vertical inequality may obscure important differences among groups or regions" (2010: 81). Therefore, adopting a territorial lens of analysis provides a deeper understanding of the interaction of Progresa-Oportunidades with the multiple dimensions of inequality.

In this study, region is defined as an area that contains a number of municipalities which are grouped around a main municipality, often the largest urban center in which economy activity and government services are concentrated. Despite geographical and demographic differences, these municipalities share similar social, economic and cultural characteristics. For the purposes of this study, I refer to regional inequality as economic and social disparities between regions, and by intraregional inequality as disparities within a region: within and between municipalities. This study focuses, on the impacts of Progresa-Oportunidades on poverty and inequality in the municipality of Las Margaritas, which is located within the Comitán region, identified by government of Chiapas as 'Meseta Comiteca Tojolabal' (Figure 1-1).

1-1. Meseta Comiteca-Tojolabal and its municipalities



Source: Gobierno del Estado de Chiapas: Region XV: Meseta Comiteca-Tojolabal, 2012

In terms of primary sources, this study relies on official data provided by government institutions in Mexico, mostly by CONEVAL (National Council for the Evaluation of Social Development Policy).⁵ In 2004, the General Social Development Law (LGDS) established the creation of CONEVAL to coordinate the evaluation of social development policies and programs and to establish guidelines to identify and measure poverty in Mexico. CONEVAL's methodology is built on recent academic developments in poverty measurement, which recognizes poverty as multidimensional and uses several indicators to determine whether a person or household is poor or not.

CONEVAL conceives poverty in terms of three analytical spaces: 1) economic wellbeing, 2) social rights, 3) and the territorial context where the population interacts. CONEVAL's methodology considers territorial context (and specifically social cohesion) as "an important tool for the analysis of the context in which social processes that include or give rise to poverty occur" (CONEVAL, 2010: 27), but does not incorporate it

⁵ It is important to note that in Mexico, as in Latin America, official data may vary slightly from institution to institution.

directly into the poverty measurement itself. Social rights and economic wellbeing are individual or household attributes while the territorial space “deals mainly with concepts having to do with communities and social collectives” (CONEVAL, 2010: 27). While the territorial context, was not incorporated into CONEVAL’s methodology, the fact that it was taken into account shows that the poverty measurement agenda is moving towards understanding the structure and dynamics of poverty, not only its effects.

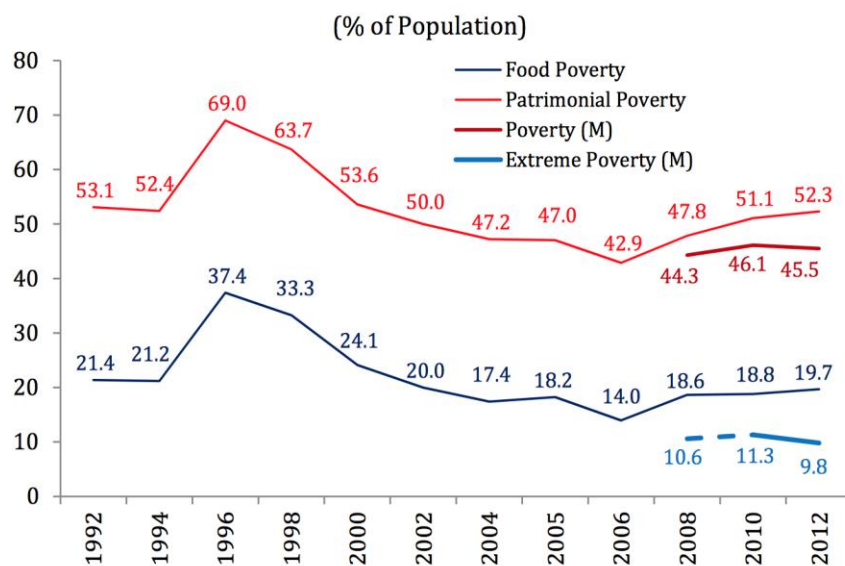
In the space of social rights, as these are considered universal, interdependent and indivisible human rights, a person is considered as unable to fully exercise her rights when she shows deprivation in a least one of the six indicators established by CONEVAL: educational gap, access to health services, access to social security, quality and spaces of the dwelling, access to basic services in the dwelling and access to food (CONEVAL, 2010: 27). In the economic wellbeing space, a minimum amount of monetary resources require to satisfy people’s basic needs has been set. To identify and measure the economic wellbeing of the country’s poor population CONEVAL established an economic welfare line and a minimal welfare line, which are based on two different food baskets that adjust overtime with the level of inflation. By 2012, CONEVAL defined the economic welfare line as those surviving on no more than 2,329 pesos (117 USD) per month in cities, and 1,490 (113 USD) pesos per month in rural areas. The benchmark income for extreme poverty (minimal welfare line) was 1,125 pesos (85 USD) in cities and, 800 (60 USD) per month in the countryside (Wilson and Silva, 2013: 2-3).

Combining the economic wellbeing and social rights spaces, CONEVAL defines multidimensional poverty as follows: “a person is considered to be multidimensional poor when the exercise of at least one of her social rights is not guaranteed and she also has an income that is insufficient to buy the goods and services required to fully satisfy the needs” (CONEVAL, 2010: 28). A household living in extreme multidimensional poverty is: “one whose income is so low, that even if spent entirely on food, the family could not buy the necessary nutrients for a healthy life; additionally, members of the household suffer from at least three of the six social deprivations described above.

As the multidimensional approach is new (data is available only for 2008, 2010 and 2012) “one can only view historical trends in poverty reduction through the lens of income-only measure” (Wilson and Silva, 2013: 3). Under the income-based measure, three levels of poverty have been defined by CONEVAL⁶: Food poverty of a household is defined as the inability to obtain a basic food basket, even if using the entire available income to buy the basket’s goods. Capabilities poverty is defined as insufficient income to acquire the food basket and cover necessary expenses in health and education, even if devoting the household’s total income to these purposes. Patrimonial poverty is defined as insufficient income to acquire the food basket, as well as to cover necessary expenses in health, education, clothing, housing and transportation, even if devoting the household’s entire income for the acquisition of these goods and services. Wilson and Silva also point out that of these three measures, two are somewhat comparable to the levels of poverty defined by the multidimensional measures. For example, patrimonial poverty is similar to the broad measurement of multidimensional poverty, while food poverty can be loosely correlated to the multidimensional measure of extreme poverty (2013: 3-4). Figure 1-2, copied from Wilson and Silva, shows the evolution of poverty using the multidimensional and the income-based poverty measures in Mexico during the period of 1992-2012.

⁶ Based on data generated by INEGI (National Institute of Statistics and Geography) through the Household Income and Expenditure Survey (Encuesta Nacional de Ingresos y Gastos de los Hogares -ENIGH), CONEVAL has been able to provide strictly comparable data on the three levels of poverty from 1992.

1-2. Multidimensional and Income-Based Poverty in Mexico



Notes: (M) stands for Multidimensional Poverty Measure.

Dotted line for the 2010 extreme poverty measure refers to a change in methodology regarding the measurement of fuel use for cooking. According to CONEVAL, strictly comparable numbers to 10.6 in 2008 are 10.4 in 2010 and 8.9 in 2012.

Source: CONEVAL.

Source: Wilson and Silva (2013) based on CONEVAL.

Given that CONEVAL's data on multidimensional poverty is available only for the period of 2008-2012, and Progresa-Oportunidades has been in place since 1997, this study uses the three income-based measures to show the evolution of poverty in the municipality of Las Margaritas. It also uses CONEVAL's multidimensional measures of poverty to provide a snapshot of current conditions. Given that Progresa-Oportunidades increases immediate and potential future income, the program impacts should be reflected in the income-based poverty measures. As Progresa-Oportunidades distributes cash transfers on a regular basis, it should show improvements in the three income poverty lines: food, capabilities and patrimonial. Using the income-based poverty lines is not only useful to examine the impacts of Progresa-Oportunidades on poverty, but is also an important conceptual and empirical tool for evaluating Mexico's economic performance. The multidimensional measures would more likely capture the impacts of all social programs implemented in Las Margaritas. Thus, the case study

incorporates the three analytical spaces to examine the impacts of Progresa-Oportunidades on poverty and inequality in the municipality of Las Margaritas by exploring the distributional impacts of cash transfers (economic wellbeing); the unequal provision of basic services with a particular emphasis on education (social rights); and impacts on migration (territorial context). The case study is intended to provide a local level evaluation of Progresa-Oportunidades impacts on poverty and inequality by using official data and qualitative research conducted through semi-structured interviews.

Progresa-Oportunidades since its implementation has been at the core of Mexico's antipoverty strategy, and has been portrayed in the national media and economic, political and academic circles as an effective antipoverty program and one of the most progressive policies in the country. As the majority of the households and communities within Las Margaritas are recipients of Progresa-Oportunidades my expectation prior to the fieldwork, was to find significant positive impacts in the municipality. My objective was to examine program impacts in two areas: poverty reduction and economic spill-over effects, as assumed by the designers of this program. For two months in the summer of 2012, I resided in the city of Comitán, making regular visits to Las Margaritas to conduct interviews. I also stayed for nearly two weeks in the community of La Trinidad. The selection of this community was based on my previous contact with community members. For about a year, from 2001 to 2002, I lived in and participated in this community as a teacher in a government literacy program, and have returned to this community several times since then. This allowed me to build trust and obtain community permission to conduct the interviews that have been used for this research.

To obtain a deeper understanding of the impacts produced by the program on recipient households, a total of 17 semi-structured interviews were conducted with direct recipients from La Trinidad, a very poor indigenous community within the municipality; to gain a broader picture of the impacts produced by the program at the municipal level, 18 semi-structured interviews were conducted with government officials from eight relevant institutions located in Las Margaritas, Comitán and Tuxtla Gutiérrez. The reason for interviewing government officials from different institutions was to obtain a more balanced perspective than might be received by interviewing only officials from the

Progres-Oportunidades program. The purpose of the interviews was to capture first-hand experiences and perceptions regarding the impacts of Progres-Oportunidades in Las Margaritas, which would complement official data sources. Broad inferences cannot be drawn from such a small number of interviews; but they can illustrate the economic and institutional context in which Progres-Oportunidades operates at the local level and may point to how the program could lead to increasing regional inequalities. In accordance with SFU research ethics policy requirements, each interviewee was provided information regarding the purposes of the research, and signed a letter of consent in which anonymity was assured. No one under 18 years old was interviewed. Only men were interviewed in La Trinidad for language and cultural reasons. Because some of the interviewees in La Trinidad spoke only limited Spanish, translations of their comments presented in Chapter Five may not be verbatim, but every effort has been made to report their comments as accurately as possible. Official approvals were sought and received before interviewing government officials. To protect the anonymity of the respondents, the following system is used in presenting the comments made during the interviews: Trinidad Community Members are identified as TCM:1 to TCM:17; and Government Officials are identified as GO:1 to GO:18. As government officials from several locations were interviewed, their location is added after their identifier number, for example: GO1: Comitán. Appendix A provides sample questions that were used to guide the interviews.

Las Margaritas is located in Chiapas, the state with the highest percentage of poor people in Mexico, where 64.9% of the total population are recipients of cash transfers from Progres-Oportunidades (Oportunidades, 2010a: 13). Chiapas is also the state with the lowest levels of educational attainment (PNUD, 2011). Las Margaritas can be considered as representative of rural poverty in Mexico, with a significant indigenous population, and where people live in numerous and widely dispersed locations relying heavily on subsistence agriculture. Las Margaritas was relatively unknown to most Mexicans until 1994, when it became one of the epicenters of the indigenous rebellion by what is internationally known as the Zapatista National Liberation Army (EZLN). Since the uprising, Chiapas has become the center of attention of government interventions, and particularly of non-governmental organizations.

La Trinidad, the pseudonym I have given to the community of study for the purposes of this research, is located within this municipality. La Trinidad lacks most basic services including electricity, potable water, and sewage system, and until 2012 community members had to walk about three and a half hours along a mountain trail to reach the closest road. This remote and very poor community of about 600 indigenous people, who identify themselves as 'Tojolabales', has splintered into three different groups within the same community as a result of the uprising. Politically, part of the community still participates in the EZLN. Two groups have distanced themselves from the movement and have welcomed government programs, while the 'Zapatista group' ('Grupo-Zeta') has refused all government assistance following the organization's mandate. The thesis does not include a formal comparison among these groups, but focuses rather on one group that has received cash transfers from Progres-Oportunidades, whose members identify with the political party known as 'Partido Revolucionario Institucional' ('Grupo-PRI'). The other group which will be mentioned in the research consists of members that identify with the political party known as "Partido de la Revolución Democrática" ('Grupo-PRD') and has also welcomed government programs, although more recently. The study's focus is on examining the impacts of Progres-Oportunidades on the households from Grupo-PRI.

The very poor families of Grupo PRI have received conditional cash transfers from Progres-Oportunidades since 2004. The fieldwork sought to understand what changes the program may have produced in the lives of the members of Grupo PRI, as expressed by their own perceptions and experiences and by looking at government records, particularly in relation to education. The more specific focus was to examine whether Progres-Oportunidades cash transfers have directly led to increased school enrollment and completion rates, as a key element in the potential of this program to reduce future poverty. A total of 17 semi-structured interviews were conducted with members of this community. I wanted to interview parents of students who continued their education, and also those whose children dropped-out of school at different stages. I started by contacting individuals I knew personally who met these criteria and they referred me to others. Individuals from the community were selected for interview by purposive, snowball sampling.

Interviews were also conducted with government officials from different state, federal and municipal institutions located in Las Margaritas, Comitán and Tuxtla Gutiérrez, the state's capital. These interviewees were selected because of their connection with Progres-Oportunidades and the institutions with which the program interacts. The interviews were conducted mainly with but not limited to program coordinators from institutions such as Oportunidades; Consejo Nacional de Fomento Educativo (CONAFE); Programa Microregiones; Dirección General de Educación Indígena (DGEI); Comisión para el Desarrollo de los Pueblos Indígenas (CDI); Instituto de Educación para los Adultos (IEA); Secretaría de Salud y Asistencia (SSA) and a government official from the municipality of Las Margaritas. The goal of these interviews was to capture their perceptions about issues such as poverty, education, migration, employment opportunities, and particularly on the obstacles that people from rural, marginal and indigenous communities such as La Trinidad face in investing in their human capital that would allow them to leave their communities in the pursuit of better alternatives of living as is promoted by Progres-Oportunidades.

Chapter 2. Emergence, implementation and expansion of Progres-Oportunidades

The implementation of Progres-Oportunidades in 1997 marked a radical departure from the policy thinking that until then had dominated the antipoverty agenda in Mexico. Before its implementation, Mexican governments relied heavily on food policies for several purposes, including employment generation and poverty reduction.⁷ Food policies were essential to reduce the cost of basic food for urban workers, which in turn would reduce wages, a key strategy of the Import Substitution Industrialization (ISI) strategy in Mexico. These policies however, began to be criticized by a new generation of market-oriented policymakers for protecting the agricultural sector, and being out of step with the process of trade liberalization that the country was experiencing at the time, while the manufacturing sector had already been fully liberalized. Food policies were also criticized for being highly costly and ineffective in the reduction of poverty. These policymakers advocated for the phasing-out of food policies, radical reforms in the country's land tenure structure and agriculture liberalization, which they considered essential to redress the balance. The expectation was that these reforms (and NAFTA in particular) would lead to the modernization of Mexico's agricultural sector, which in turn would generate employment, increased wages, and reduced food prices, potentially leading to the reduction of poverty (Gallagher, Wise and Dussel-Peters, 2009).

Among the reformers was Santiago Levy, widely known as the main architect of Progres-Oportunidades. Levy was critical of food policies and argued that a poverty

⁷ Food policies played a significant role in Mexico's social and economic policy since the early 1930s, when they began to be introduced to reduce the inflationary effects caused by the Great Depression in the 1930's which had led to recurrent urban protests. Food policies, however, were maintained and became a key strategy for several governments in their effort to achieve a faster process of industrialization. From the mid-1960's, with the creation of the National Company of Popular Subsistence (CONASUPO) food policies were expanded mainly for political reasons, to maintain political legitimacy (Ochoa, 2001).

reduction strategy needed to be congruent with the new social and economic realities of the time, which included rapid population growth, a change in the government's role in the economy, and constrained financial resources, because of the debt crisis of the early 1980s that led to a period of severe austerity (Levy, 1991). This context marked the shift towards a more cost-effective antipoverty strategy, based on targeting cash transfers to the extremely poor and by conditioning these transfers to investments in their human capital, which was also more aligned with the emerging global development agenda. This chapter provides an overview of the political and economic conditions that led to the emergence, implementation and expansion of Mexico's Progresa-Oportunidades Program.

2.1. Emergence of Progresa-Oportunidades

While Progresa-Oportunidades was implemented in Mexico in 1997, its origins can be traced to Levy's 1991 article entitled "Poverty Alleviation in Mexico", which laid out the main features of the program. The article won the 1992 National Research Prize in Economics awarded by the Bank of Mexico and marked an important step towards a more targeted approach to poverty reduction in Mexico (Lustig, 2011). This section summarizes some of the main ideas of this influential article as they are critical for the central argument of this thesis. Before this, a brief biography of Santiago Levy is provided, as Progresa-Oportunidades is so closely associated with him and this thesis draws extensively from his writings.

2.1.1. Who is Santiago Levy?

Santiago Levy is a Mexican born economist who holds a PhD from Boston University. Before joining the Mexican government in the early 1990s, Levy spent some time doing research on poverty and free trade at the World Bank. It was during this time that he published 'Poverty Alleviation in Mexico'⁸ as well as several other articles, most of them in collaboration with Sweder von Wijnbergen, regarding agricultural liberalization

⁸ The article was not published in Spanish until 1994 as "La Pobreza en México" (See Levy, 1994).

and the potential distributional impacts if Mexico entered into a free trade agreement with the United States. While Levy and Wijnbergen contended that there would be 'substantial efficiency gains' if agriculture was liberalized, they argued that transitional policies could be designed to ease the transition process (Levy and Wijnbergen, 1992a; 1992b; 1994; 1995). Levy was not only the main architect of Progres-Oportunidades, he was also behind the design of other transitional programs such as PROCAMPO (Program of Direct Support for the Countryside) and PET (Temporary Employment Program).

During the Ernesto Zedillo presidential term (1994-2000), Levy occupied important positions in the federal administration such as Deputy Minister of Finance and Public Credit of Mexico, President of the Federal Competition Commission and Director of the Economic Deregulation Program at the Ministry of Trade and Industrial Promotion. During this time, Levy also coordinated the implementation of Progres-Oportunidades. With the change of the federal government in 2000, Levy was appointed as the General Director at the Mexican Social Security Institute (IMSS), a position that he held from 2000 to 2005, promoting significant reforms. Since 2007, Levy has occupied senior positions in the Inter-American Development Bank and has written extensively on issues related to social policy, productivity and economic growth in Mexico. Levy has become an influential advocate for reforms in Mexico's social security system (2007; 2008; 2009).⁹

2.1.2. Poverty Alleviation in Mexico (1991)

In this article Levy provided an in depth analysis of poverty in Mexico and its main determinants and outlined the key features of a proposed antipoverty strategy that would address the multiple dimensions of poverty. Levy advocated for a poverty strategy which would be congruent with the overall direction that economic reforms were taking. He argued that antipoverty programs should not be limited to ensuring minimum welfare levels for the poor, but they also "must be part of a larger strategy that

⁹ For more information on Santiago Levy see:
http://www.brookings.edu/~media/experts/l/levys/levys_cv

incorporates lagging regions into the rest of the economy” (1991: 5). Levy felt that with the right set of policies, the extreme poor “can increase their productive potential, and therefore, Mexico’s national income” (1991: 9). While the article focuses on poverty, it can be considered a study of rural development in Mexico and its role in the broader national economic strategy.

Poverty in Mexico, Levy argued, was primarily a rural phenomenon, as extreme poverty was concentrated in rural areas. Urban poverty was an extension of rural poverty as one of the strategies used by the rural poor was to migrate to urban areas (1991: 31). His central hypothesis was that lagging agriculture was the root cause of rural poverty, which had been the case at least since the 1960s, and he attributed this to a number of factors. These included population growth and the long process of land redistribution (typically small plots of poor quality) both of which led to the exhaustion of marginal land for small-scale farmers. Exhaustion of marginal land produced uncertainty among large scale private farmers who feared expropriation, reducing the incentives for agricultural production.¹⁰ Additionally, a complex system of regulations on the use of land, labor and credit reduced incentives for agricultural production. Other factors were the end of irrigation projects, and terms of trade that turned against agriculture (1991: 33). Urban bias in social and infrastructure spending also played a significant role in the generation of poverty in Mexico (1991: 41).

Government response to lagging agriculture started in the early 1970s in the form of a ‘supply strategy’ and an emphasis on ‘food self-sufficiency’, centered on grains and particularly on maize, Mexico’s main staple. Subsidies were implemented to increase food supply and incomes in the rural areas while at the same time maintaining the same restrictions and land tenure structure (1991: 40). The combination of land restrictions and government food supply policies generated economic inefficiencies and labour market distortions, among them, rural over employment which reduced the incentives to migrate to urban areas. Food subsidy policies, in combination with macroeconomic uncertainty, increased the incentives of the rural poor to stay on marginally productive

¹⁰ Mexico’s 1917 Constitution established three different forms of land tenure: private, public and social. The latter was further divided into ‘communal’ land and ‘ejido’ land, where members would hold land in usufruct. For more on this see: Assies (2008).

land. In addition, these subsidies were costly, urban biased, captured mostly by urban consumers and large producers, discriminating against the extremely poor rural population (1991: 41-42). Urban bias was not limited to subsidies, but extended to social and infrastructure spending which reduced the rural poor's ability to increase their human capital (1991: 41). While food policies may have been necessary for urbanization and industrialization, Levy argued that if poverty was to be reduced these policies must end (1991: 42). Food policies he added, "should be divorced from poverty considerations" (1991: 54).

There was a strong case for direct targeting of benefits only to the extremely poor, as opposed to the moderately poor, and that such benefits should administered under a single program that "simultaneously delivers food (through coupons rather than price subsidies), preventive health services, and education about hygiene, birth control, and food preparation and conservation" (1991).

Levy proposed the simultaneous provision of a basic package of food-health-education that exploits the complementarities among these needs and has the specific objectives of: 1) reducing infant mortality; 2) improving the nutritional and health status of extremely-poor households; 3) and reducing fertility (1991: 57). He felt that an existing program, 'PASSPA' (Programa de Atención de Servicios de Salud para la Población Abierta), should be the central program that directly delivers benefits (1991: 64) and should be made the centerpiece of the fight against extreme-poverty (1991: 57). The success of PASSPA was to be measured by "its ability to lower infant mortality, reduce undernutrition, decrease fertility, reduce morbidity, and improve elementary health and hygiene behavior. The program should not have other objectives" (1991: 64). Levy emphasized that the attack on extreme poverty should be separated into two tasks: first, the provision of a basic package of directly targeted benefits for the extremely poor, as described above, and; secondly, the design of development strategies, such as infrastructure and productive projects, to build the potential for increasing earnings of the poor. Separating these two tasks was essential, and the policies and institutions required for each were different (1991: 54).

Levy offered considerations for what rural development policies should take into account. He started from the position that policy makers should view Mexico as a land scarce country and design policies accordingly (1991: 64). Population growth was leading to a decrease in the land/labor ratio and the share of rural poor accounted for by landless peasant would increase (1991: 65). The elimination of restrictive institutional arrangements and food policies was essential but insufficient to alleviate poverty and promote agriculture and rural development. Changing the land tenure structure, furthering the process of reforms, a shift towards a high value crops and greater yields, and increasing resources to infrastructure in rural areas, particularly in irrigation, was critical (1991: 70). However, even if these reforms were implemented, in the long-term “rural wages will increase only by increasing the land/labor ratio, which implies the need for further rural out migration” (1991: 69). The shifting of population to small and medium size cities in the more rural states “will allow economies of scale in the delivery of certain services (hospitals, higher education) and will create further employment opportunities in these states” (1991: 70).

2.2. Implementation of Progres-Oportunidades

The reforms advocated by Levy and other policymakers regarding the agricultural sector were implemented in a relatively short period of time. They were part of the package of market-oriented reforms that began in the mid-1980s, and which are widely known in Mexico and elsewhere as ‘neoliberal reforms’.¹¹ In 1991, Mexico reformed Article 27 of the Constitution to radically change its land tenure system, and officially ended land distribution which had been a key government strategy to provide social justice to peasants and indigenous peoples. In the same year the country signed a free trade agreement with Canada and the United States, which would come into effect in January of 1994 as the North American Free Trade Agreement (NAFTA). The

¹¹ The implementation of neoliberal reforms in Mexico is well described in the literature and will not be discussed in detail in this paper. For more on this topic see: Centeno, Miguel Angel. 1994. *Democracy Within Reason: Technocratic Revolution in Mexico*; Otero, Gerardo. 1996. *Neoliberalism Revisited: Economic Restructuring and Mexico’s Political Future*. Regarding the implementation of neoliberal reforms elsewhere see: Harvey, David. 2007. *A Brief History of Neoliberalism*.

agreement brought the immediate elimination of tariffs for a large number of products but continued to protect key essential crops such as maize and beans, under the condition that these would be phased out in the next 15 years. For some scholars, the signing of NAFTA locked the country into a long-term 'neoliberal' path of development (Moreno-Brid and Ross, 2009; Cypher and Delgado-Wise, 2010).

Months before NAFTA came into effect, Mexico reformed its structure of subsidies to compensate national food producers for the high subsidies received by their North American counterparts, and to this end the government implemented a number of programs, including the Direct Rural Support Program, better known as PROCAMPO. This program was introduced to raise the income of food producers and to facilitate the conversion from traditional to more profitable production (cash crops) offering a fixed payment per hectare in each agricultural cycle (Merino, 2010: 54). While PROCAMPO included a large number of small-scale and subsistence farmers that were discriminated against by previous food policies, the small size of their land plots meant that subsidies offered by this program were relatively insignificant and did little to protect these low-income producers from the effects of agricultural liberalization, and the 1994-95 financial crisis. This crisis would set the stage for the implementation of Progres-Oportunidades, which was designed to replace food subsidies directed to consumption, and to provide short-term relief from the crisis while establishing the basis for a middle-term antipoverty program. This section is divided into two parts; the first describes the political and economic conditions that led to implementation of Progres-Oportunidades, while the second highlights the program's key features, goals, objectives and operational mechanisms.

2.2.1. The political and economic context of implementation

While Mexico had experienced social discontent, political turmoil and increasing demands for democratization before implementation of NAFTA, 1994 was a particularly difficult year of political and economic crises that would set the stage for the implementation of Progres-Oportunidades. On the first day of January 1994, an armed rebellion made up of mostly indigenous people, led by the EZLN (Zapatista Army of National Liberation) erupted in the southern state of Chiapas, one of the poorest states

of the country hit particularly hard by reforms in the agricultural sector. During the uprising, the EZLN seized seven cities and drew international attention to the marginal conditions of rural and indigenous communities in Mexico. The EZLN uprising was followed by assassinations of political figures, including the presidential candidate of the ruling PRI (Institutional Revolutionary Party). The year ended with what is widely known as 'error de diciembre' (the December mistake), one of the greatest financial crises experienced by Mexico which entailed a sudden devaluation of the Mexican peso, resulting in rising unemployment, a 21% decline in real wages over 1994-96, and almost doubling the food-based poverty index from 21.2% before the crisis to 37.4% by 1996 (Nino-Zarazúa, 2010: 4).

This crisis required an immediate response to contain the increased levels of poverty, but there was no agreement on what that response should be. Some argued for expanding existing programs while others, particularly those in the finance ministry, felt these were inadequate to help the poor in times of crisis (Levy, 2006). President Ernesto Zedillo (1994-2000), himself an economist, supported the phasing-out of generalized food subsidies and reallocating the budget to a program specifically targeted to the extreme poor. He also wanted to distance himself from the National Solidarity Program (PRONASOL), an umbrella strategy linked to the previous federal administration, which had been accused of corruption and for using the program to pay out political supporters.¹² President Zedillo asked Levy, who was recognized for his publications on poverty in Mexico, to draft a plan to address extreme poverty. According to Levy, "the challenge was to design a short-term response to the crisis with the existing instruments while setting the basis for a medium-term strategy that, aside from protecting the poor from the transitory shock, could foster a sustained increase in their standard of living" (Levy, 2006: 14).

¹² PRONASOL was implemented in 1989 during the administration of Carlos Salinas de Gortari (1988-1994) to coordinate the provision of a wide range of projects on basic infrastructure that included education, health care, water, sewage, electricity as well as municipal improvement projects such as road building and parks. PRONASOL became associated with high levels of corruption and for providing benefits according to the government's party electoral needs. Some authors even claimed that PRONASOL was designed as a strategy to regain political legitimacy necessary to further the process of economic restructuring (Dresser, 1994).

2.2.2. The design and implementation of Progres-Oportunidades

Levy, who in 1995 was finance ministry undersecretary, quickly formed a team of experts and launched a pilot program in the state of Campeche. While the pilot project was seen as a success, some concerns were identified, such as the lack of an education component and the project's inability to reach the poorest households, who were concentrated in rural areas. Also noted were operational problems such as the need for better monitoring and inter-agency coordination (Bate, 2004). The time required to deal with the lessons learned from the pilot project, to build political consensus, and work around the timing of mid-term elections, delayed the scaling-up of the program to a national level to August of 1997, when it was finally rolled out as PROGRESA (Program for Education, Health and Nutrition).

One of the team members, José Gómez de León, played a leading role in the design of the program, and is credited for making the program cost-effective, transparent and apolitical; by developing a point system or 'puntaje' to objectively identify eligible households, which became one of the program's hallmarks (Lustig, 2011: 8). Both Gómez de León and Levy felt that a systematic evaluation of the program was needed for monitoring the program's operations, to generate credible data on its effectiveness, and to distance from previous programs and to guarantee the sustainability of the program. Gómez de León was a distinguished demographer and previous director of the National Population Council (CONAPO) and became the first national coordinator of the program (1997-2000).

Design features

In his 2006 book, *'Progress Against Poverty: Sustaining Mexico's Progres-Oportunidades Program'*, Levy describes three contextual factors in addition to the financial crisis, that shaped the design and implementation of this program: the limitations of food policies, uneven achievements in health and education and analytical advances in poverty policy.

Food subsidies were an ineffective and inefficient mechanism for transferring income, in part due to the extensive population dispersion which made it difficult to reach

the poorest rural households, so a large share of the subsidies were concentrated in urban areas, captured by middle and high-income groups (Levy, 2006: 8). However, as food policies were essential for poor households who did receive them, the delivery of cash transfers was proposed as a more effective and efficient way to reach the poorest households, and give them “complete freedom in their spending decisions” (2006: 1). Another reason for the change to cash transfers was the expectation that “the additional monetary income in small rural communities would be an incentive for local producers, having a “multiplier effect” in the local economy” (Levy, 2006: 69).

Regarding health and education, despite advances in the provision of basic services up to the mid-1990s, notable differences remained in access to and quality of health and education services, which had significant implications for poverty. Uneven access to reproductive and preventive health services led to higher fertility rates and larger families. In education, low enrollment and high drop-out rates had implications for long-term earnings (2006: 10). While the supply of these services was important, stimulating the demand was equally critical. Although some programs at the time promoted school attendance by poor children, their coverage was very small (2006: 10).

The third factor was the analytical advances in understanding of the determinants of poverty. The design of Progres-Oportunidades was influenced by several bodies of research, including the literature related to human capital, which stressed the complementarities among food consumption, nutrition, health and education, (2006: 10).¹³ For Levy, “these interactions provided the analytical backbone of the integrated approach taken by Progres-Oportunidades” (2006: 11). Four interactions are described, but one of them is worth noting here, that is the link between low-income and risk aversion. Lack of regular income increases risk aversion among the poor “which affects their ability to participate in the labor market by searching for better jobs, or it may limit the possibility of migrating to other communities or introducing new crops or improved technologies” (2006: 11). This may make poor rural families more likely to

¹³ Human capital theory is particularly associated with the work of Mincer (1958), Becker (1964), and Schultz (1971). According to economist Garcia-Verdu, “the program explicitly incorporates several concepts from economics in general and the theory of human capital in particular, into its design. The program adopts the broad definition of human capital as all investments which increase the productivity of individuals” (2003: 11).

remain in their communities and rely on subsistence farming.¹⁴ However, “reducing uncertainty regarding food consumption could allow them to engage in riskier productive projects or investments with longer planning horizons (including children’s education)” (2006: 12).

Two other lines of thought that influenced the design of Progres-Oportunidades were one that stressed the need to involve poor families directly in overcoming their poor conditions; and another that called for avoiding disincentives to work and generating lasting dependency. This suggested that income transfers should be transitory investments in the human capital of the poor and “always with the view that they should have incentives to earn sufficient level of income through their own efforts to eventually pull themselves out of poverty” (2006: 13).

These contextual factors led to the design and implementation of an innovative antipoverty program, with several features that broke with the tradition of previous social policies and programs. Levy identified these features as: 1) substituting of cash income transfers for targeted or generalized food subsidies, giving beneficiary families complete freedom in their spending decisions; 2) conditioning the receipt of cash transfers on specific patterns of behavior by beneficiary households; 3) packaging nutritional, health, and educational benefits together to exploit their complementarities; 4) adopting a life-cycle approach to avoid long-term welfare dependence; including evaluations of program operations and impacts as part of the program design; 5) applying strict guidelines for selecting beneficiaries and; 6) delivering benefits directly to beneficiaries, with no intermediaries (2006: 1-2).

¹⁴ For Levy, “migration responses by treatment households to the program are, almost by definition, welfare-enhancing from their point of view and thus should be seen as a positive effect of Progres-Oportunidades” (2006: 75).

Goals and objectives

While the move to cash transfers was intended to replace food subsidies as a more effective and efficient instrument in reaching the poor, and to provide immediate relief to the economic crisis, they were also intended to be instrumental in achieving the main goal of the program, to break the vicious cycle of poverty or what the program refers to as the intergenerational transmission of poverty. Cash transfers serve to reduce short-term poverty, by relaxing financial constraints to consumption, and facilitate the long-term goal, by increasing the capabilities and productivity of the poor, allowing them to move from low productivity to higher productivity jobs.

Progresa-Oportunidades has set very clear and defined objectives: 1) improve the health and nutritional status of poor households, particularly of their more vulnerable members: children under the age of five and pregnant and nursing women; 2) contribute to children's and young people's completion of their primary and secondary education; 3) integrate education, health, and nutrition interventions, so that children's school performance is not affected by ill health or malnourishment or by the need to work, either inside or outside the home; 4) redistribute income to families in extreme poverty, to allow a minimum level of consumption; 5) encourage the responsibility and active participation of parents and all members of the family in improving their own and their children's education, health, and nutritional status (2006: 21).

While Progresa-Oportunidades was designed to become Mexico's main antipoverty program, it was intended to be only one part of an integrated three-pronged antipoverty strategy, which included programs to "increase human capital of the poor; initiatives including temporary employment, credit and rural development programs; and investment in physical infrastructure in poor regions such as housing, road-building, electrification, and water management projects.. "Progresa-Oportunidades focuses on the first component of the strategy, particularly on subsidizing the demand for health and educational services" (Levy, 2006: 19). The success of the program, however, depends on the success of the other components of the poverty strategy and on Mexico's overall growth and development (Levy, 2006: 19). Progresa-Oportunidades will not directly increase economic growth, but indirectly by fostering a healthier and more educated

labour force, which can lead to a higher potential productivity of labour. However, increased productivity can only occur if the program graduates find more productive jobs “which is something that Progresa-Oportunidades facilitates but does not guarantee” (2006: 20).

Progresa-Oportunidades was designed to reduce extreme poverty not inequality. Cash transfers were intended to be a more effective and efficient mechanism than previous food policies to reach the poorest households. However, as the program targeted those sectors of the population that were previously excluded, this translated into a significant redistribution in favor of the rural poor. These cash transfers may represent a significant part of the income of the poorest households and therefore have the potential to reduce income inequality. Levy argued that while cash transfers may represent a significant redistribution from the point of view of the poor, “from the point of view of the country as a whole, it is not” (Levy, 2006: 77). This is because the program’s budget represents an insignificant portion of total of GDP: 0.02 in 1997; 0.35 in 2008 (Lustig, 2011: 4) and 0.51 in 2010 (Cruces and Gasparini, 2013: 55).

In summary, seven general expectations or assumptions about cash transfers offered by Progresa-Oportunidades are extracted from Levy’s 2006 book. Cash transfers will 1) be a more effective and efficient mechanism for targeting and transferring income to the poorest households; 2) produce ‘multiplier effects’ in local economies; 3) be temporary to avoid welfare dependency; 4) generate demand for services for which adequate infrastructure will be supplied; 5) reduce uncertainty or risk aversion, leading the poor to migrate or participate more actively in the labor market; 6) affect growth through the higher productivity of labor; 7) and reduce income inequality by providing income to the poorest households. Chapter three of this thesis examines to what degree these expectations have been fulfilled in Mexico and chapter five in the municipality of Las Margaritas, Chiapas.

Mechanisms of operation

Operational mechanisms of the program are complex. The main features, targeting, conditionality, and support for nutrition, health and education, have not changed significantly since implementation of the program in 1997, although additional

operational mechanisms have been implemented throughout the years as described in the next section. The main points are drawn from Levy (2006: 19-23).

Poor families are identified through a point system based on household demographics, assets, and other measurable characteristics that, in principle, cannot be manipulated by beneficiaries. Households who are qualified by the program receive benefits for three years; at which point a new measurement is taken to determine whether they will continue to receive benefits.

Cash transfers for the nutrition and education component are paid jointly once every two months, and are paid to the female head of the household. The basic transfer is the nutritional component (or food subsidy), received by all families regardless of their size. Total cash transfers increase with the number of children in school and for higher school grade levels, as the educational transfer is added to the nutritional transfer. There is a ceiling on total cash transfers per month, regardless of the number of children or school attendance, to avoid generating incentives to have large families. The amount of benefits received depends on household composition (number of members as well as age and gender of each) and on fulfillment of a set of conditions for each component:

All households in the program receive the same monthly cash stipend regardless of their composition, and they receive the cash transfer and nutritional supplements only if they attend a health clinic regularly. The transfers are indexed to the Consumer Price Index (CPI) to protect their purchasing power, and they are delivered to the mother. Households can freely dispose of their cash at any store to purchase food or any other items; they also can acquire productive assets or save money for the future.

Mothers must attend a series of talks that deliver information on various health and nutrition topics, including reproductive health; teenagers also must attend talks related to reproductive health and to drug addiction. Basic health interventions may include anthropometric measurements of children, vaccinations, and early prevention and treatment of diarrhea, respiratory infections, tuberculosis, high blood pressure, diabetes, and cervical/uterine cancer.

All girls and boys who attend school for 85 percent or more of school days each month from the third grade of primary school and secondary receive a monthly cash transfer (or scholarship) for ten months of each year. The transfers increase with each school year, and after secondary school they are larger for girls than for boys because drop-out rates are higher for girls. Subsidies are given for school supplies at different times according to the educational level.

2.3. Expansion of Progres-Oportunidades

Food subsidy programs were not immediately eliminated with the introduction of Progres-Oportunidades in 1997; they were gradually phased out. In 1999, when the program expanded to cover the poorest rural households, most generalized and targeted food subsidy programs directed to consumption, particularly for tortillas, were eliminated. This meant the dismantling of CONASUPO (National Company for Popular Subsistence) the state agency that was responsible for regulating food policies in Mexico.¹⁵ This translated into a significant redistribution of income in favour of the rural poor, as food subsidies had disproportionately benefited the non-poor urban population. For this reason, Progres-Oportunidades has come to be viewed as one of the most progressive programs in Mexico. Due its wide coverage in rural areas it has also become a critical component of Mexico's rural development strategy (Winters and Davis, 2009; Fox and Haight, 2010).¹⁶ Progres-Oportunidades however, is not limited to rural development, but has been a key component of Mexico's social and economic policy, as it aims to enhance the productivity of the program's recipients, which over the lifetime of the program has reached between 22-30% of the country's population.

¹⁵ CONASUPO was one of the largest state-owned companies in Mexico, which since the mid-1980s it was gradually dismantled. Its closing in 1999 can be interpreted as the symbolic end of the ISI policies. For more about the elimination of CONASUPO see: Yúnez-Naude, 2003. *"The Dismantling of Conasupo"*.

¹⁶ For some scholars, Progres-Oportunidades is one of the components of Mexico's dual-track strategy for rural development: economic subsidies such as PROCAMPO, that mainly benefit large-scale producers, and social transfers such as Progres-Oportunidades for small-scale and subsistence producers (Fox and Haight, 2010).

The implementation of Progresa-Oportunidades marked a shift in Mexico's social policy agenda, which moved from an approach based on universal protection to targeted programs focused almost exclusively on the reduction of extreme poverty. Since then, the fight against poverty has become the flag raised by subsequent federal administrations, which have relied heavily on Progresa-Oportunidades to show improvements in basic well being indicators and to maintain political legitimacy. This has been particularly relevant in a context of sluggish economic and employment growth in Mexico since the early 2000's.¹⁷ The gradual expansion and changing scope of Progresa-Oportunidades reflects a response to criticisms for excluding poor groups and sectors, as well as the government response to increased inflation rates caused by the global food and financial crisis (CONEVAL, 2012a). This section describes the expansion and changing scope of Progresa-Oportunidades, within the evolution of social policy, and the general economic and antipoverty outcomes, organized according to the federal administration in which the changes took place.

2.3.1. The changing scope through subsequent federal administrations

Ernesto Zedillo administration (1994-2000)

Following the 1995 crisis the Zedillo administration embarked on a recovery process by implementing macroeconomic policies that reduced inflation and produced some economic and employment growth from 1996-2000. This period also saw a rapid expansion of Progresa-Oportunidades that paralleled the gradual phasing-out of food subsidy programs. The program grew from 300,000 households living in 6,344 communities to nearly 2.5 million households in 53,232 rural communities by 2000, when the rollout phase in rural areas was completed (Nino-Zarazúa, 2010: 9). The expansion of Progresa-Oportunidades coincided with the process of decentralization of social welfare provision led by the Zedillo administration through Nuevo Federalismo (New

¹⁷ Most scholars would agree that neoliberal policies and particularly NAFTA have not fulfilled their expectations. For comprehensive analyses on their impacts in Mexico see: Middlebrook and Zepeda, 2003; Otero, 2004; Moreno-Brid and Ross, 2009; Levy and Walton, 2009; Cypher and Delgado-Wise, 2010.

Federalism), intended to ensure efficient use of limited public resources. This was a major effort to channel more resources to states and municipalities, particularly for basic social infrastructure development. In particular, Ramo 33 (Branch 33) of the federal budget was created in 1997 followed by the creation of the Municipal Social Infrastructure Fund (FISM).¹⁸ Decentralization was accompanied by efforts to make budget allocation more transparent and accountable in response to the democratic transition that Mexico was experiencing at the time, a democratic push which culminated in the demise of the seventy year rule of the PRI party.

Vicente Fox administration (2000-2006)

From the beginning, this administration faced economic challenges because of the slowdown in the United States economy and the move of manufacturing to China and other cheap labour countries, which reduced the pace of economic growth the country had experienced from 1996 to 2001 (Dussel-Peters, 2005). In this context of economic slowdown and facing criticisms that the urban poor were being excluded, the Fox administration expanded PROGRESA to urban and semi-urban areas in 2001, increasing coverage from 2.3 to 4.2 million households. While there was initial resistance to continuing the program, positive evidence from numerous internal and external evaluations persuaded the administration to keep and expand the program (Lustig, 2011: 11). In 2002, PROGRESA was renamed Oportunidades (Oportunidades' Human Development Program) to distinguish it from the previous administration, and a new component, 'Jovenes con Oportunidades' (Youth with Opportunities), was added to extend scholarships to high school education.¹⁹ Support from the Inter-American Development Bank allowed expansion of the program by providing a US\$1 billion dollars loan in 2002, to that point the largest loan ever provided by this institution (Yaschine, 2012: 54) and \$1.2 billion dollars in 2005 (Nino-Zarazúa, 2010: 7). International

¹⁸ The FISM replaced PRONASOL (Solidarity National Program) in the provision of basic infrastructure in Mexico.

¹⁹ In 2002, a total 3.2 million students were receiving scholarships from Progresas-Oportunidades (0.5 million were students attending high school; 1 million students in junior high school; and 2 million in elementary school. By 2010, the total number of students receiving a scholarship increased to 5.10 million students (0.8 million students in high school; 1.8 million students in junior high school; and 2.5 million students in elementary school (Oportunidades, 2010a: 20).

institutions now began active promotion at the global level of Progres-Oportunidades as an effective antipoverty program.

In 2002, the administration outlined its social policy under the 'Contigo' ('With You') strategy, which consisted of four areas: 1) improvements in human development; 2) opportunities for income generation, 3) asset accumulation and 4) provision of social protection (Winters and Chiodi, 2011: 515). Progres-Oportunidades was positioned as a key element of the 'Contigo' strategy and new programs were added, including 'Seguro Popular' ('Popular Insurance Scheme') a basic medical insurance scheme for poor households. In 2004, the administration enacted the General Law for Social Development, which introduced 'Zonas de Atención Prioritaria' (ZAP), to identify those municipalities with highest levels of poverty and marginalization for additional attention.²⁰ Particularly relevant was the creation of CONEVAL (National Council for the Evaluation of Social Development Policy), which was established with a double mission: to measure poverty and to evaluate all social development policies and programs at the federal level.

The Fox administration, which began with high expectations for change, ended with poor economic performance and political disillusionment that almost cost the ruling party, Nacional Action Party (PAN), the 2006 presidential elections. Despite this, slight reductions in poverty and inequality did occur during the period of this administration. Some studies attributed these reductions to Progres-Oportunidades as well as other factors, most significantly the role of international remittances (Skoufias, 2005; SEDESOL, 2005; Soares et al., 2007). The alleged role of Progres-Oportunidades in the reduction of poverty during this period added credibility to the proponents of Conditional Cash Transfers as an effective tool for poverty reduction. By 2006,

²⁰ Priority Attention Zones (ZAP) are those territorial units with indices of social backwardness or higher marginalization and high levels in the incidence and number of people in food poverty or extreme poverty. The ZAP are determined annually by the Social Development Ministry based on the results of the indicators of social deprivation and income poverty data generated by CONEVAL (CONEVAL, 2012a: 47). In 2005, from the 2,454 municipalities in the country, more than 50% (1,251) were considered ZAP and of these, 70% of these municipalities were predominantly rural (CONEVAL, 2010a: 54).

Progresa-Oportunidades reached five million households, covering most of the extremely poor population.

Felipe Calderón administration (2006-2012)

This administration began with a highly contested election, questions of political legitimacy and a weak economy. Calderón announced employment creation as one of the main goals of the National Development Plan (2007-2012) which sought to promote high quality jobs in the formal sector as well as to improve the quality of education to reduce regional, gender and social inequalities (CONEVAL, 2012a: 111). In the early years, the Calderón administration implemented new programs and expanded existing ones, mainly in response to the food and financial crisis of the 2007-2009 periods that produced serious social discontent.²¹ In 2007, a non-contributory pension program to provide an unconditional cash transfer to seniors called '70 y Mas' ('70 and more') was introduced in communities smaller than 30,000 people, and by 2012, coverage was expanded to all communities (CONEVAL, 2012a: 81). 'Seguro Popular', increased its coverage from 15.5 million people in 2006 to 53 million people in 2011 (CONEVAL, 2012a).

The focus on human capital development continued under the 'Vivir Mejor' (Better Living) umbrella strategy launched in 2008, which was very similar to the previous administration's "Contigo". Progresa-Oportunidades maintained its position as the cornerstone of poverty reduction, and additional components were added which increased its budget by 46% between 2008 and 2011 (CONEVAL, 2012a: 137), made possible by a US\$1.5 billion loan from the World Bank in 2008 and US\$600 million from the Inter-American Development Bank in 2009 (Nino-Zarazúa, 2010: 7). In 2007-08, two cash supplements were added to the program, 'Vivir Mejor' ('Better Living') and 'Apoyo Energético' ('Energy Support') to protect recipient households from the effects of the global hike in food and energy prices (Oportunidades, 2010a: 16). The sharp rises in food prices together with criticisms that Progresa-Oportunidades was excluding the smallest and most remote communities without basic health and school services, led to

²¹ In 2007, high prices particularly of tortilla led to strong urban protests, and to some voices in the Congress calling for the reestablishment of *Conasupo* (El Universal, 2007a).

the implementation in 2008 of 'Programa de Apoyo Alimentario' or PAL (Food Support Program) to provide a basic amount of support to those households. By 2010, Progres-Oportunidades reached 5.8 million households, and together with PAL the two programs covered 6.5 million households in over 135,000 localities (Oportunidades, 2010b).²² Despite the expansion of both programs, in 2010, 500,000 households were identified as being excluded from these programs (CONEVAL, 2012a: 57). In 2010, an additional component was added, called 'Apoyo Infantil Vivir Mejor' ("Live Better Child Support"), a small monthly transfer to children in first to third grade in elementary school. By 2010, Progres-Oportunidades was operating with a US\$5 billion budget (Oportunidades, 2010a: 21).

The expansion of food programs, particularly Progres-Oportunidades and Programa de Apoyo Alimentario was the main response to the effects of the food and financial crisis, but the government acted on other fronts as well, such as removing tariffs on food imports to reduce prices and increasing the budget of 'Programa de Empleo Temporal' ('Temporary Employment Program'), a program that was created during the 1994-95 financial crisis but was expanded during the 2007-09 crisis. While these actions helped to prevent a rise in extreme poverty, from 2008 to 2010, 3.2 million people fell into moderate poverty, due in part to the drop in real income, particularly of urban households in the most industrialized northern states of the country (CONEVAL, 2012a: 188). Additionally, another 500,000 people fell into poverty from 2010 to 2012 (CONEVAL, 2012a). The Calderón administration ended with a high disapproval rating because of high levels of violence resulting from the handling of the narco-trafficking, poor employment and economic growth, high inflation rates and increasing levels of poverty, which cost the ruling party the 2012 elections. By the end of this administration, scholars began to cast doubt on the effectiveness of Progres-Oportunidades in achieving its long-term goal, of breaking of intergenerational cycle of poverty, mainly because of the limited employment opportunities available in the country, particularly for program graduates (González de la Rocha, 2008; Rodríguez-Oreggia and Freije, 2012; Ibararán and Villa, 2010; Yaschine, 2012; Sánchez and Jiménez, 2012).

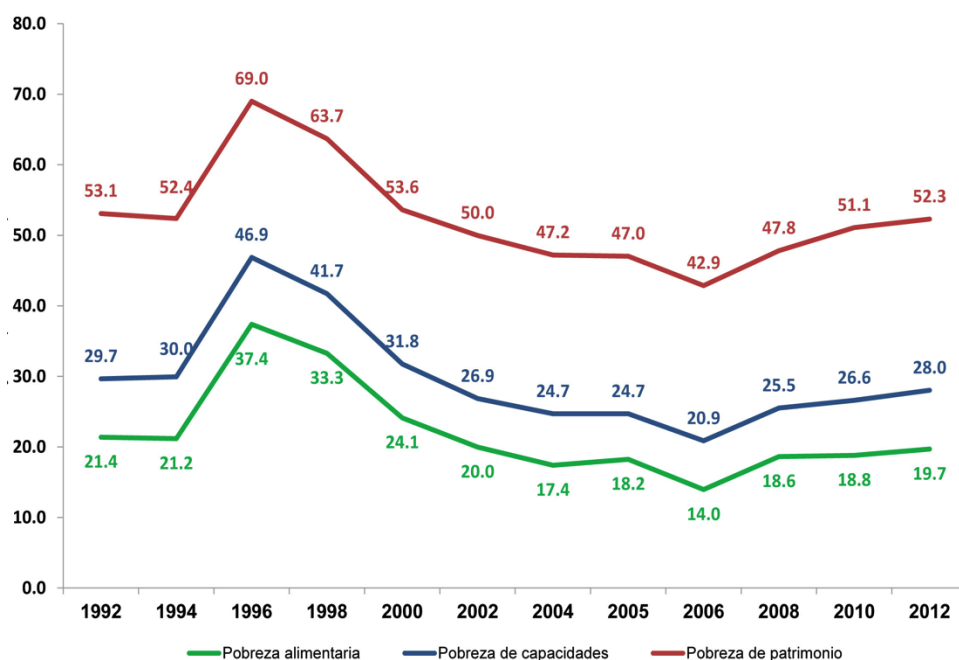
²² By 2010, Progres-Oportunidades covered 100% of the country's municipalities. Despite its expansion into urban and semi-urban areas, the program continued its focus on rural poverty, as 99% of recipients were located in rural and semi-urban areas (Oportunidades, 2010a: 9).

Enrique Peña Nieto administration (2012-2018)

The National Development Plan (2013-2018) begins with the recognition that economic growth has been insufficient to improve living conditions (Gobierno de la República, 2013: 15). The plan identifies productivity as a fundamental determinant of economic growth, one of the main constraints for Mexico's economic development and therefore, one of the main challenges of the administration, which is committed to reducing the obstacles for productivity. Increasing productivity leads not only to economic growth, but to social inclusion and the reduction of regional inequality in Mexico (Gobierno de la República, 2013). This administration, like its predecessors, continues its emphasis on poverty reduction, human capital investment and a determination to complete the market-oriented reforms started in the 1980's, accelerating deregulation and privatization, including the formerly untouchable national oil company (PEMEX).

This administration also recognizes that antipoverty policies have been insufficient to reduce poverty in Mexico (Gobierno de la República, 2013). The implementation of the 'Cruzada Nacional contra el Hambre' (National Crusade Against Hunger) in January of 2013, the first program implemented by this administration, can be seen as a symbolic recognition of the limitations of Mexico's antipoverty strategy, and particularly of Progres-a-Oportunidades. The Minister of Social Development, Rosario Robles, has publicly stated that Progres-a-Oportunidades cash transfers have simply prevented an increase in poverty rather than reducing it (Covarrubias, 2013). Robles has also acknowledged that significant changes need to be made to Progres-a-Oportunidades to ensure recipients can successfully integrate into the labour market rather than become chronically dependent on the program (El Universal, 2013a). Currently, Progres-a-Oportunidades is going through redesign process with the goal of connecting program recipients to more productive jobs. In September, 2013, the Inter-American Development Bank granted the government of Mexico an additional loan of 600 million dollars (El Universal, 2013b). Figure 2.1 illustrates the evolution of income poverty during these administrations.

2-1. Evolution of National Income Poverty: 1992-2012 (% of population)



Source: CONEVAL²³

2.4. Conclusions

This chapter began by describing the main arguments of Santiago Levy's World Bank article 'Poverty Alleviation in Mexico' published in 1991, which laid out the main features of Progresa-Oportunidades. In this article Levy criticized food subsidy policies for being costly, and benefiting large producers and urban consumers at the expense of the extremely poor rural population. In addition, existing food policies, together with land tenure regulations, generated significant distortions in Mexico's economy, that were not congruent with the emerging market-oriented development strategy. Levy presented the case for an antipoverty program that would focus on the extremely rural poor, provide a basic package that exploited the complementarities among nutrition health and education, in order to help the poor increase their productivity, and thus help to break

²³ Available at: <http://www.coneval.gob.mx/Medicion/Paginas/Evolucion-de-las-dimensiones-de-la-pobreza-1990-2010-.aspx>

their vicious cycle of poverty. The 1994-95 financial crisis offered the opportunity for implementation of Levy's proposed program in 1997, which broke with the tradition of policies and programs in Mexico. Its implementation led to the phasing-out of most generalized and targeted food subsidy programs in Mexico by 1999.

Weak employment and economic growth, recurrent economic crises and political pressures ensured continuation of Progresa-Oportunidades through change of administration, and led to broadening the scope and coverage of the program. This was supported by evaluations which showed achievements regarding its immediate objectives (nutrition, health and education), and by international organizations such as the World Bank and the Inter-American Development Bank, which funded much of the expansion. Increasingly, research on the long-term impacts of Progresa-Oportunidades has cast doubt on its effectiveness in achieving its main goal of breaking the intergenerational transmission of poverty. This has been acknowledged by officials from the current Peña Nieto administration. A review of relevant impact evaluation literature on Progresa-Oportunidades is the focus of the next chapter.

Chapter 3. A review of Progresa-Oportunidades' direct and indirect impacts

Progresa-Oportunidades was designed from the start to have measurable outcomes, to generate credible information about its results and to reduce the possibility of manipulation; and to be apolitical and transparent, to ensure sustainability. Mexico's government has shared its rich database of information with scholars. As a result, Progresa-Oportunidades has become the most evaluated social program in Mexico and one of the most evaluated CCTs in the world. Numerous evaluations conducted by domestic and foreign institutions, and by scholars from various disciplines have created an extensive body of literature. There is a general consensus in this literature that Progresa-Oportunidades has been somewhat effective in improving the consumption, health and education of recipient households, but less agreement on its ability to reduce short and long-term poverty. Growing evidence suggests that the ability of the program to reduce long-term poverty is severely limited by factors including limited access to and poor quality of education available to program recipients and lack of well remunerated employment opportunities in the country, particularly in rural areas where the program widely operates.

Literature on Progresa-Oportunidades has focused mainly on evaluating the direct impacts of the program on recipient households, but attention is now being turned to the broader, indirect impacts, which can produce unintended effects such as increasing existing inequality levels.²⁴ These indirect impacts are particularly significant for Mexico's poorest states such as Chiapas, where about 64.9% of total households are

²⁴ While CCTs share several features, each is designed according to the country's own circumstances and characteristics: population in poverty, government resources, etc. Therefore, their direct and indirect impacts may differ substantially. This chapter focuses on Progresa-Oportunidades. For a broader review of CCTs in Latin America see: Rawlings and Rubio, 2005; Handa and Davis, 2006; Fiszbein and Schady, 2009; Adato and Hoddinott, 2010; Hanlon, Barrientos and Hume, 2010; Ceccini and Madariaga, 2011.

recipients of conditional cash transfers from Progresa-Oportunidades (Oportunidades, 2010a: 13). The first part of this chapter reviews the impact evaluation literature related to the direct impacts of Progresa-Oportunidades on poverty. The second part reviews the impact evaluation literature related to the indirect impacts of Progresa-Oportunidades, including on the non-recipient population.

3.1. A review of the direct impacts of Progresa-Oportunidades

Early evaluations established positive outcomes of the program on short-term impacts on health, consumption, nutrition and school enrollment of recipient households, which led to the promotion of CCT's as a 'magic bullet' for poverty reduction. For its documented achievements and its cost-effectiveness, Progresa-Oportunidades has been used as a model of a successful anti-poverty program (Lustig, 2011: 3). As the program has matured, a growing number of studies on the mid and long-term impacts, particularly since the 10-year evaluation study completed in 2008, have raised questions about the program's ability to break the intergenerational transmission of poverty.²⁵ These later studies have provided a more nuanced assessment, questioning the program's central assumption that greater human capital automatically leads to better remunerated jobs and poverty reduction (Valencia, 2008; Rodríguez-Oreggia and Freije, 2008; Winters and Chiodi, 2011; Yaschine, 2012). This section reviews impact evaluation studies of Progresa-Oportunidades, related to the direct impacts of the program on recipient households in the following categories: targeting and conditionality; nutrition and health, consumption, education; and short and long-term poverty reduction. Particular attention is given to describing the heterogeneous impacts of Progresa-Oportunidades on rural recipient households, where most recipients are concentrated.

²⁵ A large number of these evaluations can be consulted in the program official website: www.oportunidades.gob.mx

3.1.1. Targeting and Conditionality

These two core features have been and will probably continue to be the most contested features of CCT's. The relevant question for this research is how these features have led to differential impacts in recipient households in rural Mexico.²⁶

Targeting

While the targeting mechanisms of Progresa-Oportunidades have ensured that the program reaches most eligible households in marginal rural areas a number of studies have found that the poorest households in many small, dispersed, mostly indigenous communities are excluded (Sariego, 2008; UNDP, 2011; Ulrichs and Roden, 2012; SEDESOL, 2012). The design of the program means that it excludes those households who have no access to health and education services to exercise the 'co-responsibilities' required to receive the cash transfers (Sariego, 2008: 173). This has led to a phenomenon within indigenous regions of Mexico that Sariego refers to as a "second tier" of poverty. Those regions, and families that inhabit them, without access to Progresa-Oportunidades, make up the 'second tier' which points to a widening gap even between the 'poor' and the 'poorest of the poor', where the most needy individuals from the target population are increasingly excluded (Sariego, 2008).²⁷ For those living in remote areas with access to basic services, attention by program personnel is less frequent and efficient (Sariego, 2008). The costs of administering the targeting process and other operational requirements is claimed to be one of the lowest for a CCT program worldwide. The program states that less than 5 cents of each peso are spent on operational costs, the remainder 95 cents reaching the intended recipients (Oportunidades, 2010a: 21). This translates to lack of material resources and training of Progresa-Oportunidades staff, and therefore weak administrative capacity in remote rural areas (Cervantes et al, 2008; Sariego, 2008). Inclusion errors have also been

²⁶ For more detail on these features see: Mkandawire, 2005; Fiszbein and Schady, 2009; Hanlon, Barrientos and Hume, 2010; Medrano, 2010; De Brauw and Hoddinott, 2011.

²⁷ Although Programa Alimentario (PAL) was implemented in 2008 to reach households in very small and remote communities, these households are expected to receive only the basic fixed amount for the food component but they are excluded from receiving scholarships from the program due to their distance from schools.

identified. Chavez et al. (2009: 791) concluded that Progresa-Oportunidades had a 6.3% exclusion error rate and an inclusion error of 9.8%.

Conditionality

While most evaluations attribute the improvements in health and schooling of recipients to the conditions tied to cash transfers, some argue that there is no evidence that conditions make any major difference (Hanlon et al, 2010). Yanes (2011: 51) claims that proponents of conditional cash transfer programs have failed to demonstrate that the improvements observed in school attendance or attendance at health clinics are derived from the conditions rather than the improved income of the family due to the transfers. Some argue that “punitive conditions penalize those who most need the transfers, as those in most desperate situations are those who cannot meet the conditions, and they lose out on transfers” (Hanlon et al., 2010: 131). The direct and indirect costs of fulfilling conditions lead to self-selection and drop-out of the richest and the poorest and completely exclude those households in remote communities without health or educational services (Alvarez, Devoto and Winters, 2008). These authors also found that the extreme poor in less marginal communities and indigenous households in general, have a higher probability of dropping out. Similar conclusions are drawn by González-Konig, Wodon and Siaens, 2007; Agudo, 2008; Sariago, 2008; Rodríguez-Castelán, 2010; Ulrichs and Roelen, 2012. Finally, the burden placed on women to fulfill the conditions, such as attending health clinics and health talks (pláticas), and in many cases the time and cost of traveling long distances to receive the cash transfers is also an obstacle (Escobar and González de la Rocha, 2005; Molyneux, 2006).

3.1.2. Nutrition and Health

Generally, studies have shown some improvements in several aspects of nutrition and health resulting from participation in Progresa-Oportunidades (Fernald et al, 2009; Neufeld et al, 2008; Ramírez-Silva et al, 2013). Incentives provided by Progresa-Oportunidades have been linked to a decrease in fertility rates and population growth in rural areas (Skoufias, 2005: 23). While program recipients have increased their use of health services, health impacts are mediated by the distance to clinics and the quality of

services provided. Health services have expanded, but they are often of poor quality. In their study, which was based on field visits to health providers, Gutiérrez et al., (2008) found that half of the clinics visited were not adequately equipped to provide safe birth delivery, and in general, were lacking basic medical equipment and even basic medications. They concluded that poor infrastructure conditions of public health services in rural and indigenous communities limit the potential of the program to fulfill its health component objectives (2008: 58). Sánchez-Lopez (2008: 73) argued that “the program would be highly effective if the infrastructure, medical supplies and professionalism of medical teams were adequate enough to meet the demands and expectations of the beneficiaries”.

3.1.3. Consumption

Recipient households spend a significant percent of these transfers on food, which in turn improves their nutrition and health (Hoddinott, Skoufias and Washburn, 2000; Hoddinott and Skoufias, 2004; Arroyo, 2008). They have more diverse food, and increased likelihood of consuming fruits and vegetables as well as meat products (Angelucci, Attanasio and Shaw, 2004; Skoufias, 2005; Angelucci and Attanasio, 2009). One study estimated a 22% increase in total food consumption in rural areas and 16% in urban areas (Arroyo, 2008). In the three poorest states, the cash grant represents 27% of the average household income of the rural poor and 20% of that of the urban poor (Hanlon et al, 2010: 41). Transfers led to children being better dressed, housing improvements (Escobar and González de la Rocha, 2005). In a context characterized by a crisis in subsistence agriculture, González de la Rocha argues, “cash transfers constitute one of the pillars for the survival of the rural poor” (2008: 26-27).

Studies have also shown long-term impacts on consumption through investment of part of the transfers in productive activities. Gertler et al. (2006), found that transfers from the Oportunidades program to households in rural Mexico resulted in increased investment in micro-enterprise and agricultural activities. They estimated that for each peso transferred, beneficiary households used 88 cents to purchase consumption goods and services and invested the rest, often in agricultural implements. Todd et al. (2010) also found that cash transfers offered by the program relax liquidity constraints and

influence productive activities in recipient households, increasing the probability of consuming food from own production. Some studies have found that cash transfers increase agricultural investments, although they found impacts vary significantly according to recipient household assets (Angelucci and De Giorgi, 2009; Todd, Winters and Hertz, 2010; Gertler, Martínez and Rubio, 2006; 2012). These studies view cash transfers as positive because they increase consumption not only in the short term but also in the long run.

It is obvious that cash transfers increase consumption as they increase the disposable income of very poor recipient households (Attanasio and Mesnard, 2005). Skoufias (2005) argues, however, that the “pure income effect” needs to be contrasted against the income losses or marginal cost increases associated with adhering to the conditions of the program. The cash transfers may simply be compensating for the loss of children’s participation in productive activities while they are attending school, and the time costs of adhering to the program conditions. To the extent that these costs are high, “there is a possibility that the cash transfers of the program have no measurable effect on the income of participating households or the poverty rate in these communities” (2005: 24). Children are a valuable productive asset, particularly for households who rely on subsistence farming; and the cost of sending children to school may be greater than the cash transfers, which may in part explain lower school participation rates in these households.

Location plays a significant role in determining the costs of sending children to school (Davis et al, 2010). It is often emphasized that rural recipient households benefit more from cash transfers due to their lack of other sources of income. However, the size of the transfer varies significantly according to household composition (age, gender and number of children and their level of education); therefore, households in urban and semi-urban communities with better access to secondary and high schools may actually benefit more. While a basic fixed amount is given to all recipient households, the largest part of the transfers consists of the school grants or “becas”. To illustrate this point, for a family located in a community with no school, sending children outside their community to attend school will be financially prohibitive, so they receive only the basic amount, which is insignificant to boost their basic household consumption. The few studies that

have examined the differential impacts of cash transfers conclude that they may not necessarily benefit the poorest households, but those households with better access to schools (González-Konig et al, 2007; Rodríguez-Castelán, 2010).

3.1.4. Education

Progres-Oportunidades has led to higher enrollment and continuation rates in both rural and urban areas which has increased the difference in education levels between recipients and their children (Schultz, 2004; Parker, 2003; González de la Rocha, 2008; Parker and Berhman, 2008; Parker, Rubalcava and Teruel, 2009). The program has also led to a reduction in the probability of child labour (Skoufias and Parker, 2001; Parker, Berhman and Todd, 2005) and delayed the reproductive age by extending the years of schooling mainly among girls (González de la Rocha, 2008). Participation in the program has also been linked to narrowing of gender and ethnic gaps in years of education (Agudo, 2008). Impacts are particularly notable at the secondary and high school level as enrollment rates in elementary school were very high before the implementation of Progres-Oportunidades (Schultz, 2004; Parker, 2005).

Program impacts on school enrollment and continuation rates have been established, but; the few studies on achievement tests show limited learning results (Berhman, Parker and Todd, 2007; Parker, 2008; Mancera, Serna and Priede, 2008; 2012). This is attributed to the poor quality of education provided to recipients. Even the positive impacts on education are relatively modest as argued by Yaschine (2012) and Escobar (2012). Yaschine questions the efficacy of the program in the long-term if only an additional year of education has been achieved after more than ten years of program operation, and learning levels are low; and questions if the magnitude of the impacts is sufficient to break the intergenerational transmission of poverty. These effects are modest relative to the potential impact of the program if the services provided were of good quality (Yaschine, 2012: 63). Numerous studies have emphasized the need for more attention to the quality of education provided to program recipients (Skoufias, 2005; Agudo, 2008; Behrman, Parker and Todd, 2009; Yaschine, 2012; Mancera, Priede and Serna, 2012). Although program recipients are completing more years of schooling, Mexico's highly segmented educational system means that the existing gap in quality of

services between urban and rural and indigenous and non-indigenous remains (Agudo, 2008: 126). In Mexico, the low quality of education offered to the poorest households operates as a mechanism that reproduces inequality (Yaschine, 2012: 262; Mancera et al, 2012).

The program itself may have perverse effects on the quality of education, In his qualitative research in rural areas, Agudo (2008) found evidence of an extended practice where teachers do not report absences and do not fail students in order to avoid conflict with parents, which may explain the reduced levels of repetition in elementary and secondary levels that have been attributed to the program. The author argues that this practice can result “in diluting the impact of Oportunidades and converting the Program into solely a mechanism to transfer income” (2008: 130). Behrman et al. (2005) have suggested that Progres-a-Oportunidades may have actually lowered school quality, given the increased number of students derived from the program support, and the resulting “congestion effect”. González de la Rocha (2008: 26) among others, acknowledge that services have expanded in response to demand generated by the program, but this expansion is led by services of the poorest quality.

Early evaluations showed marginal impacts of the program on school enrollment in primary school, as enrollment rates at this level were already high before the program was implemented, and suggested shifting these transfers to secondary and high school (Skoufias, 2000). According to Levy, these suggestions led program officials to add in 2001 three additional years of grants to students attending high school (2006: 60); but transfers to students in primary school were kept the same. More recently, a number of scholars have suggested eliminating transfers at this level in order to improve the program’s efficiency by reducing the costs associated with targeting and monitoring of compliance (Schultz, 2004; Skoufias, 2005; Escobar and González de la Rocha, 2005; De Janvry and Sadoulet, 2006; Attanasio, Meghir and Santiago, 2007; Agudo, 2008; Azevedo and Robles, 2010; SEDESOL, 2012). They suggest redirecting the resources from primary to secondary school, where most students dropout from school. Despite these suggestions, education transfers to elementary school have continued, and in fact were expanded in 2010 to cover students in the first three years of primary school in rural areas.

It is also important to disentangle how much of the increased enrollment rates in higher levels of education can be attributed to the scholarships offered by Progres-Oportunidades rather than to other factors. Levy argued that “it is not correct to conclude, for example, that the program’s impact on school enrollment derives from the education transfers” recognizing that school enrollment might also been affected by other factors (2006: 43). González de la Rocha (2008) argues that the magnitude of the impacts of Progres-Oportunidades on increasing years of schooling depends on contextual, household and individual factors, including school proximity, quality of education, parents' incomes, and family members support (remittances), among others (2008: 30). Proximity to school plays a significant role in determining the impacts of Progres-Oportunidades, as evidence suggests that children in recipient households that are further away from secondary schools are less likely to enroll (Schultz, 2004; De Janvry and Sadoulet, 2006; Winters and Chiodi, 2011). González de la Rocha found that “one of the factors explaining the longer school careers of the Oportunidades beneficiaries is the short distance between schools and homes. While primary school coverage is widespread, it starts to decrease as the schooling level increases, so there is a shortage of junior high schools and above all, senior high schools” (2008: 37).

Agudo (2008) came to a similar conclusion, stating that part of the explanation for increased enrollment rates is due to the expansion of educational services, and that “the prolongation of educational trajectories and the increase in average schooling to which Oportunidades contributes take place especially in situations where there are sufficient educational offerings (for example, nearby secondary schools or in the locality itself) (2008: 131). According to Agudo ““school dropout is due, in part, to problems with educational coverage more than coverage by the Oportunidades Program itself, as the students with scholarships who drop out of school are usually those who must travel long distances from small localities where there are no schools to reach the school they attend. When such traveling becomes problematic (for example, due to transportation costs or the need for children to help with farm work), Program scholarships are not a sufficient incentive to stay in school” (2008: 127). Agudo recommends adapting the program to the diverse conditions of recipient households, by establishing a differentiated system of grants for those children or youth who have to commute outside their communities to study (2008: 129). Recognizing that implementing a differentiated

system could be complex, “it would introduce greater equity in the recipient population” (2008: 128). He also recommends expanding boarding schools at all levels, particularly in those regions where school coverage is limited (2008: 129).

A differentiated system of scholarships paying more to those students living far away from schools has been recommended in several studies (González-Konig et al, 2007; Sariego, 2008; Rodríguez-Castelán, 2010; Ulrichs and Roelen, 2012). González-Konig et al. (2007) suggest that when the marginal utility of children is higher than the transfers, the general amount offered by the program is insufficient to offset the opportunity costs and as a consequence, the small amount conditioned to minimal attendance could exclude the poorest from participating in the program. Ulrichs and Roelen (2012) criticize the program for providing the same amount of transfers to all households, without taking into account “distance from schools or health centers, or depth of poverty” (2012: 14), and recommend integrating “a differential amount of cash for beneficiaries living in particularly remote areas, to cover the higher participation cost to comply with conditionality requirement” (2012: 15). They maintain that the program does not respond to “the particular needs and structural causes of vulnerability in the programme design, to compensate for higher opportunity costs in complying with the conditions, incurred due to remoteness and limited access to services” (2012: 6). The authors criticize the program’s “one-size-fits-all” application as “it fails to appropriately and adequately address the structural causes that perpetuate poverty, particularly among indigenous people” (2012: 17).

3.1.5. Short-term impacts on poverty

The first round evidence on the impacts of Progres-Oportunidades’ cash transfers on poverty reduction comes from the evaluation conducted by the International Food Policy Research Institute (IFPRI) (Hoddinot et al, 2000) which is summarized in Skoufias (2005). By simulating the impact of Progres’s cash transfers, the study found that “the head count ratio, which simply measures the percentage of the population with income levels below the poverty level in a community, was reduced by about ten percent through the support of Progres” (Skoufias, 2005: 36). As well, “the level of poverty according to the poverty gap is reduced by 30 percent whereas the severity of the

poverty index is reduced by 45 per cent” (2005: 36). According to official data at the time, extreme poverty in Mexico was reduced during the first years of 2000, despite poor employment and economic growth. The Ministry of Social Development (SEDESOL, 2005) attributed this reduction of poverty mainly to cash transfers from Progres-Oportunidades.

The official position is contested by Cortés, Bánegas and Solís (2007) who estimated the effect of the program on three measures of income poverty (food, capabilities and patrimonial poverty) in both rural and urban areas, during the years of 2002 to 2005. They determined that Progres-Oportunidades’ contribution to poverty reduction was marginal. The program reduced food poverty by 1.0 percent, capabilities poverty by about 0.8 and patrimonial poverty by 0.5 (2007: 26). They determined that the effects tend to be greater in the intensity than the incidence of poverty, suggesting that cash transfers contributed more to “make the poor less poor” than to take them out of poverty (2007:31).²⁸ The authors found the results astonishing given the program’s large coverage, and questioned its effectiveness: “it appears that the country’s emblematic antipoverty program, which has been “exported” as a model for other countries of the world, has not been as effective as has been claimed” (my translation, 2007: 34).

Others agree that Progres-Oportunidades has had a minimal role in the reduction of extreme poverty. According to Moreno-Brid, Pardini and Ross (2009) what is behind the reduced levels of extreme poverty in Mexico is the ‘demographic bonus’, rather than social programs like Progres-Oportunidades. The main factor behind the reduction of extreme poverty in Mexico, during a period of poor economic and employment growth “is the rise of the ratio of economically active population; more precisely, in the average number of people employed per household, and not so much by an improvement in the average real remunerations or by the effect of income transfers” (2009: 171).

²⁸ Incidence of poverty is generally defined as the ratio of people living below a stated poverty line to the total population; intensity of poverty describes the gap between the conditions experienced by an individual or group and the poverty line.

More recently, Camberos-Castro and Bracamontes-Nevarez (2011) examined the impacts of Progresa-Oportunidades on poverty reduction during 2002-2006, a period close to the one examined by Cortés et al. (2007). Using a static-micro simulation technique to estimate the impacts of cash transfers on the reduction of poverty (food, capabilities and patrimony poverty) in the different regions of the country, they also concluded that the impacts of Progresa-Oportunidades on reducing poverty in Mexico were marginal. The program contributed to a reduction of only 2.9% in food poverty, 1.27% in capabilities poverty and 0.46% in patrimonial poverty. In particular, they found very limited poverty reduction effects in the South-southeast region, the country's poorest region. They attributed this to insufficient and inadequate resources (2011: 169-170). They advocated for distributing the maximum amount defined by Progresa-Oportunidades to all households, (instead of a differentiated amount) recognizing that this would require a significant increase in the resources directed to the program for poverty reduction (2011: 171).

A similar proposal has been made by Huesca (2010), who argues that cash transfers offered by Progresa-Oportunidades to increase the human capital of the poor have been insufficient to reduce poverty in Mexico and have become simply a support for the survival of the poorest households (2010: 199). The author advocates for universal cash transfers at the current maximum amount allowed by the program to avoid inclusion and exclusion errors,. This universal scheme would be more effective in poverty reduction, but would also require an increased investment, from a mere 0.43% of GDP to about 3.13% (2010: 207).

Bánegas-González and Mora-Salas (2012) examined the evolution of living conditions of approximately 10,000 rural recipient households during 1997 to 2006. They found that only two of ten households experienced sufficient improvement in their living conditions to move to a condition of non-eligibility during the examined period. Three quarters of the participant households declared no significant change in their situation of eligibility. After a decade of receiving conditional cash transfers, about 73 percent of households remained in such poor conditions that they continued to be eligible to receive cash transfers (2012: 45). The small group of households who improved their living conditions were still vulnerable to falling back into a situation of

eligibility (2012: 50). The authors determined that cash transfers helped alleviate the severe conditions of marginalization of recipient households but were insufficient to address their condition of structural vulnerability and therefore, the true reduction of poverty in the short-term (2012: 55). The authors conclude by questioning the supposed transitional nature of Progresa-Oportunidades, stating that they have effectively become a permanent financial mechanism for the poorest rural recipient households (2012: 56), thus casting doubt on the hypothesis that Progresa-Oportunidades contribute to reduce the incidence of poverty in the short-term. Finally, the authors question whether Progresa-Oportunidades is an effective route to breaking the intergenerational transmission of poverty in a context of existing regional disparities in the quality of education and depressed labor markets (2012: 56).

3.1.6. Long-term impacts on poverty

By 2006, Levy himself began to cast doubt on the effectiveness of Progresa-Oportunidades in reducing long-term poverty, not because of limitations of the program itself, but rather the inconsistency of the larger antipoverty and economic strategy in which it was implemented.²⁹ According to Levy, “Progresa-Oportunidades does not operate in a vacuum, and it needs the support of other programs and policies, all working in the same general direction, to be fully successful” (2006: 79-80). In 2007, Levy further expands on this point, by arguing that:

“To the extent that Oportunidades is simply a program focused on a specific social group, not a strategy, by itself it will not reduce poverty. This requires the contribution of other initiatives as well as sustained economic growth. In the absence of the above, even if the program were fully successful and kept strictly focused on its goals, poverty will persist. Poor families may have better food and be healthier and better educated, but will continue to have very low incomes and require permanent monetary transfers to maintain their standard of living” (2007: 2, my translation).

²⁹ Levy argued that, in fact, the recent expansion of social programs has worked against the program’s long-term goal, by producing incentives for informality which in turn produce distortions in the labor market, reducing the probability of youth recipients to find more productive and remunerated jobs in the formal sector. See Levy. 2008. *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico*.

What Levy clearly points out is that the program's effectiveness in reducing long-term poverty is determined by factors that are external to the program. The need for complementary policies to provide jobs to graduate recipients has been raised by other scholars (Valencia, Gendreau and Tipichin, 2000, González de la Rocha, 2008; Winters and Chiodi (2011). While both the Vicente Fox (2000--2006) and Felipe Calderón (2006-2012) administrations emphasized job creation as part of their social development strategies ('Contigo' and 'Vivir Mejor' respectively), this was more rhetorical than real, as few resources were directed to job creation initiatives.³⁰

The few studies that have studied the insertion of youth program graduates into the labour market identified the lack of remunerated jobs at the local level as one of the most important factors behind the poor trajectories of youth recipients. One such study, by Escobar and González de la Rocha (2005), looked at program participants from six communities in six states of the country. They found increased education levels but limited improvements in the occupations of youths older than 15 (2005: 251) and explained these outcomes by the lack of local jobs. In this context, people from these areas have two main options: to migrate to other regions of the country or the United States or to accept highly irregular and poorly paid jobs in their places of origin (2005: 283). The authors recommended investment in productive projects in coordination with Progres-Oportunidades.

Two studies conducted as part of the 10 year external evaluation of Progres-Oportunidades in rural areas, by Rodríguez-Oreggia and Freije-Rodríguez (2008) and González de la Rocha (2008), also found no significant impacts on higher wages or better jobs in the formal market despite increased education of program recipients. They attributed these poor outcomes to the lack of jobs in the local markets and also recommended linking the program with productive projects in the local areas to provide employment opportunities to program graduates. Both studies found that those who obtained a higher level of education are more likely to migrate to urban areas within the country or to the United States, while those who stayed are more likely to continue

³⁰ According to Tetreault (2012), only 1.99% of the budget directed to poverty alleviation in Mexico during 2010 was directed towards productive projects (2012: 58-59).

working in subsistence agriculture or other precarious jobs. Rodríguez-Oreggia and Freije-Rodríguez (2008) found that about 64% of the graduates were no longer living in their communities, and acknowledged this limitation of their study as it is not capturing the impacts of Progres-Oportunidades on a large number of program graduates, who are likely to be working in different economic context (2008: 22).

González de la Rocha (2008) examined the impact of Progres-Oportunidades on the labor insertion of program graduates 15-25 years old in six states of the country. Despite positive program impact on education, given the lack of jobs in these regions, the program has not produced expected occupational impacts (2008: 31). Rural recipient households have experienced a context of declining viability of subsistence agriculture, which “unsurprisingly” explains why program graduates have to abandon these regions in search for better opportunities. Typically, those with higher levels of education, “leave to live and work in the united States, followed by those who migrate to the cities and areas that attract tourism in other states” (González de la Rocha, 2008: 27). The author concludes that “the main threat to the attainment of the central objective of the Oportunidades Program (to break the cycle of intergenerational transmission of poverty) is the shortage of jobs in the studied micro-regions owing to underdeveloped and less dynamic labor markets” (2008: 35). A further consequence of the lack of jobs at the local level is highlighted by Agudo (2008) who argues that “the emigration of former beneficiaries with better capacities presumes a decrease in human resources in their rural areas of origin. This tends to reproduce the cycle of marginalization and poverty at a regional level (2008: 131).

Later studies arrived at similar conclusions about the limited job opportunities of graduates at the local level, and their results also show very little evidence of program impacts on employment, wages or inter-generational occupational mobility among the cohort of beneficiaries under study (Ibarrarán and Villa, 2010; Mckee and Todd, 2011; Rodríguez-Oreggia and Freije-Rodríguez, 2012; Parker, Rubalcava and Teruel, 2012; Yaschine, 2012; Sánchez and Jiménez, 2012). Yaschine (2012) who was Progres-Oportunidades Evaluation Director from 2002 to 2006, and who examined social mobility among the first cohort of program graduates, including those who migrated from their communities, found limited occupational mobility, and even those who experimented

some degree of mobility, they ended up in similar occupations than those of their parents (2012: 197).

These studies point out that increased human capital through Progres-Oportunidades in itself is not sufficient to guarantee access to better jobs in their communities of origin and therefore, they also highlight the need for complementary policies to improve the quality of the services provided to recipient households and to create income generating opportunities in rural areas. Yaschine (2012), in summarizing this literature states that

“what is evident from the first long-term evaluations of Oportunidades is that the broader social policy strategy and the economic development model which have been implemented to date have not functioned adequately. In other words, the Program has encouraged children and youth (and their families) to attend health and educational services, but these services are deficient. Furthermore, the development of initiatives for productive opportunities and the country’s economic growth during the last decade have left much to be desired and have not created the necessary jobs” (2012: 67, my translation).

What is known is that “while the first cohort of young program beneficiaries are entering the labor market with better health and more education than they would have achieved without the program scholarships, they demonstrate low levels of learning and are entering precarious and low productivity employment” (2012: 67, my translation).

According to Yaschine, Mexico’s economic development model has not only failed to create the jobs that would follow from the implementation of orthodox or neoliberal policies, and presumably would absorb the program graduates; but in fact “the effects of this economic model have led to the deepening of precarious conditions of the most disadvantaged social sectors” (2012: 256). One could even suggest, Yaschine argues, that “the Mexican State, through Oportunidades, sought to increase the education of this sector only to the point that they would become low qualified labor to fill the jobs that hypothetically would be generated by the new development model, but not to the level that they would be able to compete with youth from other social origins for the better positions available” (2012: 262, my translation).

Two senior ministers, Rosario Robles (Ministry of Social Development) and Luis Videgaray (Finance Minister) have acknowledged the need for complementary policies to provide income generating opportunities for program graduates, particularly in rural areas (Verduzco, 2013). The current federal administration (2012-2018) has recognized that antipoverty programs, including Progresa-Oportunidades and economic growth have been insufficient to achieve sustainable poverty reduction (CONEVAL, 2012a; Gobierno de la República, 2013). Currently, the federal administration is undertaking a redesign of Progresa-Oportunidades in order to link recipient households with economically productive projects, with the goal of preventing permanent dependence on cash transfers (El Universal, 2013a).

3.2. Indirect impacts of Progresa-Oportunidades

Progresa-Oportunidades redistributes income to a large percent of the population, and thus has the potential to produce indirect impacts beyond the direct recipient population, including changes in the country's economic structure, productivity and economic growth and national and regional income inequality. These indirect impacts may be positive or negative as recognized by Skoufias (2005) who pointed out that "a closer consideration of these indirect effects in measuring program impacts in overall social welfare raises the possibility than the first-round positive effects of the program may be offset by the second-round negative indirect effects of the program" (2005: 25). Considering only the direct impacts on the recipient population may lead to an incomplete picture of the overall impacts of Progresa-Oportunidades. This section reviews the more limited literature related to the indirect impacts of Progresa-Oportunidades, specifically looking at the ways in which the program affects household and regional labour reallocation, the regional economy and income inequality. Particular attention is given to describing how these indirect impacts may affect poverty and inequality at the national and regional levels.

3.2.1. Household and Regional Labour Allocation

There are several ways in which Progresa-Oportunidades affects household and regional labour reallocation. By increasing school attendance the program reduces child

and youth labour, which has implications for the amount of time other members of the household spend working, and in household activities and leisure. Conditions or co-responsibilities reduce household productivity both because children are no longer available and because of the additional requirements the conditions impose, particularly on women's time. Regular health check-ups and reproductive talks may reduce fertility rates, affecting household composition as well as rural population growth. Cash transfers may relax credit constraints among recipient households leading both to reducing incentives to migrate, or to finance domestic or international migration, particularly to the United States. Finally, by increasing school enrollment and completion rates among rural youth, the program may increase future migration to locations where returns to education are higher (regional urban centers); this in turn has implications for the regional labour market, economic growth and development, by increasing the availability of more skilled labour in these areas.

Evidence suggests that child labour has been reduced due to a greater participation in school. Parker and Skoufias (2001) found a reduction in the participation of boys and girls in work and domestic activities. But there is other evidence that children tend to combine school attendance with work activities (Escobar and González de la Rocha, 2005; Ceccini and Madariaga, 2011). The probability of child labour varies depending on age, gender, ethnicity and location (Schultz, 2004; Bando, López-Calva and Patrinos, 2005; Angelucci and De Giorgi, 2009). Debowicz and Golan (2013) simulate the impacts of Progres-Oportunidades on child labour supply, income distribution and poverty. Their results suggest that the program benefits the rural poor in two ways: recipient households benefit directly by receiving cash transfers and from increased human capital; non-recipient households also benefit, though indirectly, from increased wages "due to the increase in the relative scarcity of unskilled labour" (2013: 20).

Studies on the impacts on adult labour are limited and less consistent. On the one hand, the program appears to significantly increase women's burden due to the conditions imposed by the program (Escobar and González de la Rocha, 2009), while having little influence on adult male labour participation (Freije, Bando and Arce, 2006). Some have questioned whether this reduction of labour by children and women is

desirable given that “an important amount of time is taken away from farm or other ‘productive’ labour” (Hulme et al, 2010: 76). Parker and Skoufias (2000) and Skoufias and Di Maro (2008), found that the program had no measurable impact on either the market participation rate of male adults or on the hours they devote to work activities. Also, they did not find that men work less as a result of receiving cash transfers, but found some evidence that the transfers were used to shift men out of self-employment or unpaid work into waged work. More recently, Alzúa, Cruces and Ripani (2012) have arrived at similar conclusions that Progres-Oportunidades does not create major disincentives to work, but by moving male recipients away from agricultural work, the program may affect the equilibrium of the labour markets.

Cash transfers may affect household and regional labour reallocation when one or more members of a household migrate, for example, youth moving out to continue school outside their communities or to find permanent work. According to Angelucci (2012) and Kabeer et al. (2012) the few studies conducted on the impacts of CCTs on migration are based on Progres-Oportunidades. These studies, however, provide inconclusive and apparently contradictory evidence; some suggesting that cash transfers may reduce migration and others finding that it may increase it. Stecklov et al. (2005) found that Progres-Oportunidades reduced migration to the United States, and had little effect on domestic migration, relating this to the program’s increasing the financial liquidity of households as well as to the conditions which require physical presence of recipients. Similarly, Berhman et al. (2008) found that the program helped to reduce domestic and international migration by increasing the length of time that rural youth are in school. Angelucci (2004) , however, suggests that the program may have relaxed credit constraints allowing some recipients to finance international migration, but found little evidence on impacts on domestic migration. More recently, the same author (2012) suggests that the program has likely increased the number of U.S migrants by about 50,000 between 1997 and 2004, but concludes that as undocumented migration far exceeds this number, the program’s impacts on international migration is relatively marginal. Rubalcava and Teruel (2006) found a significant effect on domestic migration, as the program made it financially feasible for young couples to move away from the main household.

Azuara (2009) also found an increase in domestic migration, relating this to the program's impacts on increasing school enrollment rates in rural communities, motivating the youth to migrate to locations with greater returns of schooling. The author posits that Progres-Oportunidades may be accelerating the demographic transition of the poor by increasing rural out-migration and reducing fertility of beneficiaries. Consistent with this, he found that participating villages lost ten percent of their population due to migration and reduced fertility rates over the period 1995-2005. Azuara makes an interesting point about the effectiveness of CCTs, by arguing that "if CCTs are extremely effective, we should expect a significant increase of migration, if recipients increase their human capital and look for a more productive occupation" (2009: 3). This potential increase in migration could have negative consequences for the locations where recipients decide to migrate, arguing that "the success of the program could represent a major public policy problem if beneficiaries who migrate find it difficult to be assimilated in new labor markets" (2009: 4). Similarly, Angelucci (2012: 134) argues that "the long-term effect of Progres-Oportunidades on migration depends on how the program changes the educational level of its recipients".

Schultz (2004) states it is expected that the program may lead to increased domestic migration, as it increases the school credentials of rural youth. For him, this migration is economically desirable, since it would move the young out of the regions of extreme poverty and into non agricultural sectors of the economy, which in turn would result in increased long-term economic growth. For Levy "migration responses by treatment households to the program are, almost by definition, welfare-enhancing from their point of view and thus should be seen as a positive effect of Progres-Oportunidades. A separate question concerns the impact of the phenomenon on national welfare" (2006: 74). This separate question might be how the rural youth are integrated into the labour market, and in turn, affecting national productivity. By encouraging out-migration of rural youth, Progres-Oportunidades may impact both urban and rural labour markets. The ability of the economy to generate jobs to absorb the more educated youth determines the success of the program in breaking the intergenerational transmission of poverty. If jobs are not created, this potentially large number of rural youth may lead to worsening labour conditions by oversupplying receiving areas.

In summary, studies are inconsistent regarding the program's short-term impacts on migration, but there is a general agreement that in the long-term the program leads to significant increases in domestic migration, although this will depend, among other factors, on the ability of the program to increase the demand for education. These studies also suggest that increased schooling is leading to a shift away from agriculture towards non-farm wage employment. While a few studies have explored the impacts of Progresa-Oportunidades on migration by recipient households, there is still little knowledge on the direct connection between Progresa-Oportunidades and domestic migration, nor where they migrate to find jobs, and even less knowledge on how these rural youth may affect sending and receiving areas. This would provide a better understanding of the direct and indirect impacts of the program on regional economic development and regional inequality.

3.2.2. Regional economy effects

Some scholars have suggested that CCTs may impact the wider local economy in addition to the direct recipients, by injecting additional resources on a regular basis (Angelucci et al. 2006; Barrientos, 2012). While CCT budgets may be too small, at between 0.2 to 0.8% of GDP (The Economist, 2012), to influence national economic growth, "this does not rule out the possibility of impacts at the household and community level" (Kabeer et al, 2012: 4).³¹ In Mexico, the spill-over effects of Progresa-Oportunidades is particularly significant in those states or municipalities where poverty is widespread and recipient households represent a large percentage of their total population. In the poorest states (Chiapas, Oaxaca and Guerrero) the program reaches more than 50% of the population (Oportunidades, 2010a: 13); this number is even higher in the poorest municipalities. There are multiple ways in which the injection of resources through cash transfers can produce spill-over effects in the regional economy. Cash transfers have the potential to increase consumption, production and trade. Since 2001 cash transfers are increasingly being distributed by banking institutions, which injects capital into regional bank branches. Cash transfers might also allow recipient

³¹ As mentioned in chapter two, Levy stressed that "Progresa-Oportunidades will not directly increase economic growth, but indirectly by fostering a healthier and more educated labour force, which can lead to a higher potential productivity of labour (2006: 20).

households to save, invest and access credit; and may also provide incentives for creating income earning opportunities and businesses. Despite these potential indirect impacts on the regional economy, few studies have been conducted on this topic.

According to Levy, when Progres-Oportunidades was being designed “it was expected that the additional monetary income in small rural communities would be an incentive for local producers, having a “multiplier effect” in the local economy” (2006: 69). In addition, “the higher spending by program households is a potential additional channel for creating income-generating opportunities for the poor” (2006: 70). At the same time, one of the concerns when the program was implemented was “whether the income transfers from Progres-Oportunidades would generate inflationary pressures in small rural communities, where the supply of food could be inelastic” (Levy, 2006: 45-46). Studies have found no evidence of such effects (Hoddinot, Skoufias and Washburn, 2000; Handa, Huerta, Pérez and Straffon, 2001; Angelucci and De Giorgi, 2009). Handa et al. (2001: 26-27) offered two possible reasons for this: 1) state subsidized stores (known as Diconsa) may have played a role in maintaining fixed prices for basic items, and 2) program recipients tend to spend their cash transfers in the municipal head (known in Mexico as ‘cabecera municipal’) rather than in their own communities, particularly when program recipients need to travel to collect their payment.

Escobar and González de la Rocha (2005) found that the provision of cash transfers on a regular basis has allowed recipients, particularly women, to access formal and informal credit, which further increases their purchasing power. The regularity of transfers has provided certainty to merchants to extend credit to recipient households, and this is not limited to food items but on other goods (clothes, furniture and appliances) and services (electricity and gas bills). Cash transfers have stimulated local economies by extending the borrowing power of recipients. Similarly, Angelucci and De Giorgi (2006) found that ineligible households also increased their consumption, not because of increased production but from borrowing from eligible households. They found “that ineligible households living in treated villages receive more informal loans, more transfers from family and friends, and for every 100 pesos transferred by Progres-Oportunidades to the eligible households, the consumption of ineligible households increases by approximately 11 pesos (2006: 5-6).

Cash transfers have led to increased production for own consumption, but there is no evidence that these transfers provide incentives for generating income earning opportunities and businesses. A study by Arroyo (2008) found no conclusive evidence to indicate that Progres-Oportunidades increased investment or helped create small businesses. Rodríguez and Pasilla (2008) examined the impacts of cash transfers on the local economy in rural areas, using data from the Household Assessment Survey (Encuesta de Evaluación de los Hogares- ENCEL) during the 1997-2007 period. They expected that the increased purchasing power of recipients would translate to higher volumes of sales for existing stores and provide incentives for the creation of small grocery stores (known as 'abarrotes'). They concluded that the establishment of small stores could not be attributed to the presence of Progres-Oportunidades, and was more likely determined by the size of the localities. And while it is possible that cash transfers increased the volume of sales in existing stores, they were not able to measure sale volumes with the available data. The authors argued that available data was insufficient to evaluate the impacts of Progres-Oportunidades on the local economy and therefore, recommended the development of new evaluation instruments.

These studies have provided important insights into possible spill-over effects of cash transfers, but what is needed is more analysis on what, how and where recipients are spending, in order to obtain a better understanding of how cash transfers are impacting the regional economy. Researchers have studied the impacts of cash transfers on direct recipients, but not on regional markets. According to Creti (2010: 17) the analysis of multiplier effects "consists of following the steps through which cash passes from the hands of the project beneficiaries to other market actors. While project monitoring usually stops at the first round of expenditure - that is, 'how beneficiaries spend money'- the multiplier analysis usually follows the cash up to the second and the third-round of expenditures. The analysis seeks to understand whether the cash remains in the local economy and whether additional goods and services are created to meet the additional demand". While the economic spill-over effects of Progres-Oportunidades may be positive for the regional economy, they could also have negative consequences if the cash transfers significantly leak into the non-poor population, thus, exacerbating or even increasing inequality.

3.2.3. Income inequality

Most impact evaluation studies have examined the direct impacts of CCT programs on human capital accumulation and poverty reduction. Despite the redistributive potential of CCTs, few studies have examined their indirect impacts on income inequality. While Progresa-Oportunidades does not have an explicit objective to reduce inequality, the fact that the program increases the income of a large percent of the country's population (between 22 to 30%) has the potential to affect income inequality. By providing cash transfers to the poorest households the program may affect short-term income inequality, and by encouraging educational enrollment the program may influence future wages of recipients and therefore income inequality in the long-term.

Soares et al. (2007) examined the impacts of three of the best-known CCTs on income inequality: Brazil's 'Bolsa Familia', Mexico's 'Progresa-Oportunidades' and Chile's 'Chile Solidario', by decomposing the Gini coefficient in these countries.³² They found that CCTs had an important equalizing impact in the three countries. These programs were responsible for 21 percent of inequality reduction in both the Brazilian and Mexican Gini Index, each of which fell by approximately 2.7 points, and 15 percent in Chile, where it fell by only 0.1 point (2007: 17). The authors attributed this difference to the larger programs' budgets, coverage and size of the transfers of Brazil and Mexico (0.5 percent of total national income compared to 0.01 percent in Chile). The authors concluded that CCTs in Brazil and Mexico, though small, were sufficiently large to significantly reduce national income inequality. They argued that due to "their excellent targeting, CCTs are a very low cost way of reducing inequality that can be replicated in many other countries" (2007: 223). While having established that CCTs had an equalizing effect, they recognized however, that changes in the concentration of labour income were the most important factor behind the reduction of inequality.

³² Gini coefficient is commonly used to measure income inequality. A low Gini coefficient indicates a more equal distribution, with 0 corresponding to complete equality, while higher Gini coefficients indicate more unequal distribution, with 1 corresponding to complete inequality.

Income inequality declined during the 2000s in most countries in Latin America, including Mexico, and CCTs have been a contributing factor in this process (Esquivel, Lustig and Scott, 2010; Esquivel, 2011; Gasparini, 2011; Campos, Esquivel and Lustig, 2012; Lustig, López-Calva and Ortiz-Juárez, 2012, 2013; Azevedo et al, 2013). For their redistributive impact, CCTs are being promoted as a key strategy to reduce income inequality in the region (Cruces and Gasparini, 2013). According to Lustig et al. (2012) who summarize much of this literature, two main factors are behind the decline of income inequality in the region: 1) a fall in the premium to skilled labour (with education-based indicator of skills) and 2) more progressive government transfers (2012: 11). The authors linked the fall in the skill premium to the fact that unskilled labor became (relatively) less abundant, attributed to changes in public spending on education in the 1990s, which expanded basic and middle education considerably, particularly in rural areas (2012: 11). Of the government transfers, CCTs appeared to have the most significant impact on income inequality.

Esquivel, Lustig and Scott (2010) studied changes in income inequality in Mexico by decomposing the Gini coefficient. They found that from 1996 to 2006, the country's Gini coefficient fell from 0.543 to 0.498 (2010: 175). Their analysis suggested that there were factors "that benefited the bottom part of the rural income distribution as well as some factors that hurt, in relative terms, the upper part of the urban income distribution" (2010: 180). The significant change in the composition of the labour force reflected the decrease in the relative number of unskilled workers, and was due to increased and more progressive spending in education and the expansion of schools in rural areas, addressing supply-side constraints and through Progres-Oportunidades, addressing demand-side constraints.³³ The authors found that non-labor income (which includes government transfers, and remittances, among others) was the second-most important contributing factor in the reduction of inequality during the period of 2000-2006. For them, government transfers became the income source with the largest equalizing effect, with Progres-Oportunidades having the most significant impact (2010: 195). They describe Progres-Oportunidades as an example of redistributive "efficiency", with

³³ The authors suggest that the expansion of assembly-line plants in Mexico has increased demand for less-skilled workers (2010: 189).

as little as 0.36 percent of GDP the program accounts for 18 percent of the change in the post-transfer Gini (2010: 198). These and other authors, provide a distinction that is important to emphasize: while labour income has become an important equalizing force in urban areas in Mexico, public transfers have been especially important in reducing income inequality in the rural sector (Esquivel, 2011: 164).

These studies highlight the important role of Progresa-Oportunidades in reducing income inequality at the national level in two ways, by increasing the income of the poorest (mostly rural) households through cash transfers, and by encouraging school enrollment particularly among the rural population, which in turn affects the labour composition in both rural and urban areas via migration. Nonetheless, the impact of Progresa-Oportunidades on reducing (labour income) inequality in the long-term depends to a large extent on how the youth are incorporated into the labour market. Little is known about the conditions Progresa-Oportunidades into which graduates are incorporated into the labour market and even less, on what effect this is having on the urban labor market. Studies have examined the impacts of Progresa-Oportunidades at the national level, but more studies are needed to determine the impacts at the regional level, particularly in those areas where the program has a large coverage, and where presumably, the impacts of cash transfers on income inequality in the short and long-term would be greater. There is a need to track the cash transfers to capture the ultimate impacts of the program on income inequality at a sub-national level.

3.3. Conclusions

Progresa-Oportunidades has helped to reduce the intensity of extreme poverty in Mexico by increasing the income of the country's poorest households, which has increased consumption and led to improved human capital indicators related to nutrition, health and education. However, these impacts are moderate and heterogeneous, reflecting the different contexts in which the program operates. Studies also show that Progresa-Oportunidades has had limited impact on the reduction of short and long-term poverty, in part because the program is dependent on factors over which it has no direct influence (e.g. provision of infrastructure, quality of services and employment generation). By distributing cash transfers and increasing years of education, Progresa-

Oportunidades may be temporarily moving recipient households closer to the poverty line, rather than lifting them out of extreme poverty definitely. They remain vulnerable to falling back into extreme poverty due to market fluctuations and rising food prices. There is a growing perception among scholars, and a former top program official (Yaschine), that Progres-Oportunidades has not been the 'magic bullet' for poverty reduction as promoted by international institutions such as the World Bank and the Inter-American Development Bank.

At the same time, the review identified a number of ways in which the program may lead to increasing regional and intraregional inequality. To begin with, the exclusion of the poorest households living in small communities and remote areas, without access to basic services has created a 'second-tier' of poverty within the extremely poor population (Sariego, 2008; Ulrichs and Roelen, 2012). Although program recipients are completing more years of schooling, Mexico's highly segmented educational system means that the existing gap in quality of services between urban and rural and indigenous and non-indigenous remains (Agudo, 2008; Yaschine, 2012). Finally, migration of the most educated program graduates from the poorest areas due to lack of local non-farming jobs tends to reproduce the cycle of marginalization and poverty at a regional level (Agudo, 2008: 131).

The review of literature on the indirect impacts of Progres-Oportunidades identified other ways in which this program may lead to increasing regional and intraregional inequality, mainly through economic spill overs, and rural out migration, which also affects the non-recipient population. Considering the indirect impacts adds a layer of complexity to the impacts of Progres-Oportunidades on poverty and inequality. Considering economic spill overs and rural out migration, may provide a better understanding of the relationship between Progres-Oportunidades and inequality. A territorial approach allows an examination of the direct and indirect impacts of Progres-Oportunidades on inequality, which goes beyond its impacts on income inequality at the national level. The following chapter further examines the ways in which the program may increase regional and intraregional inequality and worsen labour conditions.

Chapter 4. A critical analysis of Progres-Oportunidades

Building on the literature review, this chapter develops the central argument of this research, that under current conditions, Progres-Oportunidades is not only ineffective in poverty reduction, but in fact contributes to increasing regional and intra-regional inequality as well as worsening labour conditions. This is particularly the case for the country's poorest states and municipalities, where the program has large coverage and where its direct and indirect impacts are significant. The program may also affect others regions, although indirectly.

Since its implementation Progres-Oportunidades has provided incentives for rural youth to abandon agricultural activities and rural areas, while the economy has failed to generate sufficient well remunerated jobs to absorb population growth and rapid rural to urban migration. In other words, Progres-Oportunidades is 'manufacturing' a labour force for an economy that cannot absorb it. This migration of rural youth is potentially large as the program currently targets about 6 million households, nearly 30% of the country's population (Oportunidades, 2010a). In this context, Progres-Oportunidades has also become a contributing factor to the worsening conditions that Mexico's labour force has experienced since the mid-1980's, when the package of neoliberal policies began to be implemented, and of which the program became an integral part.³⁴ This chapter examines how Progres-Oportunidades may affect inequality at the national and regional levels by analyzing the program's theoretical foundations, goals and objectives within Mexico's neoliberal development strategy. Particular attention is given to the relationship between Progres-Oportunidades and national and regional labour reallocation.

³⁴ Progres-Oportunidades has been widely described as a 'neoliberal' program. For a more detailed explanation of the links between the program and the neoliberal ideology see: Zamorano, 2008; Medrano, 2010.

4.1. The role of Progresa-Oportunidades within Mexico's neoliberal development strategy

Progresa-Oportunidades has been evaluated mainly for its direct impacts on poverty reduction of recipients, rather than on its indirect, broader impacts, which also affect the non-recipient population. In addition, while it has been recognized that the implementation of Progresa-Oportunidades was an element in both the rural and social policy reforms (Winters and Davis, 2009; Fox and Haight, 2010; CONEVAL, 2012a) more attention has been given to examine its role in social policy (as an antipoverty program) rather than its role in the rural restructuring process. These roles are so interconnected that is difficult to separate one from the other. As a social program, Progresa-Oportunidades was designed to lift recipients from extreme to moderate poverty (by raising their income through cash transfers and by investing in their human capital) where recipients can be inserted in the labour market. At the same time, it played a role in the rural reform process which was intended to reduce economic inefficiencies and rural labor market distortions by privatizing state-owned enterprises and land, eliminating price controls and generalized food subsidies while implementing transitional policies to ease the liberalization process.³⁵ Programs such as 'PROCAMPO' (Program of Direct Support for the Countryside), 'Alianza para el Campo' (Alliance for the Countryside) and 'Ingreso Objetivo' (Target Income) were implemented to compensate, modernize and support the more capitalized farmers with links to agro-industry and export markets; while Progresa-Oportunidades was implemented to increase the human capital of the poorest rural and mostly indigenous population that became "redundant" under the neoliberal development strategy. Progresa-Oportunidades was designed to enhance the productivity of the extremely poor rural population in order to relocate them from low productivity agriculture, mainly subsistence farming, to other sectors such as manufacturing and services which are concentrated in urban and semi-urban areas.

³⁵ Transitional policies were designed to ease the liberalization process in order to avoid social discontent and rapid rural to urban migration, which would otherwise produce a rapid demand for public services, infrastructure and jobs, that neither the government nor the market were able to meet. Furthermore, a gradualist approach to agricultural liberalization was recommended (Levy and Wijnbergen, 1992a).

The withdrawal of state support to small scale farmers and peasants and the implementation of rural reforms and policies led to an intense process of rural out migration.³⁶ According to Otero (2011: 392) agricultural liberalization “provoked the greatest population exodus that Mexico’s countryside has experienced in its history”.³⁷ This ‘de-peasantization’ that countries like Mexico have experienced is not an accident but “the outcome of a politically organized food regime premised on increased privileges for corporate over peasant agriculture, as institutionalized in the subsidy structure of the World Trade Organization/Free Trade Area/Economic Partnership Agreement (WTO/FTA/EPA)” (UNRISD, 2010: 49). Food regimes are used to describe stable periods of capital accumulation associated with particular configurations of geopolitical power and forms of agricultural production and consumption (McMichael, 2009: 139). Food regime theory is concerned with explaining the strategic role of agriculture in the construction of the world capitalist economy, and it is associated with the work of Friedman and McMichael (1989), who identified two distinct historical food regimes (1870-1930s and 1950s-1970s) and the emergence of a third food regime (1980s-?).

McMichael (2005) defined this third food regime as the “corporate food regime”, putting transnational corporations and transnational social movements at the center of the analysis, in accordance with the ‘world-system’ theoretical foundations of the food regime theory. Others have called it the “neoliberal food regime” (Pechlaner and Otero, 2008; 2010; Otero, 2012), putting the role of individual states and social movements at the center of analysis, as policies are implemented by states and contested within national boundaries. According to these authors, the state has played a central role via “*neoregulation*” (rather than deregulation) which is constituted by a series of international agreements and by implementing national policies and programs that privilege national and transnational corporations.³⁸ Scholars have pointed out that in Mexico the current structure of subsidies contributes to increasing inequality, benefiting those large-scale

³⁶ See Cortina (2014) regarding the effects of PROCAMPO on migration to the United States.

³⁷ According to Wise (2009: 35) since NAFTA came into effect in 1994, over two million people have left agriculture, a drop of more than 25 percent.

³⁸ In Mexico, a few large national and transnational corporations have replaced CONASUPO, becoming the predominant economic actors in food production and distribution; these include: GRUMA, Minsa, and Cargill. They have also captured a large percent of government subsidies (Appendini, 2014: 16).

food producers who are concentrated in the northern states of the country, and transnational corporations (Fox and Haight, 2010; Scott, 2010; Merino, 2010; Appendini, 2014). Within Mexico, Progres-Oportunidades can be seen as one of those programs that privilege corporate over subsistence agriculture by providing incentives to abandon subsistence agriculture and rural areas. Given that Progres-Oportunidades was designed and implemented with the goal of reducing extreme poverty in rural areas, which could only be achieved by relocating small scale farmers and peasants, most of them indigenous, to other sectors of the economy, it can be argued that Progres-Oportunidades is a critical component of Mexico's "neoliberal food regime".

Behind the design of Progres-Oportunidades lies the belief that the only way for small scale farmers and peasants to escape poverty is for them to migrate to urban and semi-urban centers where they can find more favourable labour market conditions. According to Levy "it is extremely unlikely that more than 15 percent of all Progres-Oportunidades households would be able to escape poverty as agricultural producers. ...Because the rent derived from exploiting their own land is small and tends to fall, the fundamental determinant of poor workers 'higher earned income tomorrow' is the income that they earn in the labor market" (2008: 75-76). By the very nature of the program design, the inevitable outcome of attempting to reduce extreme poverty in rural areas is the dismantling of subsistence agriculture. The program's assumptions, goals and mechanisms (as described in chapter 2) operate in such a way that entails the disarticulation of subsistence agriculture, as the program provides incentives that alters household composition, which in turn disrupts insurance mechanisms, solidarity networks and productivity, all of which undermines the ability of these producers to remain in their communities.³⁹

Progres-Oportunidades was designed from the start to be congruent with the process of structural reforms which the country was undertaking. It is significant that the

³⁹ For example, in his qualitative research, Agudo (2012) found that Progres-Oportunidades altered the nature of 'tequío' which is a long-established institution in Mexico, particularly common in indigenous and peasant communities, based on collective work wherein men, traditionally, contribute unremunerated labour for the benefit of their community. Agudo argues that the fact that women receive cash transfers has modified power relations at the local level, by changing hierarchies, duty systems and reciprocity mechanisms.

program's architect, Santiago Levy, was working for the World Bank at the time, one of the main institutions behind the proliferation of neoliberal policies, including CCT's, around the world (Boltvinik, 2012). Progres-Oportunidades was designed with the understanding that extreme poverty in Mexico was a rural phenomenon, caused mainly by falling productivity of the agricultural sector. For Levy, previous policies not only generated economic inefficiencies and labor market distortions such as rural over employment but were ineffective in reducing poverty. Levy was a strong advocate for neoliberal reforms in the rural sector, but felt that even if these reforms were implemented, further rural out-migration was necessary to increase rural wages in the long-term.

Levy understood that rural reforms would hurt the extremely poor rural population, and via migration, the urban population as well. In an article promoting agricultural liberalization, Levy and Wijnbergen argued that, in particular, maize liberalization would lower the demand for rural labor and "since migration links rural and urban labor markets, liberalization of maize lowers wage rates across the board. The effects of liberalization thus spill-over to the urban poor" (1992a: 14).⁴⁰ They argued that while "substantial efficiency gains" can be obtained if maize is liberalized (by reallocating workers from low productivity rural to high productivity urban jobs); small-scale and subsistence farmers would be particularly affected in the short term. For the authors, these potential negative impacts could be resolved by the very same process of liberalization, through migration.

"Equilibrium can be restored through migration. If the only policy change is a decrease in the rural maize price, the labor released from maize would reduce the rural wage rate and widen the rural-urban wage differential. This would induce rural workers to migrate to urban areas, which would mitigate the decline in the rural wage but would lower the urban wage rate. A lower urban wage rate, in turn, increases employment and the marginal product of capital in manufacturing" (1992b: 488).

⁴⁰ Maize is the main crop and food staple in Mexico and given its economic, social and cultural relevance it "has been at the core of agricultural policy and food security debates" (Appendini, 2014: 1).

For Levy and Wijnbergen, maize liberalization would benefit urban workers through lower prices for maize they consume (tortillas mainly); but that benefit could be counteracted by the reduction of the urban wage caused by rural to urban migration, depending on the intensity of that migration. Urban workers would also likely benefit by the increased number of manufacturing jobs that the manufacturing sector, via NAFTA, would be generated. For the authors, the real winners of maize liberalization would be the country's large scale maize producers concentrated in a few states and "urban capitalists" who would benefit due to lower rural and urban wages. The losers would clearly be small-scale and subsistence farmers, concentrated in a few mostly southern states. Therefore, the authors advocated a gradual process of liberalization and transitional policies to ease the liberalization process; these policies would transfer some of the "efficiency gains" to the groups most affected by the liberalization process (1992a: 24). In the absence of government interventions, they argued, the efficiency gains will be unevenly distributed: "there are substantive reasons for concern about the distributional impact of agricultural liberalization in the absence of proper adjustment policies" (1992a: 38). Transitional policies, they emphasized, "must facilitate change towards other activities" (1992a: 14).

With this in mind, Levy designed Progres-Oportunidades in a way that would reduce the incentives for rural out-migration in the short-term (to avoid rural poor becoming urban poor, unsustainable demand for basic infrastructure, and flooding labour markets in urban areas); while providing incentives for a gradual and long-term process of rural-out migration.⁴¹ Progres-Oportunidades was designed to provide incentives to the extremely poor rural households to make investments in the human capital of their children, with the goal of breaking the intergenerational transmission of poverty, while at the same time contributing to the country's productivity, by furthering the process of labour reallocation (from low productivity agricultural activities to more productive manufacturing jobs). Thus, Progres-Oportunidades was designed as a transitional policy, to reduce the immediate impacts of agricultural liberalization on the

⁴¹ Levy and Wijnbergen argued that "policymakers can influence migration flows (and hence the changes in the rural and urban wages rates) through both direct interventions which hire labor for rural public work programs, and the size of programs like the *tortibonos* in Mexico, which is targeted on the urban poor and operates through coupons" (1992b: 488).

poorest rural population, while at the same time providing a more productive labour force to the manufacturing sector. The migration of the rural recipient population, with increased human capital, however, would inevitably impact the urban labour market by lowering urban wages, which is translated to worsened labour conditions, given that wages are the main source of income for the majority of workers. This impact could be mediated, however, by the effectiveness of Progres-Oportunidades in encouraging investments in human capital and, by the creation of jobs in the manufacturing sector.

Progres-Oportunidades was instrumental in the phasing out of generalized food subsidies, which were criticized for benefiting urban households at the expense of the poorest mostly rural population. While this shift represented a transfer of resources in favor of the extremely poor rural population, by definition, it meant a loss for the urban population (Berhman and Skoufias, 2006), who had already experienced a reduction of its bargaining strength as a result of the implementation of neoliberal reforms, which failed to produce sustained economic growth and jobs. Under these conditions, continued rural out-migration, an outcome of rural policies and programs, including Progres-Oportunidades, is further contributing to the worsening of precarious labor conditions for the country's urban labour force. The urban labour force has suffered from the volatility of the market-oriented economy, as experienced during the 1995, 2001-2002 crises, and more recently, the double food and financial crises (2007-09) which have particularly affected the more "industrial" states and cities closer to the United States, where manufacturing is concentrated (CONEVAL, 2012a: 58). One of the groups most affected by neoliberal policies is urban youth, who in the words of CONEVAL's executive secretary is the country's most vulnerable sector, due to poor employment opportunities and lack of protective policies targeting this population (Len, 2013).⁴²

There is a general consensus that neoliberal policies implemented in Mexico have not yielded the expected results; apart from maintaining macroeconomic stability,

⁴² It is estimated that in Mexico, a quarter of youth between 15 and 29 do not study nor work (OECD, 2012: 29). For a broader picture on the precarious employment conditions that workers in Mexico and other countries in Latin American have faced in the last 20 years see: International Labor Organization, 2013.

they have failed in most areas. These policies did not produce sustained economic and employment growth, which in turn has become a major obstacle for reducing the persistently high levels of poverty and inequality in Mexico (Moreno-Brid, Carpizo and Ross, 2009). For market-oriented policymakers, the existence of state and private monopolies in key sectors, powerful unions, a rigid labour market and social security system and increased number of dispersed social programs are in part responsible for Mexico's poor economic performance; for them, furthering the process of market reforms is needed to increase the country's productivity, leading to economic growth and employment (Levy and Walton, 2009; Hausmann et al, 2009; Arias et al, 2010). This is the position taken by the current federal administration (PND, 2013).

For critics of market-oriented reforms, not only have these policies failed to produce sustained economic and job growth, they have resulted in negative consequences for Mexico's economy and society. Some argue that these policies have led to the disarticulation of the country's industrial sector (Dussel-Peters, 2009; Cypher and Delgado-Wise, 2010). While Mexico has become a major exporter at the global level, it has also become a major importer of manufactures and food products (Dussel-Peters, 2006; 2009; González-Chávez and Macías-Macías, 2007; Appendini, 2008; Gómez Olivier, 2008; Wise, 2009). Neoliberal policies in the rural sector have led to the bankruptcy of hundreds of thousands of small-scale farmers and peasants (Bartra, 2004; Fitting, 2011), resulting in large-scale domestic and international migration, making Mexico the world's largest contributor to international migration (García-Zamora, 2009). Migration of highly skilled Mexicans has recently expanded at a faster rate than any other group, with negative consequences for the country's productive and innovation processes (Zúniga and Molina, 2008).

The informal sector has grown and wages have stagnated (Salas, 2005; Camberos and Bracamontes, 2010; Valencia, Foust and Tetreault, 2011).⁴³ Since NAFTA came into effect in 1994, Mexico has experienced an increased concentration of

⁴³ According to CONEVAL (2012a: 48), the 1995 financial crisis, the economic slowdown at the beginning of the century, as well as the increased food prices since 2007 and the 2009 financial crisis are in part responsible for the stagnating real per capita income in Mexico during the last two decades.

wealth (Guerrero, López-Calva and Walton, 2009) and increasing regional inequality (Rodríguez-Pose and Sánchez-Reaza, 2005; Baylis et al., 2012). For some, NAFTA has also accentuated asymmetries among the three participant countries (Gallagher et al, 2009). If Mexico's is to develop, economic and social policies have to be reoriented, in order to achieve long-term economic growth (Moreno-Brid and Ross, 2009; Cypher and Delgado-Wise, 2010).

Some scholars have even contended that the purpose of neoliberal reforms was to restore class power (Harvey, 2007). Following this line of thought, some have argued that neoliberal reforms in Mexico were designed to insert the country into the globalization process on the basis of exploiting cheap labor. According to Delgado-Wise and Cypher (2007) and Cypher and Delgado-Wise (2010), the crisis of the Fordist stage of capitalism during the 1970-80s led US transnational corporations to a restructuring process to regain profitability, which entailed the relocation of their manufacturing activities to countries like Mexico, with access to abundant cheap labor. For them, the implementation of neoliberal reforms, which were strongly promoted by Mexico's elites, sought to realign Mexico's economy to the needs of the US transnational corporations, putting Mexican labor at the center of the process. Hence, the authors refer to the "cheap-labour export-model" to define Mexico's development model and its asymmetrical integration in a globalized economy through NAFTA, which for them "was not really a trade deal but a project to open Mexico to the U.S foreign investment" (2010: 67).

Based on extensive empirical research of Mexico's manufacturing sector, the authors argue that the role of Mexico within NAFTA is "the exporting of cheap, largely poorly trained labour through three main mechanisms: 1) the *maquila* industry (the processing of imported materials by low-skilled, low paid Mexican workers, which are then reexported, overwhelmingly to the United States); 2) the disguised *maquila* sector; 3) and the emigration of Mexican labor to the United States" (2007: 120-121). The disguised *maquila* sector is described as those "manufacturing plants with relatively more complex production processes than *maquiladoras* (e.g., automobile and electronic sectors) but which operate under the same system of "temporary import program" granting the same subsidies and fiscal exemptions as to the *maquiladora* firms. Most of

the disguised maquila consists of large transnational corporations; mainly US based, and are located in the interior of Mexico” (2007: 127); unlike the maquila sector that is concentrated at the northern border of Mexico. Given that most inputs into the *maquila* and disguised *maquila* sectors are imported (75 to 90% of exported value), the sector fails to produce the anticipated forward and backward linkages to advance the productive apparatus of the economy via research, innovation and technology (2007: 138). The only Mexican-made value/input in this complex transnational process is cheap labour (2007: 121). Except for the low wages, the profits of economic growth are exported. The result of the subordinated integration into NAFTA has been intense domestic and international migration, leading to depopulation of some regions and the departure of highly qualified workforce. According to the authors, Mexico’s “cheap-labour export-model” failed even to provide sufficient jobs for the low-skilled workforce.

When considering the role of Progres-Oportunidades within the “neoliberal food regime” in relocating the redundant rural population, one could argue as Yaschine did, that the Mexican State, through Progres-Oportunidades, “sought to increase the education of this sector only to the point that they would become low qualified labor to fill the jobs that hypothetically would be generated by the new development model” (2012: 262, my translation). Neoliberal policy-makers assumed that the country’s comparative advantages (close proximity to the largest global market, large availability of cheap labour and open access to the US consumer market through NAFTA) would provide the basis for sustained economic and employment growth. They did not anticipate the emergence and integration of other cheap labor countries, mainly China, that would compete directly with Mexico for access to the US market (Gallagher and Porzecanski, 2010; Hanson, 2012; Dussel-Peters and Gallagher, 2013), nor the recurrent crises of the global economy. Progres-Oportunidades was designed under the assumption that neoliberal reforms and NAFTA would provide jobs (mainly in urban areas and in the manufacturing sector) to absorb the extremely poor rural population. In other words, the program was likely to be successful only under ideal conditions. However, even as the conditions failed to materialize, the program continues encouraging labour mobility, “manufacturing” a cheap labour force. Progres-Oportunidades was designed to facilitate sector reallocation; thus, the program has been integral to Mexico’s neoliberal

development strategy based on exploiting cheap labour to meet the needs of US transnational corporations.

Migration of the rural workforce, generated by neoliberal policies and programs in rural areas, including Progres-Oportunidades, has contributed to sustaining Mexico's "cheap-labour export-model". As insufficient jobs have been created in non-agricultural sectors to absorb the growing urban labour force and the 'redundant' rural population, the result is increased competition for the few jobs available, which in turn is leading to worsening labor conditions; including lowering of urban wages and devaluation of educational credentials (Yaschine, 2012; Tetrault, 2012). This outcome is far from being an accident but was anticipated. In some of his publications, Levy acknowledged that rural reforms and particularly NAFTA would hurt small-scale and subsistence farmers, and via their migration, these negative impacts would spill over to the urban labour market. Levy knew that while program graduates could have the possibility of escaping extreme poverty simply by leaving subsistence agriculture, their migration would likely hurt the urban labour market by lowering urban wages. In this context of poor employment growth, it can be argued that the more effective Progres-Oportunidades is, in increasing the human capital of the rural poor, the more it intensifies rural out migration and thereby affects urban wages.

These negative, indirect impacts of Progres-Oportunidades are inherent in the theoretical foundations of the program, which are rooted in human capital theory, which is closely associated with the work of Mincer (1958), Becker (1964), and Schultz (1971), who are in turn associated with the Chicago School of Economics, widely recognized as being behind the diffusion of neoliberal thinking. Human capital is the core concept of 'modern labour economics', a fairly new branch of economics dealing with labour supply and wages, whose foundations were significantly influenced by the work of Arthur Lewis; in particular his influential article published in 1954 as "Economic Development with Unlimited Supplies of Labour". In this article, Lewis introduced what came to be known as the 'dual-sector model' in which a "capitalist" sector develops by taking labour from a non-capitalist backward "subsistence" sector. At an early stage of development, the "unlimited" supply of labour from the subsistence economy means that the capitalist sector can expand for some time without the need to raise wages. This results in higher

returns to capital, which are reinvested in capital accumulation. In turn, the increase in the capital stock leads "capitalists" to expand employment by drawing further labour from the subsistence sector. Eventually, the surplus labour in the subsistence sector is exhausted and wages begin to rise, at what is known as the "Lewis turning point". The end of the subsistence sector leads to modernization and economic development.

Santiago Levy, an economist himself, understood the relationship between investments in human capital and productivity and wages; as well as the implications of a large scale program like Progres-Oportunidades, not only for poverty reduction but for Mexico's 'dual-sector' economy. Levy was influenced by the work of Theodore Schultz. Schultz's extensive academic work, which earned him the Nobel Prize in Economics, lay in two closely related areas: the role of agriculture for economic growth (1964; 1968); and human capital investment (1971; 1981). Schultz was critical of food policies that aimed to reduce the cost of basic food for urban workers, favouring industrialization at the expense of agriculture and poor farmers. For Schultz, agriculture had the potential to increase economic growth, but a significant investment was required, particularly in the form of human capital of poor traditional farmers, as well as on research in agriculture. This would lead to the modernization of agriculture, general economic growth and poverty reduction. Modernization of agriculture would reduce the demand for farm labour and so it would be critical to invest in human capital to help reallocate poor farmers to non-farming jobs. Investment in human capital would increase marketable skills of poor farmers, encourage labour mobility, and increase the efficiency of labour markets, in contrast with food pricing policies and minimum wage legislation that produced labour market distortions. Much of his analysis was based on the assumption of excess labour supply in agriculture:

"The exact amount of the excess supply is not of much relevance, for there can be no doubt that is large. What matters is how to cope with it, how to develop institutions and programs to minimize the excess supply at least cost possible" (Schultz, 1968: 121).

Neoliberal policies sought to modernize Mexico's economy and integrate it into the world economy, sealing the process with the signing of NAFTA. These policies

accelerated the process of structural change, by actively shrinking the agricultural sector.⁴⁴ The result has been the displacement of the rural population, not through violent means as occurred historically, but through neoliberal economic and social policies, including a sophisticated anti-poverty program. Progresa-Oportunidades has not only contributed to this process but at the same time has provided political legitimacy to Mexico's neoliberal governments. Progresa-Oportunidades, disguised as a cost-effective antipoverty program, is a sophisticated neoliberal strategy to relocate the extremely poor rural population to sustain Mexico's *cheap-labor export model*, a concept that clearly describes the country's development strategy. As part of this process, Progresa-Oportunidades has also assumed the most difficult task, the modernization of the most traditional sectors of Mexico's society, including indigenous peoples, who represent a large proportion of recipient households (Oportunidades, 2010a). Examining Progresa-Oportunidades only as an antipoverty program, and its direct impacts on recipient households, fails to capture the strategic role that the Mexican state has played in providing cheap labour to sustain the country's neoliberal development strategy.

It is worth noting that the program was designed and implemented at a time of severe financial austerity, and thus intended to maximize the few resources available, which in part explains the emphasis on targeting and conditionality. Progresa-Oportunidades was a radical departure from previous policies in the sense that it moved away from 'pure income transfers' directed to consumption, to a complex and sophisticated system in which cash transfers would serve multiple purposes, including but not limited to increasing the human capital of the poorest rural population. Among the less explicit purposes one can include: the reduction of economic inefficiencies and distortions in the rural sector (generalized subsidies and rural over-employment); the creation of markets by increasing demand for services and by distributing of cash transfers which would produce economic spill-overs; the creation of neoliberal citizens through the diffusion of individualist and market-oriented behaviors; the provision of political legitimacy by directly linking cash transfers to the federal administration; and the provision of cheap labour to the non-agricultural sectors of the economy.

⁴⁴ Structural change refers to a long-term shift in the fundamental structure of an economy, which is often linked to economic growth and development. It usually implies the transition from an economy based on agriculture to manufacturing to services.

4.2. The role of Progresa-Oportunidades in increasing regional and intraregional inequality

Progresa-Oportunidades was implemented to invest in the human capital of the extremely poor rural population to relocate them to other sectors and areas, and therefore, it could be expected to have significant implications not only on poverty reduction but on regional inequality. While Progresa-Oportunidades has been studied through different lenses of analysis, what has been lacking is the perspective of regional inequality. As described in chapter three, studies have identified Progresa-Oportunidades as a contributing factor to the reduction in income inequality in Mexico from 2000 to 2006. Without denying the effect of Progresa-Oportunidades on national income inequality, it is possible that the program is also a factor in the increasing levels of regional inequality that Mexico has experienced, particularly since NAFTA came into effect. It is understandable that Progresa-Oportunidades would reduce income inequality at the national level, given that the program increases the income of a large percent of the country's population. These analyses examined only the immediate impacts of Progresa-Oportunidades on income inequality at a national level, without considering its indirect impacts and regional variances.

Given that Progresa-Oportunidades targets the country's poorest states and municipalities, examining its impacts from a territorial or regional perspective capture its more complex, indirect impacts on inequality. This is consistent with the emerging recognition that national averages often obscure regional variances (UNRISD, 2010; RISIMP, 2010). The UNRISD 2010 Report on Poverty and Inequality states that "measures of inequality that rank individuals and households often exclude group and spatial dimensions. A focus on only vertical inequality may obscure important differences among groups or regions" (2010: 81). A more complex analysis of Progresa-Oportunidades impacts on inequality should take into consideration the economic spill over effects and the rural out migration produced by the program. Progresa-Oportunidades may not only affect income inequality, but it may also reduce or widen the already entrenched inequalities between the indigenous and non-indigenous population, as a large percent of rural recipient households are indigenous (Oportunidades, 2010a: 13). Thus, using a territorial lens of analysis allows a more

comprehensive or multidimensional analysis of the impacts of Progres-Oportunidades on poverty and inequality.

Not only is inequality an obstacle for sustained economic growth and development (Bourguignon, Ferreira and Walton, 2007; Stiglitz, 2012), but some scholars argue that when income inequalities align with ethnic and regional disparities, the possibility of social unrest increases (Stewart, 2008). While *vertical inequality* is used to describe inequality of income and wealth between individuals and households; *horizontal inequality* is used to describe inequality among groups or factors that determine identity, such as ethnicity..... (UNRISD, 2010: 59). Horizontal inequality is multidimensional encompassing economic, social, cultural and political dimensions. According to the UNRISD 2010 Report

“addressing ethnic and spatial inequalities is critical to poverty reduction for a number of reasons: 1) Between (or horizontal) inequalities make up a large component of overall inequality within any country; 2) regional inequality in large industrializing countries as well as in most developing and transition economies, appear to be on the rise; 3) inequalities between ethnic groups can lead to conflict, which is likely to affect development; 4) horizontal or between-group inequalities are significant because, in some situations, it may not be impossible to improve the position of individuals without tackling the position of the group” (2010: 81).

Mexico is a highly unequal country, with significant gaps between regions and groups, and where indigenous people are geographically clustered (PNUD, 2010a; Puyana and Murillo, 2011). Mexico is the second most unequal country among the OECD members, after Chile, in the most unequal region in the world (OECD, 2012; CEPAL, 2010a). Poverty and inequality in Mexico are highly concentrated in rural, small and indigenous communities, and mainly in the southern states of the country (CONAPO, 2010; PNUD, 2010a; CONEVAL, 2010c). Extreme poverty is found in dispersed and mountainous regions throughout the country; however, the southern states of Guerrero, Veracruz, Oaxaca and Chiapas have the highest proportion of their populations living in poverty and extreme poverty, and also the highest levels of inequality (CONEVAL, 2010c: 35).

Figure 3: Percentage of Population Living in Extreme Poverty per federal entity in Mexico: 2010



Source: CONEVAL, 2010.

Figure 4: Gini coefficient per federal entity: 2010



Source: CONEVAL, 2010.

In Mexico, there are about 7 million indigenous people, who are officially defined as those who speak an indigenous language, 72% of which live in small communities, relying mainly on subsistence farming and often lacking access to basic services (CONEVAL, 2012a). It is estimated that 79.3% are living in poverty and have significantly lower incomes than non-indigenous (CONEVAL, 2012a: 47). CONEVAL reports that 27% of indigenous people over 15 are illiterate, and a mere 1% have obtained university education (CONEVAL, 2012a: 173). Only 1.5% of the federal budget is directed to indigenous people through economic and social programs, including

Progres-Oportunidades (PNUD, 2010a: 79), though they represent 7 to 10% of the country's population (INEGI, 2010). According to a United Nations' Human Development report, Mexico presents "a systemic incapacity to direct the public expenditure to the segments with lower levels of development: the distribution of funds between states, municipalities and individuals is notoriously distanced from a criterion of equality and even generates inequality where there is an initial base of equality" (2011: 161; my translation).

It is well documented that regional inequalities have increased in Mexico, particularly since NAFTA came to effect in 1994 (Dávila, Kessel and Levy, 2002; Rodríguez-Pose and Sánchez-Reaza, 2005; Rodríguez-Oreggia, 2005; 2007; González-Rivas, 2007; Chiquiar, 2008; Rey and Sastre-Gutiérrez, 2010; Rodríguez-Pose, 2010; Baylis, Garduño-Rivera and Piras, 2011; Tello and Ramos, 2012). There is a consensus in these studies that NAFTA has increased the disparities between the country's northern and southern states. Evidence also suggests that "predominantly indigenous municipalities" have not benefited from economic liberalization (Puyana and Murrillo, 2010; PNUD, 2010a).⁴⁵

The World Bank 2009 Report: *Reshaping Economic Geography*, acknowledges that increased liberalization and trade will lead to greater regional disparities (2009: 6 and 12); these disparities however, will decline in the middle and long term: "evidence from today's industrial countries suggests that development has largely eliminated rural-urban disparities" (2009: 62). Rodríguez-Pose (2010), argues that the perspective of the World Bank 2009 Report "rests on three assumptions for which existing scholarly literature provides no firm answer. Namely: a) increases in trade lead to rising territorial inequalities; b) these inequalities subsequently recede as the country develops and are reduced overtime and c) the emergence of spatial disparities does not represent a threat to future development" (2010: 2). In particular, there is little understanding of how government policies and programs may affect regional inequality, particularly those that,

⁴⁵ Mexico's National Population Council (CONAPO) defines 'predominantly indigenous municipalities' as those in which 40% of the population, or more, speak an indigenous language.

like Progresa-Oportunidades, may influence regional labour mobility, which is seen as one of the factors conducive to regional inequality (Rodríguez-Pose, 2010: 14).

Progresa-Oportunidades is generally viewed as one of Mexico's most progressive programs for its positive direct impacts, but a closer exploration of the program's indirect impacts (regional labour reallocation and spill-overs) may provide a different perspective. To capture these indirect impacts, the unit of analysis must be broadened from households to the municipality or state levels. The program may in fact contribute to perpetuating or even increasing regional inequality, which in Mexico is closely aligned with ethnic and therefore social and economic disparities.

4.3. Conclusions

When considering Progresa-Oportunidades within Mexico's neoliberal development strategy, using the concepts of "neoliberal food regimes" and "cheap export labor model" it can be argued that the program has played a significant role in Mexico's development strategy. The non-explicit goals of Progresa-Oportunidades go beyond the reduction of extreme poverty, as the program has encouraged a large scale reallocation of the "redundant" rural population to other sectors of the economy, the manufacturing sector in particular. Given the poor performance of the Mexico's economy in generating sufficient jobs to absorb increased population growth and rural out migration, generated by the package of neoliberal policies regarding the agricultural sector, Progresa-Oportunidades is "manufacturing" a cheap labour force for the manufacturing sector, producing imbalances in the urban and rural labour markets. This has implications for Mexico's economy and society, including the worsening of labour conditions, by lowering urban wages and devaluing education credentials.

Given the large coverage of Progresa-Oportunidades, the program may be a factor in the trend of increasing regional and intraregional inequality in Mexico, particularly since NAFTA came into effect in 1994. To capture the direct and indirect impacts of Progresa-Oportunidades on inequality, a territorial lens of analysis is needed. Chapter five presents the findings of the field work conducted in Las Margaritas, Chiapas, a municipality which is representative of the poorest municipalities covered by

the program. The chapter describes the conditions in which Progres-Oportunidades operates and the ways in which its functioning contributes to regional and intra-regional inequality.

Chapter 5. Case study: Chiapas, Las Margaritas and La Trinidad

This chapter presents the findings from the fieldwork conducted in Chiapas during the summer of 2012. The analysis of the interviews supports the well-established literature that Progres-Oportunidades has been effective in reducing intensity of poverty by boosting consumption and improving basic indicators of nutrition, health and education. However, the incidence of extreme poverty in Las Margaritas has not been significantly reduced, even as Progres-Oportunidades has gradually expanded its coverage and additional federal and state resources have been directed to the municipality. In fact, food poverty has remained at alarming levels according to official data (Informe Municipal, 2011; CONEVAL, 2011). It is of symbolic relevance that President Enrique Peña Nieto officially launched 'Cruzada Contra el Hambre' in Las Margaritas in January of 2013. The findings from the fieldwork also raised the possibility that Progres-Oportunidades as currently implemented is deepening inequality in the municipality of Las Margaritas.

The chapter begins with a description of the socioeconomic conditions in Chiapas, Las Margaritas and La Trinidad to establish the context in which Progres-Oportunidades operates. The rest of the chapter presents the results of the interviews to help explain the paradox that Progres-Oportunidades, as currently implemented, is helping to reduce the intensity of poverty, but may be increasing regional and intraregional inequality in the absence of complementary policies to provide more access to and better quality of basic services and more employment opportunities within Las Margaritas. Three possible ways that Progres-Oportunidades may be contributing to increasing regional and intraregional inequality are examined: the distributional effects of cash transfers; the unequal provision of basic services with a particular emphasis on education; and impacts on migration.

5.1. Chiapas, Las Margaritas and La Trinidad

5.1.1. Chiapas

Chiapas has a population of 4,293,459 (INEGI, 2010) of which 27% are considered indigenous (INEGI, 2012a: 38). It has the highest proportion of people still employed in the primary sector, with the 40.5% of the working population reporting agriculture as their main occupation (INEGI, 2012a: 55).⁴⁶ In 2010, 51.3% of the population resided in communities with less than 2,500 people (INEGI, 2012a: 30). This state has the largest number of communities in the country, estimated at 19,386 localities (Gobierno Del Estado, 2012b: 11). The widely dispersed population presents a challenge for the provision of basic services such as electricity, potable water, sewage, rural roads, as well as health and education (CONAPO, 2010: 22).

The lack of basic services was one a key impetus behind the EZLN uprising in Chiapas in January of 1994, which drew international attention, and pressured the federal government to direct more resources to the state's poorest municipalities. Following the uprising, Chiapas has received significant attention from international Non-Governmental Organizations (NGOs), to the point that it has become the state with the highest concentration of international assistance projects in the country (Sánchez Gutiérrez, 2008: 301). In 2009, the state adopted the Chiapas-United Nations Agenda in its constitution, making it the first state in the world to mandate a Millennium Development Goals (MDGs) guided social policy.

In 2010 the state government prioritized poverty reduction, directing 76 cents of each peso from its discretionary budget to eradicate poverty in Chiapas; increasing to 79 cents in 2011 (Gobierno del Estado, 2012b: 24). Special attention was given to 28 municipalities in Chiapas with the lowest Human Development Index (Gobierno del

⁴⁶ The remaining, 13.6% in the secondary or industrial sector 45.7% in the tertiary or services sector and 0.2% not specified (INEGI, 2012a: 55).

Estado, 2012b: 72). Although Chiapas is only one of 32 states of the country, it received more than 10% of national resources directed to social development in 2010 (INEGI, 2010). Chiapas is also one of the top five recipients of the Municipal Social Infrastructure Fund (FISM) (INEGI, 2012b). Finally, as the state with the third largest absolute number of beneficiaries of Progres-a-Oportunidades cash transfers, Chiapas receives a significant injection of resources from this program.

Additional resources from the federal government and international organizations have led to notable advances in basic social indicators, as Table 5.1 shows. Until 2005, Chiapas occupied the lowest position in the 'Indice de rezago social' (Social Gap Index)⁴⁷ but by 2010 rose to 3rd from the bottom (CONEVAL, 2012b: 30). This has allowed the state government to claim significant advances in the fight against poverty and MDGs (Gobierno del Estado, 2012b).

5-1. Improvements in basic indicators in Chiapas: 1990-2010

	1990	2000	2010
% population with lack of access to health services	--	81.6	43.2
% population with educational gap*	43.2	36.8	32.9
% households without electricity	35.3	12.1	3.8
% households without piped water	47.9	31.1	25.8
% households without drainage	64.5	46.0	22.2
% households with dirt floor	50.9	41.0	14.8

Source: CONEVAL (Evolución de las dimensiones de la pobreza, según entidad federativa, México, 1990-2010).

These improvements are impressive at the state level, but many municipalities still face significant social deprivations (CONEVAL, 2012b). Despite improvements in

⁴⁷ Social Gap Index is a deprivation estimator calculated for the state, municipal and local aggregation levels, which incorporates indicators for education, access to health services, access to basic household services, quality and spaces of the dwelling, and home assets.

school enrollment, Chiapas continues to be the state with the lowest levels of educational attainment in Mexico, with an average of 6.2 years of educational completion, compared to 8.4 of years at the national level (PNUD, 2011: 113-116). At the highest illiteracy rate in Mexico, 18.4% of Chiapanecans above the age of 15 were illiterate in 2010, with a national average at 7.6% (INEGI, 2010). Because of the wide dispersion of the population and a high proportion of indigenous people, much of the education in Chiapas is provided by CONAFE (National Council for the Promotion of Education) and by the DGEI (General Directorate of Indigenous Education), both of which are concentrated in small, remote, indigenous communities. In a highly segmented educational system in Mexico, students attending these two institutions generally receive the lowest scores from national evaluations in basic knowledge tests (UNDP, 2011; CONEVAL, 2012a).

The educational system has expanded in Chiapas during the last decades. In some areas, this expansion was led by bilingual teachers, through “albergues indigenistas” or indigenous boarding schools. Since decentralization of the national educational system in 1992, expansion has included CONAFE, telesecundarias and state high schools. In the early 1990s, few municipalities had a high school; but today, a high school is found in each municipality (Gobierno del Estado, 2012b). This expansion of high school education may be in part a response to the demand generated by Progres-a-Oportunidades. Increased school enrollment is also linked to closing the gender gap in educational enrollment, and to declining fertility rates in the state, which has the highest birth rate in Mexico (INEGI, 2012a: 39). The expansion of the educational system in Chiapas appears to be one factor behind the increase in rural to urban migration within the state, and to other states of the country.

Migration is a relatively a recent phenomenon in Chiapas, compared to the traditional “expelling” states such as Guanajuato, Michoacán, Jalisco and Zacatecas (CONAPO, 2010). Since the mid-1990s Chiapas began to experience migration out of the state with a marked increase in the 2000’s (CONAPO, 2012: 18). There are several reasons behind recent migration within and outside of Chiapas, but impacts of

agricultural liberalization,⁴⁸ expansion of the educational system and lack of well remunerated employment opportunities within the state may be among the most important. Within the state, rural to urban migration has tended to flow to a few large urban centers such as Tuxtla Gutiérrez, San Cristóbal, Comitán and Tapachula. Tuxtla Gutiérrez, the state's capital has grown significantly since the early 2000s, as it has the best non-farm employment opportunities, which has attracted those with higher education credentials. It is the center for government institutions, hosts the state's main university, and has the highest concentration of manufacturing and services. The urban centers have been unable to absorb the constant flow of rural migrants even those with increased educational credentials, which adds to the pressure for national and international migration.⁴⁹

In sum, increased federal and international resources, expanded educational and other services, and growing remittances have led to notable improvements in basic human development indicators. Nonetheless, a large proportion of Chiapanecans continue to be excluded from access to basic services, and the quality of these services is far from adequate (CONEVAL, 2012b).

Poverty levels remain high in Chiapas. According to CONEVAL, Chiapas is the state with the highest percentage of its population living in multidimensional poverty and extreme poverty, as shown in figure 5.2.

⁴⁸ According to Levy and Wijnbergen (1992a) Chiapas was one of the states that were expected to be among the most negatively affected by the elimination of generalized food subsidies and price controls and by agricultural liberalization due to the high predominance of agriculture and maize producers.

⁴⁹ Chiapas has occupied the last place in foreign direct investment, from 1999 to 2012, of the 32 states in the country (INEGI, 2012a: 88).

5-2. Multidimensional Poverty in Chiapas: 2010.

Poverty	Percentage	Number of people (000)
Population living in poverty	78.4	3,777.7
Population living in moderate poverty	45.6	2,197.1
Population living in extreme poverty	32.8	1,580.6
Population with at least one social deprivation	91.5	4,410.8
Population with at least three social deprivations	48.7	2,349

Source: CONEVAL, 2012b.

A high proportion of Chiapas municipalities are poor. According to CONEVAL, 117 of a total of 118 municipalities located in Chiapas are poor, with more than 50% of their population in poverty; and 100 of these have between 75 and 100% living in poverty (2012b: 13). Similarly, 111 municipalities in Chiapas are classified as Zonas de Atención Prioritaria (Priority Attention Zones) (CONEVAL 2012b: 27).

Chiapas is the state with the highest percentage of population receiving cash transfers from Progres-Oportunidades. In 2010, 557,942 thousand households, or 69.4% of the total population, were receiving cash transfers from this program (Oportunidades, 2010a: 13). As almost all municipalities in Chiapas are poor, cash transfers represent a major influx of resources. The total amount of cash transfers has increased substantially as a result of the program expansion. Based on data from the program webpage, in 2002, Chiapas received \$1,775,922,320 pesos (about \$148 million USD) in cash transfers, and by 2012 this amount increased to \$5,942,669,835 pesos (about \$495 million USD). During this period, Progres-Oportunidades has transferred to the poorest households and municipalities in Chiapas a total of \$40,098,219,762 pesos (about \$3.3 billion USD). (See Appendix B for detailed information).

Despite increased attention and resources directed to Chiapas, and particularly its poorest municipalities, income poverty levels have remained high during the period 1990-2010, as figure Table 5-3 shows.

5-3. Evolution of Income Poverty in Chiapas: 1990-2010

	1990	2000	2010
Food Poverty	46.2	53.3	48.6
Capabilities Poverty	55.1	53.3	58.0
Patrimonial Poverty	75.1	79.1	78.1

Source: CONEVAL (Evolución de las dimensiones de la pobreza: 1990-2010).

Chiapas also continues to be the most unequal state in Mexico, despite slight reductions in the Gini coefficient between 1990 and 2010 (CONEVAL, 2012b: 25) as Table 5-4 shows. In Chiapas, the non-poor earn 40.8 times more than the poor population (CONEVAL, 2012b: 26).

5-4. Gini coefficient in Chiapas: 1990-2010

1990	2000	2010
0.543	0.542	0.515

Source: CONEVAL (Evolución de las dimensiones de la pobreza: 1990-2010)

5.1.2. Las Margaritas

The municipality of Las Margaritas falls within the administrative region known as 'Meseta Comiteca-Tojolabal' which is made up of seven municipalities and in which the city of Comitán is the regional center, where most government institutions and public and private universities are located. Though a main urban centre, Comitán's economy relies on agriculture, trade and services, and increasingly tourism. Comitán has become the entry point for the archeological sites of Chinkultik, Yaxchilán and Bonampak and natural sites such as Lagos de Colón and Lagunas de Montebello. Although Las Margaritas is 25 km away from Comitán many people commute on a daily basis for study, work, supplies and services.

Las Margaritas is geographically the second largest municipality in Chiapas and also the seventh most populated in the state, with a population of 111,484 (INEGI, 2010). Las Margaritas is a predominantly rural and indigenous municipality, made up of 398 communities, 396 of which have fewer than 2,500 people, and 211 with population of less than one hundred (Informe Municipal, 2011: 54). Las Margaritas is also the name of the main town, the center of the municipalities' administrative work, which in 2010 had a population of 20,786 (INEGI, 2010). Most communities within the municipality are connected to 'la cabecera' by unpaved dirt roads and tracks, and of the 738.9 km of roads that connect these communities, only 184.36 are paved (Informe Municipal, 2011: 66). Many of these roads are inaccessible during the rainy seasons.

The town of Las Margaritas is the hub where most services in the municipality are located, including the hospital, two high schools, two banks, various stores (drugstores, stationery stores, and clothing stores), services and the central market, which is critical to the economy of the town and the communities of the municipality. During the week, most activities are centered on municipal offices, but on weekends, the market draws people from the municipality's communities to sell their products and buy provisions. During these days the market spreads into surrounding streets and provides life to the town of Las Margaritas. The central market is a key economic driver for the town and represents a major source of income for the communities, who rely heavily on agriculture. The main crops produced in the municipality are maize, beans and coffee (INEGI, 2010). Most farmers obtain their income only once a year as production is dependent on the rainy season. In Las Margaritas 77% of the working population are employed in the agricultural sector, mainly in subsistence farming. The remainder work in local industry (6.4%), and trade and services (14.6%) (Informe Municipal, 2011). Logging is increasing to meet demand from Yucatan construction, as well as trafficking of fine woods. The only factory in the municipality produces candy.

There were 49,571 indigenous people in Las Margaritas in 2010, representing nearly 45% of the municipality's population (INEGI, 2010). Of these, 86% identify themselves as 'Tojolabales', while the rest are speakers of five other indigenous languages (INEGI, 2010). The number of indigenous people that did not speak Spanish in 2010 was 11,451 (INEGI, 2010). Illiteracy rates in Las Margaritas are among the

highest in Chiapas, with 17,120 illiterate people in 2010, representing 26% of the population (INEGI, 2010).

Reflecting the high proportion of indigenous population, the town of Las Margaritas is the regional center for the National Commission for the Development of Indigenous Peoples (CDI), which administers six 'albergues indigenistas' (indigenous boarding schools) within the municipality. The regional center also finances a wide number of projects that range from cultural to productive; and a radio station, locally known as "la Xuxepil", which broadcasts in five indigenous languages over a wide area extending beyond the municipality. The radio station is a vital communication link between communities and 'la cabecera' and an important tool for government institutions, as very few people in the municipality have access to telephones at home (7%), cell phones (20%), or internet connection (2%) (INEGI, 2010).

In addition to the services offered by the CDI regional center, Las Margaritas hosts two headquarters (Jefaturas de Zona) for indigenous teachers who provide bilingual education under the administration of the Dirección General de Educación Indígena (General Directorate of Indigenous Education). Many elementary schools are serviced by bilingual Tojolabal teachers (INEGI, 2010). Furthermore, a campus of the Universidad Intercultural was opened in 'la cabecera' in 2010 with the goal of promoting indigenous culture and languages.

Las Margaritas was relatively unknown until the 1st of January of 1994, when an armed group, most of them indigenous from the EZLN took over the municipal buildings. Las Margaritas was among seven municipalities that were seized on the same day in Chiapas. Soon after, Subcomandante Marcos, the official spokesperson of the EZLN, chose a tojolabal community within Las Margaritas as the operational base of this organization. Since then, Las Margaritas has become an entry point for military operations as well as national and international journalists, and 'leftist' groups with links to this organization. As a result of the uprising, several communities within Las Margaritas organized themselves into self-declared 'autonomous municipalities' and have refused any kind of government intervention. The 'Zapatista' uprising caused severe conflicts within and among communities, and led to displacement of hundreds of

families within the municipality, and to the creation of new communities. Many others moved to the outskirts of 'la cabecera' and continued to experience severe marginalization as the municipality was not able to provide immediate services to the displaced population (Informe Municipal, 2011).

From the mid-1990s, Las Margaritas experienced significant expansion of schools to serve these newly established and growing communities. This expansion was led mostly by CONAFE and to some degree by telesecundarias schools, as these institutions tend to target small and dispersed communities. However, while elementary schools now reach almost 100% of communities, most still lack secondary schools. This means that parents from these small communities must send their children to the few technical boarding schools in the municipality or to 'la cabecera' to continue with their secondary or high school education; and to Comitán or Tuxtla Gutiérrez to attend university. Most poor families are not able to afford the high costs of sending children out of the community.

Migration to Comitán and to other urban areas in Chiapas has increased for those with better educational credentials, because of the lack of employment opportunities and the very poor wages offered in Las Margaritas (Informe Municipal, 2011). The lack of secondary schools and of well-remunerated jobs within Las Margaritas has also led to increased rates of temporary and permanent out-migration among youth with low levels of education. For them, the Yucatan peninsula and increasingly the US have served as an escape valve since the mid-1990s. Buses to Yucatan and to the US border of Altar, Sonora, travel weekly from Las Margaritas. This increasing level of migration is easily understood simply by listening to 'la Xuxepil', the local radio station, which transmits daily messages from migrants letting their family members know when to pick up the money they are sending, or simply sending greetings to their families. Remittances to Las Margaritas have become an important income for households and communities, and increasingly significant for the economy of Las Margaritas. Although there is no available data regarding remittances to the municipality, these appear to be large according to a radio announcer in charge of the comunicués (GO11: Las Margaritas).

Government officials interviewed acknowledged that Las Margaritas has received increased attention and resources as a result of the EZLN uprising. Adding Las Margaritas in 2008 to the federal list of Zonas de Atención Prioritaria (ZAP) provided yet more attention and resources. This prompted expansion of basic services, and improvement in several human indicators, as shown in Table 5-5. The notable exception is access to education which has shown less progress than the other indicators.

5-5. Improvements in basic indicators in Las Margaritas: 1990-2010

	1990	2000	2010
% population without access to health services	---	83.1	33.8
% population with education gap	51.7	46.1	43.8
% in households without electricity	65.5	16.5	5.1
% in households without piped water	81.0	49.8	20.5
% in households without drainage	92.3	81.6	59.8
% in households with dirt floor	76.6	59.4	15.0

Source: CONEVAL (Evolución de las dimensiones de la pobreza, según municipio, 1990-2010).

In 2010, the total public investment in Las Margaritas from both state and federal governments was \$452,196,000 pesos, of which a total of \$304,738,000 pesos (approx. US \$25 million) were directed to social development, and the rest to economic development (INEGI, 2010). Nearly half of this amount represented cash transfers distributed by Progres-Oportunidades (INEGI, 2010). In 2010, there were 17,680 households receiving cash transfers in Las Margaritas, or 88% of 20,285 households in the municipality (INEGI, 2010). By January 2013 the number of recipient households increased to 19,508, according to data provided by the program's webpage⁵⁰; which would suggest 96% were recipients of cash transfers.⁵¹ As such a large proportion of people are recipients of Progres-Oportunidades, the cash infusion could be expected

⁵⁰

See:

http://www.oportunidades.gob.mx/Portal/wb/Web/apoyos_emitidos_a_las_familias_beneficiarias_por_c

⁵¹ The 96% is calculated on the 2010 households figures as numbers are not available for 2013.

have economic spillover effects in the municipality, as will be discussed later in this chapter. According to my own calculations from the data provided by the program's webpage, during the period of 2002-2012 Las Margaritas received an injection of \$1,144,841,858 pesos (about US\$95.5 million) from Progres-a-Oportunidades cash transfers (See Appendix B).

Despite increased public and private resources, poverty levels remain high in Las Margaritas, as shown in Table 5-6. A striking figure is the small number deemed neither poor nor vulnerable.

5-6. Multidimensional Poverty in Las Margaritas: 2010.

Poverty	Percentage	Number of people
Population living in poverty	92.9	115,205
Population living in moderate poverty	32.2	39,866
Population living in extreme poverty	60.8	75,339
Population not living in multidimensional poverty and not vulnerable	1.0	1,256
Population with an income lower than the minimal welfare line	73.5	91,199
Population with an income lower than the welfare line	93.2	115,560

Source: CONEVAL.⁵²

The next table 5-7 shows that in the 2000-2010 period, when significant resources were flowing to the municipality, minimal impact was made on poverty levels. Food poverty declined marginally, and capabilities and patrimonial poverty increased. When looking at the trend over two decades, all three income poverty increased since 1990, and despite added resources, food poverty has not even returned to the levels of 1990.

⁵² This data is available at: <http://www.coneval.gob.mx/Medicion/Paginas/Medici3n/Informacion-por-municipio-en.aspx>

5-7. Evolution of Income Poverty in Las Margaritas: 1990-2010.

	1990	2000	2010
Food Poverty	64.9	70.8	69.3
Capabilities Poverty	73.3	77.5	78.3
Patrimonial Poverty	88.6	90.4	92.8

Source: Evolución de las dimensiones de la pobreza 1990-2010, CONEVAL

To highlight the significance of food poverty in the municipality, President Enrique Peña Nieto launched a national program 'Cruzada contra el Hambre' in Las Margaritas on January 21 of 2013. This program was established to target 7.4 million people in the poorest 400 municipalities in Mexico for reduction of food poverty and will inject additional state and federal resources to Las Margaritas. Several days prior to the launch of the program, the EZLN leaders coordinated marches in several municipalities in Chiapas on the 19th anniversary of the uprising, including Las Margaritas, as a symbolic protest against the return of the PRI to power. While there is a general impression that EZLN relevance has been diminished, these marches revealed not only the continuing strength of this organization but the persistence of severe marginalization and exclusion in these largely indigenous municipalities. It may be for this reason that Peña Nieto chose Las Margaritas for launching the program.

It is interesting to note that while poverty has slightly increased, CONEVAL data indicates a slight reduction in income inequality in Las Margaritas as measured by the Gini coefficient, shown in the Table 5-8.

5-8. Gini coefficient in Las Margaritas: 1990-2010

1990	2000	2010
0.381	0.456	0.390

Source: CONEVAL (Evolución de las dimensiones de la pobreza 1990-2010)

This reduction in income inequality from 2000 to 2010 may be attributed in part to cash transfers delivered by Progres-Oportunidades, as they represent a significant portion of income for the majority of households in Las Margaritas. Remittances are likely another part.

5.1.3. La Trinidad

La Trinidad is a very poor and remote community of about 600 indigenous 'Tojolabales' located on the outskirts of the municipality of Las Margaritas. La Trinidad lacks most basic services including electricity, potable water, and sewage system; and community members have to walk about three and a half hours along a mountain trail to reach the closest road in the region. From there, people from La Trinidad depend on a poor and unreliable private truck service for a minimum 6 hour journey to reach 'la cabecera', depending on weather conditions. While the municipality built a dirt road to La Trinidad in 2012, after a few years of construction, the rough condition of the road makes it difficult to use and community members cannot afford cars.

La Trinidad is located within a remote micro-region which was virtually isolated until the early 2000s, when a road through the micro-region was built. Many communities within this micro-region fell under the EZLN influence which prompted the government to establish a military camp in the area. Initially, all members of La Trinidad were sympathetic to the social movement; however, as a result of the uprising the community splintered into three different groups. Politically, a small group still participates in the EZLN ('Grupo-Zeta') and has refused any government assistance following the organization's mandate.

All members of the community of La Trinidad are extremely poor and rely largely on subsistence farming, maize and beans for own consumption, and coffee for which they receive an income once a year. Sale of coffee provides the main source of income for most households and is used to buy basic provisions once a year. However, when the international price of coffee is low, this income is reduced significantly. Since 2004 a total of 69 households from Grupo-PRI have been recipients of cash transfers from Progres-Oportunidades. As members of Grupo-PRI have no other sources of regular income, cash transfers represent a significant part of their incomes, as well as a regular injection of resources into the community. This makes the economic impacts of Progres-Oportunidades clearly identifiable.

Like most rural communities within Las Margaritas, La Trinidad has a CONAFE elementary school but because of its size and inaccessible location, lacks a secondary

school within the community. This means that to continue education beyond elementary school, parents must send their children out of the community to boarding schools or to schools in 'la cabecera'. This fact allows examination of the potential impacts of cash transfers on secondary education and the breaking of the intergenerational cycle of poverty.

5.2. Impacts of Progresa-Oportunidades on poverty and inequality in Las Margaritas

The following section presents opinions stated in the interviews which were conducted in Las Margaritas during the summer of 2012 with the goal of understanding the potential impacts of Progresa-Oportunidades in reducing short and long term poverty. Comments made during the interviews, as well as my own observations, raised concerns that cash transfers offered by this program under existing conditions, may contribute to increasing regional and intraregional inequality. The following sections explore three possible ways that Progresa-Oportunidades may affect regional and intraregional inequality: distributional effects of cash transfers; unequal provisions of services and migration patterns. Comments from interviews are inserted according to relevance to each topic, with a summary at the end of each section.

5.2.1. Distributional effects of cash transfers

The short term goal of Progresa-Oportunidades is to alleviate extreme poverty by targeting cash transfers to the poorest households on a regular basis so as to ensure at least a minimal level of consumption. Targeting was seen as a more efficient way to reach the extreme poor, compared with previous food policies that were criticized for being ineffective, urban biased and highly costly. In addition, the program's designers assumed that cash transfers rather than food subsidies would give beneficiary families "complete freedom in their spending decisions" (Levy, 2006: 4). Finally, it was also assumed that cash transfers would produce multiplier or spillover effects in the local or regional economy (Levy, 2006: 69). This section examines the distributional effects of cash transfers from the point of view of targeting, consumption, and spillover impacts in the municipality of Las Margaritas.

Targeting Errors

Since 1998, the coverage of Progres-Oportunidades in Las Margaritas expanded to the point that by 2010, the program covered a total of 17,680 households, about 88% of the 20,285 households in the municipality (INEGI, 2010). By January 2013 the number of recipient households has increased to 19,508, according to data provided by the program's webpage.⁵³ Of this number, 2,370 households are from 'la cabecera', representing about half of its population (GO10: Las Margaritas). While it appears that Progres-Oportunidades is well targeted to cover most poor communities and households in the municipality, exclusion and inclusion errors were identified by both recipients and government officials. When questioned whether poor households or communities are excluded from the program, most respondents agree that some are excluded. The main reasons given include: lack of required documents for enrollment in the program, absence when the socioeconomic survey was conducted, length of time for the program to incorporate new recipients due to budget constraints and refusal of government programs by 'Zapatista' communities. However, most interviewees also agreed that these exclusion errors are minimal and felt they are being addressed. An official argued that prior to the advent of this program, rural residents often felt no need for formal documentation, but now the program has put pressure on people to obtain documents in order to receive cash transfers from Progres-Oportunidades (GO17: Las Margaritas). Another official indicated that many 'Zapatista' communities have relaxed their opposition and have welcomed cash transfers from Progres-Oportunidades following an agreement between the program's state administration and a leader from the EZLN (GO1: Tuxtla Gutiérrez). This is not the case in Trinidad, as the 'Grupo-Zeta' continues refusing any kind of government support.

Two Oportunidades front line staff stated that almost one hundred percent of the communities in the areas where they work received cash transfers from the program, although within these communities, there are households who are not recipients (GO4-GO5: Comitán). While most communities within the municipality are included by the

⁵³See: http://www.oportunidades.gob.mx/Portal/wb/Web/apoyos_emitidos_a_las_familias_beneficiarias_por_c

program, potentially eligible households are excluded mainly because of the program's budget constraints that do not allow a frequent expansion of the program, meaning that it can take a few years to incorporate new families. For example, when a young couple is married it can take some time before they become recipients of cash transfers. In another example, while I was conducting my fieldwork, members of La Trinidad organized a community meeting for the purpose of applying for Oportunidades or PAL (Programa Alimentario). At the end of the meeting a total of 84 families from 'Grupo PRI' and 'Grupo PRD' were identified who did not receive cash transfers, more than the 69 households that are recipients. It appears that with the high fertility rates and young reproductive age that persist in these rural poor communities, the program cannot keep up with the growing number of eligible households which is perhaps the main reason why some households are excluded. The apparent discrepancy between official program numbers and my observations as well as respondent opinions, may be explained by the lag time between census tallies by INEGI and Progres-Oportunidades household counts.

Of greater concern to most officials, however, were the errors of inclusion, which they felt are more prevalent in 'la cabecera', where the less poor reside. All government officials interviewed stated that many people who should not receive cash transfers are in the program and agreed that attention needs to be given to reduce these inclusion errors. A comment repeated by several interviewees and in other conversations with local residents was that in urban areas there are cases where "the lady of the house receives Oportunidades, while her servant does not" (GO:16: Comitán). Interviewees also felt that this was not the program's fault, but there are people who cheat in order to obtain cash transfers. One official even described common strategies to become recipients, such as hiding their furniture or cars, at the time when the program's household survey is expected to be conducted, in order to falsify eligibility (GO14: Comitán).

All Oportunidades officials admitted the problem, complaining particularly about the high number of teachers who have infiltrated the program. When asked about the weaknesses of Progres-Oportunidades, a senior program official identified inclusion errors, recognizing that the lack of coordination with other institutions makes it difficult to

verify eligibility and correct these errors, as it can take up to three years to correct them. While acknowledging that inclusion errors represent a small percentage of total recipients, the official argued that "the serious nature of an error of inclusion is that it is leaving out a family that really needs it, that's the real problem of an error of inclusion, it is allowing an error of exclusion" (GO1: Tuxtla Gutiérrez).

While Progres-Oportunidades has expanded in Las Margaritas to cover most households and communities, this expansion has not been accompanied by increased administrative resources that would allow more efficient monitoring. Oportunidades officials cited lack of personnel for monitoring the increasing number of households, where one official may be responsible for attending up to five thousand households (GO5: Comitán). Only a few trucks are available for monitoring and often there is no money for gas. One interviewee complained about lack of staff training (GO4: Comitán); while another complained about the few benefits they receive (GO3: Comitán). The regional office of the program which is located in Comitán is in poor condition, particularly compared to other government offices, which target other segments of society. Not surprisingly, senior program officials highlighted the financial efficiency of Progres-Oportunidades as one of the program's strengths, in that almost all money reaches the poor and overhead costs are very low, and without intermediaries involved. It can be argued that this also limits the capacity of the program to monitor and correct targeting errors. The program may be financially efficient, but it is administered by a poorly trained and equipped bureaucracy, at least in this area of Chiapas.

Summary: Both government officials and community members agreed that exclusion and inclusion errors occur, with exclusion being of great concern to community members, but inclusion errors of more concern to government officials.

Impacts on Consumption

As a large proportion of households in Las Margaritas rely on subsistence farming, cash transfers offered by Progres-Oportunidades represent a significant and reliable source of income. Given the high level of food poverty in the municipality, cash transfers are most likely to be used for improving food consumption. Based on

comments from the thirty five interviews conducted, this section examines how cash transfers offered by Progres-Oportunidades impact household consumption.

As described in chapter two, the goal of providing cash transfers was not to lift people out of poverty, but simply to provide a minimal income to guarantee basic consumption that would enable households to invest in the human capital of their children. In order to avoid reducing the incentives to work and to invest, as well as to prevent the emergence of a 'welfare-dependent class', cash transfers had to be small, conditional and temporary (transitional). Transfers are targeted to women as opposed to men, under the assumption that women would more likely use the transfers for the family, rather than for buying alcohol or cigarettes. Transfers are delivered every two months, in person by Oportunidades personnel and increasingly by wired bank transfers. While all recipient households receive a fixed amount for basic consumption (about \$70USD) the amount of total transfers, is determined by the number of children attending school, as grants are higher at each level of education and are marginally higher for girls, with the goal of reducing the gender gap in education enrollment and completion. To avoid creating an incentive to have more children, the program imposed a cap on the total amount that a household can receive.

Most extreme poor are located in rural communities within Las Margaritas, and all officials interviewed shared the belief that cash transfers had a greater impact on rural communities, because it is there "where it is most needed" (GO3: Comitán). For most interviewees, cash transfers are seen as critical for the support of rural communities, as one official stated: "It has helped a lot, I think that at this moment the program is the main support of most communities, because, there are families who depend almost completely on Oportunidades help, therefore, I believe that Oportunidades has been critical for the economic survival of many families" (GO7: Las Margaritas). Overall, cash transfers were seen as well spent on the purposes for which they were intended. Most interviewees agreed that cash transfers are mainly used to buy food, clothes, shoes, school and agricultural supplies, mostly fertilizers. What emerges from the interviews is that cash transfers are used for whatever the households need at the moment, as one of the program officials put it: "if at that moment they do not have anything to eat, they go and buy food, if at this moment someone in the family is sick, they go and spend it on

health because that is their priority” (GO3: Comitán). According to interviewees, cash transfers have not only supported direct consumption, but the reliability of the cash transfers have relaxed credit constraints and allow recipients to buy groceries and household goods and pay once the transfers are received (GO5: Comitán). Interviewees also highlighted that cash transfers have led to improvements in households’ conditions. A program official even argued that today thanks to these transfers “in most households there is a television or a stereo” (GO3: Comitán). While it was impossible to verify this, in La Trinidad, which has no electricity, cash transfers are mostly used for food consumption.

There were, however, some criticisms of how cash transfers are being used. Some officials felt it is men who ultimately decide how the transfers are to be administered, but most officials claimed that this dynamic is changing and that there is a growing recognition that the transfers should be administered by women. In La Trinidad, while acknowledging that men usually keep a small amount of the transfers, interviewees commonly referred to the program as the ‘women’s program’. All officials and members of La Trinidad interviewed agreed that a few men spent part of the cash transfers on alcohol, although this was not a general problem but something experienced by a very limited number of recipient families. A few interviewees also recognized that alcohol consumption among males often led to family violence, which ended with men forcibly taking part of the cash transfers kept by their wives. Alcohol consumption was seen as a significant enough problem that program officials in the region convinced authorities to prohibit its sale in all locations at the time where cash transfers are distributed. This provides an example of the power that program officials have to influence the behaviour of recipients.

Another common critical opinion, particularly among government officials was that recipients have become less productive as a result of the cash transfers. One government official stated: “well, I have noted that the Oportunidades program has achieved more positive impacts in the families, but it has also its cons, because in many cases the father, knowing that an income comes in every two months, tends neglect his farming activities” (GO6: Comitán). A senior Oportunidades official countered that the idea that the program reduces productivity is a myth, because cash transfers are simply

too small. Responding to complaints by wealthy families in the state that they could no longer find domestic workers, the official argued that: "...whatever the Oportunidades program gives is a simple support, it does not ensure the feeding or health or education of a family, and they have to work, because it is simply a little help so they can reach the line of poverty, but the Oportunidades program will not get them out of poverty, I mean, it is not to lift them out of poverty, it is for basic needs... " and concluded by asking them "who of you could live with this amount of money and quit work?" (GO1: Tuxtla Gutiérrez). In La Trinidad, while some also complained that cash transfers were making community members lazy, leading recipients to buy maize rather than producing it themselves, most interviewees argued that men continue working because "whatever Oportunidades gives is very little, it is not enough for consumption" (TCM4).

Rather than reducing productivity, it appears that cash transfers have led to recipients becoming dependent on them for daily consumption expenses, according to most interviewees. This means that cash transfers have been assumed by recipients as a right despite the many conditions or 'co-responsibilities' involved, as one program official explained (GO1: Tuxtla Gutiérrez). This puts into question the supposed transitional nature of Progres-a-Oportunidades, as no government could attempt to phase out cash transfer without strong resistance from recipients. In fact, the amount of cash transfers is more likely to be increased in order to keep up with rising inflation rates and for politicians to gain or maintain political power. When asked how people would react if cash transfers were removed, all interviewees believed that it would lead to serious social unrest. Most recipients in La Trinidad felt that people will organize and likely take over the municipal hall, because there are many recipients now who have become dependent on the transfers after many years of receiving them. Some communities have already experienced social unrest even if they miss a single payment; in one instance a female official was assaulted and held hostage by members of a community from Las Margaritas, and despite heavy police intervention, the official was not released until payment was received (TCM17). These types of events led government officials to forecast even more violent responses if the program was to be dismantled, and a few felt that a rebellion such as the EZLN would emerge again, while a senior Oportunidades official even argued that "the revolution will be greater than the one of 1910" (GO1: Tuxtla Gutiérrez).

When asked if Progres-Oportunidades has helped to reduce poverty in Las Margaritas, some officials were ambiguous or critical, but most perceived that poverty has been declining as a result of this program. However, their responses were limited to highlighting increased consumption and education enrollment; one Oportunidades official simply stated that “it has helped a lot to the point that it is a pioneer program at the global level” (GO3: Comitán). Recipients in La Trinidad however, felt that poverty has not been significantly reduced in their community. When questioned if poverty has been reduced in the last years, and if so which factors have been responsible, cash transfers were rarely included in their answers; members considered the establishment of the elementary school in 2000 and the new road as the most important contributing factors in the reduction of poverty in their community. All interviewees admitted that while cash transfers have been important for poor families, they recognized that they are only of little help. In fact, cash transfers are usually referred to as “un apoyo” or little help. In La Trinidad, arguing why poverty has not been reduced by cash transfers, interviewees provided the following comments: “it provides a little bit of support but not enough to lift them out of poverty” (TCM17); “the support is given once every two months, but because there are so many children the money is finished after one month, and because there are many needs, the money is not enough” (TCM16); “It helps us not to die” (TCM11).

While cash transfers are perceived as minimal help, all interviewees agreed that conditions would worsen if the program were to be ended. After being asked what would happen if the program disappeared, comments included: “If the conditions are bad right now, they'd be unbearable if the program disappeared, it's almost like giving oxygen to someone who can't breathe” (GO16: Comitán); “while they are receiving the program, I think they are better off, as it is money they receive, to cut off the program will cause them to suffer, because they have been receiving it for years, and now depend on it” (GO17: Las Margaritas); “if the program is ended, they would have to migrate, go to the United States” (GO6: Comitán). A senior Oportunidades official theorized that if the program is suddenly dismantled, about 20% of current recipients will fall into food poverty, based on the fact that rapid population growth has outstripped the availability of land even to guarantee household subsistence (GO1: Tuxtla Gutiérrez). La Trinidad interviewees commented that if the program were dismantled: “there will be more

suffering, because money is hard to find" (TCM4); "the whole community will migrate, and only women will stay, Oportunidades helps a bit, though it is not much of an investment, at least it's something" (TCM16).

When questioned whether conditions would worsen if the program were removed, some interviewees stated that some recipients are more likely suffer, if they receive greater amounts of cash transfers due to large family. Interviews pointed out that some households benefit more than others, because of the conditions imposed by Progres-Oportunidades. As the program provides grants according to the number of children and level of education, this means that households closer to secondary and high schools benefit disproportionately from cash transfers. Thus, households located in urban areas or in communities with schools receive larger cash transfers; while households from the smallest and more remote communities, who typically lack schools, receive smaller cash transfers, which translate to lower consumption rates. The disparity is more pronounced when considering that households from small communities tend to marry earlier and have higher fertility rates than those in urban areas. These households not only receive a significantly lower amount, but the small amount received has to be shared by a larger family.

Many communities in Las Margaritas are too small to support schools beyond the elementary level, which means that many students drop-out of school due to the high costs of continuing their education outside of their communities. In La Trinidad, for example, as the majority of recipient households no longer have children in school, because there is no secondary school within the community, most households receive only the basic fixed amount of about 900 pesos every two months. In addition, as students tend to drop out after elementary school, they are likely to marry and have children at a very young age and so become potentially eligible for cash transfers from Oportunidades. Those families with school age children no longer in school are still obligated to continue attending health checkups and workshops to receive the basic amount. By comparison, households with children in higher levels of school can receive bimonthly payments up to about 5,000 pesos, a significant amount when considering the low wages rates prevalent in the municipality, where a local police officer receives a monthly salary of \$4,500 pesos (Informe Municipal, 2011).

Summary: While government officials were somewhat more positive about the benefits of cash transfers, both officials and community members agreed that cash transfers have become essential for basic consumption, but are insufficient to make any significant impact on their conditions of poverty.

Economic spill-overs

According to program designers, previous food subsidy policies, even those that reached the poorest households were finite, and cash transfers were seen as preferable as they would produce multiplier effects, potentially leading to regional economic development (Levy, 2006: 69). Based on interviews and field observations, this section describes the possible economic spill-over effects produced by cash transfers in Las Margaritas.

While cash transfers per household are relatively small, the overall amount of cash transfers distributed represents a significant injection of resources due to the large number of recipients in the municipality. Las Margaritas is the municipality in Chiapas with the third largest absolute number of recipients of Progres-Oportunidades; therefore, in theory this municipality should have benefited from multiplier effects or spill overs from cash transfers. This amount is likely to be a factor in the reduction of income inequality as previously shown in Table 5-8. Of note is that from 2002 to 2012 about US\$90 million has been injected into the municipality (See Appendix B).

While Progres-Oportunidades is moving to delivering cash transfers by electronic bank transfer, in Las Margaritas, program officials continue distributing the cash in person. The program's regional coordination has divided the municipality into five regions for administrative and distribution purposes, which means that recipients must travel to their specified location to collect their transfers. 'La cabecera' is one of the centers where payments are made. Every two months, these locations welcome recipients from surrounding communities, who normally come with their husbands and children, and the event becomes a major celebration. These gatherings provide a rare opportunity for members of different rural communities to network and exchange information regarding topics such as government programs, political issues, and employment opportunities both within and outside the country. These occasions also

attract many small traders from 'la cabecera' who according to a program official, follow the trucks of the program's officials on the day when cash transfers are distributed. As the payments are distributed, traders set up a day market where they sell a variety of products such as fruits, vegetables and clothes to recipients (GO5: Comitán). This system is so established that according to one Oportunidades official, well organized communities may even demand a tax from these traders (GO3: Comitán).

It is clear that the days when cash transfers are delivered have the most potential for spill over effects as everyone has the chance to both buy and sell. As expressed by an Oportunidades official, cash transfers not only benefit poor households by increasing their purchasing power but "it has helped all traders in general, in all communities, because pay days are definitely sale days for small or large businesses, something gets to all businesses, and for them it is good then, because they also obtain incomes as a result of Oportunidades" (GO3: Comitán).

On these days, families may spend part of the cash transfers, depending on their immediate needs, prices and products available. However, in rural communities, vendors usually sell at inflated prices. One government official explained: "they sell those things very expensively, for example, if in the 'cabecera' something costs 50 pesos, they sell the same item for 120 in these communities. There is abuse, knowing that there is extra money on that day" (GO12: Las Margaritas). When questioned if vendors have benefited from cash transfers, all recipients in La Trinidad agreed they have benefited because "there is money, then, the poor peasants go there to spend all the money from Oportunidades, it is the traders who really win" (TCM5). Some interviewees in La Trinidad had the impression that these urban traders were taking or 'stealing' the money away from the poor peasants, one interviewee even referred to them as "wolves" (TCM7). As these vendors often sell at inflated prices, most rural recipients prefer to obtain certain goods in stores located in 'la cabecera', goods such as soap and salt, which not only are more expensive in the community, but can last for a long period of time. However, from the time they receive their money to when they make their trip to 'la cabecera' the cash transfers serve to ease households' financial constraints for daily consumption, which means that there is some increased trading

activity within the communities. It appears however that spill over impacts within rural communities is insignificant as most transfers are spent in 'la cabecera'.

As most rural recipients travel to 'la cabecera' to purchase their goods, the spillover effects are likely to be concentrated there. The central market, small groceries stores and clothing stores, appear to benefit most from recipients' spending, as one municipal official mentioned: "as soon as they get their cash transfers, they go to the market" (GO10: Las Margaritas). Small grocery stores known in Mexico as 'abarrotes' were also mentioned by officials as one of the businesses which have benefited significantly from cash transfers: "they benefit a lot, in one way or another, because imagine if the cash transfers are delivered in one area, all of the businesses in that area are going to gain. Those merchants calculate the days that the transfers are distributed and buy extra goods in anticipation, and that means that they do very well on those days" (GO5: Comitán).

In 2010, in response to the increased purchasing power of its population, 'Aurrerá' was inaugurated in Las Margaritas. Aurrerá is part of a chain of supermarkets owned by Wall-Mart. Prior to the opening of this store, there was vocal and strong resistance from market vendors, mainly from the main central market, but despite this Aurrerá opened. The only group which could present significant opposition was that of the owners of the few 'tortillerias' (tortilla shops) who are among the wealthiest local families. Aurrerá would have sold tortillas more cheaply, putting tortillerias out of business. According to conversations with local residents, Aurrerá has now become the main competition not only to food vendors but also to those stores who sell appliances and other household goods. Aurrerá's slogan is "the champion of the lowest prices". While the opening of Aurrerá was highlighted by both the municipal and state governments as a major economic boon as the store invested 34 million pesos in Las Margaritas (Gobierno del Estado, 2012: 28), in the end the store provides only very low paid jobs, requiring little education.

Las Margaritas has a limited number of shops and services for essential non-food purchases, such as pharmacies, clothing and shoe stores, hardware stores and agricultural supplies. These stores are owned mostly by the wealthiest families of Las

Margaritas, who literally represent the 1% of the population in Las Margaritas deemed not poor or vulnerable (by CONEVAL's definitions). It appears that a large percent of the cash transfers end up in the pockets of these local elites, and increasingly in the hands of transnationals such as Aurrerá.

While there is no question that most households and communities in Las Margaritas have benefited from a greater flow of resources, there is little evidence that cash transfers have produced significant economic development in the municipality of Las Margaritas. Initially, food traders may have benefited more from cash transfers, but increasingly Aurrerá is taking advantage of the increased disposable income of the large number of poor residents in Las Margaritas. Petty traders are not getting richer, while the local elites may be increasing their wealth. Finally, as most vendors obtain their merchandise in Comitán, this city has likely benefited significantly from an increased purchasing power of residents of Las Margaritas and other municipalities for which Comitán is the regional center.

Summary: Government officials and community members agreed that cash transfers benefit not only recipients, but merchants and business owners, especially in the 'cabecera'.

5.2.2. Differential access to schools

Since its implementation, the main goal of Progres-Oportunidades has been to break the intergenerational cycle of poverty by improving health conditions and by funding the education of children from the poorest households. The program was built on the assumption that better health and increased years of schooling would facilitate their insertion into the labour market. The program is demand-driven, which means it is not responsible to supply health and school infrastructure for recipient households, but relies on other institutions for the supply of infrastructure as well as for the quality of these services to meet the increased demand generated by the program. This section examines to what degree grants offered by Progres-Oportunidades have influenced school enrollment and completion rates in Las Margaritas that could potentially lead to the long-term reduction of poverty.

Expansion of educational services in Las Margaritas.

Las Margaritas has one of the highest illiteracy rates in Chiapas and low rates of educational attainment, with an average of 5.03 years of education (INEGI, 2010). According to an official from IEA (Adult Education Institute) in Las Margaritas, these poor outcomes are the result of both the limited resources the IEA illiteracy program has to expand its coverage throughout the municipality and the inability of the formal education system to keep students in school (GO7: Las Margaritas).

From the late 1970s, the educational system expanded significantly in Las Margaritas. According to a retired bilingual teacher, this expansion was led mostly by indigenous teachers of the DGEI, who in the 1980s set up many of the first elementary schools in communities throughout the municipality (GO9: Las Margaritas). In addition to these elementary schools, fourteen indigenous boarding schools (*albergues indigenistas*) were established to provide food and accommodation to children from small communities without elementary schools. By the end of the 1990s, the role of 'albergues' diminished mainly because of the expansion of CONAFE, which now provides services in many of those small communities who used to send their children to the albergues. Today, only six albergues remain, while the rest have been converted to 'comedores escolares' (dining buildings) simply providing lunch but no longer accommodation to indigenous students (GO8: Las Margaritas). While the numbers of boarding schools have been decreasing, bilingual schools are still widespread in Las Margaritas, with 126 indigenous elementary schools operating in the municipality of a total of 257 (INEGI, 2010).

A senior CONAFE official acknowledged that the program has grown since 1994 as a result of the EZLN uprising (GO18: Tuxtla Gutierrez). CONAFE was created by presidential decree in 1971 to provide elementary education to rural and dispersed communities too small to support a school from the formal educational system. These are mostly peasants and indigenous peoples living in marginalized communities and often in extreme poverty. CONAFE provides services to those communities with between 5 and 29 students. In theory, communities with more students are eligible for a formal school. Because of the small number of students, CONAFE provides multi-grade classes, which means that one teacher is often responsible for instructing children from

all levels. CONAFE teachers are not professionally trained or certified; they are young people who after two months of basic training provide this service normally for one or two years in return for a grant to continue their own education. These ‘instructores comunitarios’ (community instructors) tend to be very young, between 15 and 20 years old and typically have only completed secondary or high school. While they are teaching they receive a small stipend, but for each year of service they receive three years of educational scholarship. Since the early 2000s, CONAFE has also started to provide secondary education, and while this service is still limited to only a few schools, it is expanding rapidly according to program officials (GO16: Comitán). According to the data provided by a CONAFE official in Las Margaritas, there are 187 services provided in the municipality of which 87 are elementary schools, 6 are secondary with the remaining being pre-schools (GO17: Las Margaritas).

The expansion of schools in Las Margaritas has been mostly at the elementary school level as confirmed by all the interviewees in the educational institutions. There is serious concern about the lack of schools at higher levels, as expressed by the IEA official interviewed: “elementary schools are almost covered a hundred percent, so, we would say that at the primary level there are enough, but not in the immediate upper levels” (GO7: Las Margaritas). The following figure shows the dramatic drop-off from elementary to secondary school and secondary to high school.

5-9. Total number of schools and students in Las Margaritas, 2010-2011

	Number of schools	Number of students*
Elementary school	383	21,017
Secondary	58	5,739
High school	8	2,372
University	1	830**

Source: INEGI, Censo de Población y Vivienda, 2010.

*CEIEG. 2011. Secretaría de Educación Pública. Dirección de Planeación Educativa.

**Most of these students are attending universities outside of Las Margaritas.

Since the early 2000s, there has been some expansion of secondary and high school education in the municipality, particularly through televised distance education known as 'telesecundarias'. This system of distance education was created by the government of Mexico in 1968 to serve students in rural areas who were unable to continue their education in the absence of secondary schools in their areas. Essentially, this system means that students watch pre-recorded lessons followed by guided discussions with a teacher who is responsible for several grades and multiple subjects. These schools are usually established in strategic locations where students from neighboring communities can participate, but they are not boarding schools. Telesecundarias are the most widespread option for students to continue their secondary education accounting for 37 of the 58 secondary schools available in Las Margaritas (INEGI, 2010). There are three general secondary schools in Las Margaritas, all located in 'la cabecera' offering morning and evening classes; these are among the few secondary schools in the municipality attended by professional teachers, identified in Mexico as 'normalistas'.

The fact that secondary and high schools are not widely accessible to students from most small communities means that these students must commute on a daily basis or temporarily leave their communities in order to continue their education beyond elementary level. Therefore, the challenge has been the transition from elementary to secondary education. According to interviewees, most students are not able to continue their education because of limited infrastructure and inadequate resources, even with the grants offered by Progres-Oportunidades. An Oportunidades official argued that: "Yes, there are students who are unable to be in the program, because there are no schools close by, no infrastructure, and that is what is needed, primary, secondary and high schools. More than anything, we need to build schools closer to them to enable them to have that facility, so they will be able to study. That's the problem we have right now, not much infrastructure" (GO2: Tuxtla Gutierrez). Another program official also pointed to lack of infrastructure as the main factor behind school drop-off among recipients: "I have students who are very interested in continuing to study, they conclude

their lower secondary and there are no options for them to continue school at a higher level, because there are no high schools in their communities, so they need to travel to Las Margaritas to study, but sometimes there is not enough room in Las Margaritas and they have to go even farther to Comitán” (GO5: Comitán).

High schools are still few in number with a total of eight for the entire municipality. Two of them are located in ‘la cabecera’ and the others are located in the larger rural communities in Las Margaritas. These include ‘telebachilleratos’ which are high schools also using the televised educational system. As these high schools do not offer accommodation, this means that students from small communities who wish to continue with high school, tend to enroll in one of the two high schools located in ‘la cabecera’ where accommodation is more available. High schools in Las Margaritas are becoming over crowded with students occasionally being turned away, causing them to look for alternatives in the city of Comitán (GO5: Comitán), meaning that those who cannot afford the daily traveling costs to the city, are forced to abandon school. Similarly, travel costs are a barrier for all students wishing to attend university. As the only university in las Margaritas, the Universidad Cultural offers limited options; most students enroll in universities located in the cities of Comitán and Tuxtla Gutiérrez, the state capital. According to Universidad Cultural webpage, in 2010 there were 66 students, which means that the majority of university students are studying in universities outside of Las Margaritas.

The poor teaching the poor

Interviewees highlighted the lack of schools at secondary and high school levels, but they were also concerned about the quality of education provided to rural communities within the municipality. The expansion of the educational system in Las Margaritas has not only been limited but it has been largely accomplished by those institutions that receive the poorest scores in national tests: bilingual schools, CONAFE and telesecundarias. This means that children from small and more remote communities not only have no access to secondary and high schools, but the elementary schools available in their communities, are served by the poorest educational institutions in Mexico. In 2007 for example, an elementary school from CONAFE in Las Margaritas received the lowest score in the national test known as ENLACE (El Universal, 2007b).

Most interviewees described the quality of education provided in Las Margaritas as worrisome, particularly in rural communities, which tend to receive much poorer education than that provided in 'la cabecera'. One official expressed this most clearly: "I think regarding quality of education, as in the health sector, the closer the rural communities are to the 'cabecera municipal' the better the quality, but the closer towards rural areas, well, lots of things may influence. The distance which the teacher has to travel to the community, the projects or resources for these schools; all that is decreasing the quality of education in rural communities. As we get closer to the 'cabecera municipal', there is better quality obviously, but it cannot be compared, the urban or semi-urban areas to rural areas, I think there is a big difference" (GO3: Comitán).

When asked to describe the quality of education available in Las Margaritas, officials identified teacher absenteeism as the most common problem. The comment usually made was that teachers only worked 'Tuesday to Thursdays', and this they linked to the bilingual teachers being part of a unionized and bureaucratic system. On this topic, the retired bilingual teacher argued that one cannot generalize about bilingual teachers as there are some that are very professional and highly committed "but there others who are only there for the pay" (GO9: Las Margaritas). As there are few employment opportunities in the municipality, local bilingual speakers covet these as secure jobs that also allow them to stay closer to their own communities. Until recently, these jobs could be inherited unofficially, although it appears that with new laws, this will no longer be acceptable. When bilingual schools were expanding throughout the municipality most teachers had low educational credentials, some with only elementary school. Today most bilingual teachers have a university degree (GO9: Las Margaritas). Despite this, many rural communities prefer CONAFE service, mainly because the 'instructores comunitarios' at least "are present for the whole week, and sometimes even for the whole month" (GO13: Comitán).

Nonetheless, for most interviewees CONAFE is seen as the worst option because the schools run by this program usually have the poorest physical conditions, but more importantly they are not serviced by professional teachers but by "boys", as some interviewees referred to the "instructores comunitarios". When asked to describe

the quality of education in rural communities that he serves, a health provider argued that “the quality of education is very low, because they are boys with a secondary and high school degree, when they should have better qualified teachers” (GO12: Las Margaritas). In La Trinidad, interviewees recognized the poor credentials of the ‘instructores’ and also felt that the quality of education provided in rural communities is notably poorer: “it is better in the city because there are there special teachers, but here the only ones who come are conafes” (TCM9); “to tell the truth, an instructor only has a secondary degree, and is already giving classes to children in elementary school, but how much experience does the instructor have? (TCM12); “it is better in the city, because the government provides more support in the city than here, and the teachers are better” (TCM11).

Since its creation in 1971 CONAFE has operated as follows: the program is responsible for recruiting, training, equipping and paying the ‘instructores comunitarios’ as well as providing basic school supplies such as paper, blackboard, books, and occasionally desks and chairs to the communities. Parents are responsible for providing food and accommodation to the ‘instructores’ and also for providing a location or a place that can function as a school. As a result, the infrastructure varies widely from community to community depending on multiple factors, including the materials and resources available as well as parents’ organization to maintain the condition of the school. As CONAFE serves extremely poor communities, the school infrastructure provided by them is generally deficient. All of this means that parents need to be well organized so they can establish and share responsibilities, the lack of which may lead to misunderstandings or even conflicts that may result in removal of the educational services. In La Trinidad for example, a CONAFE secondary school was built in 2007 by parents of children who at the time had just completed their elementary school; these parents provided money to buy materials and their time to build the school. These parents then demanded some reimbursement from parents of future students. However, the parents of the next generations of students felt the amount requested was too high, and most of them refused to pay, leading to internal conflicts, with the school receiving fewer and fewer children, and finally resulting in the closure of the school in 2010 (TCM3). As many of these small communities rely on subsistence farming, providing food to the ‘instructor comunitario’ represents an additional burden that some families

are not able to bear. According to a CONAFE official, there are some parents that “do not want to send their children to school because they do not want to provide food to the instructor” (GO17: Las Margaritas). While most communities treat these young “instructores” with high respect, for many other communities they may be seen as another mouth to be fed.

As most of these ‘instructores comunitarios’ are young, and the communities they serve are remote, lacking basic services and comforts, they often abandon their posts before the end of their contracts (GO14: Comitán). One reason for desertion mentioned in the interviews, is that CONAFE pays the same amount to all ‘instructores’ so while “there are boys [instructores comunitarios] that only need to commute for one hour, and there are others who travel for five hours, they both receive the same amount of money” (GO15: Comitán). Another factor accounting for desertion is that these ‘instructores’ are often unable to cope with the challenge of teaching many students and several levels, as another official from CONAFE argued: “personally, I’ve always said that CONAFE is somewhat unfair, why? because usually they are assigned to teach between one and twenty children, at up to six different levels, which is very complex for a young instructor with only a high school education and little experience (GO16: Comitán).

As ‘instructores comunitarios’ are those who provide education to the poorest and most marginal communities in Mexico, CONAFE typically presents ‘instructores’ as heroes in public communications and recruitment campaigns. The reality however is, as an official argued, that CONAFE exists because the formal educational system, including the teachers unions are not really interested in taking over these very remote and marginal communities (GO15: Comitán). It appears that the role of CONAFE is to ensure governments fulfill their basic legal obligations, and are able to demonstrate improvements in measurable indicators cost effectively. As one ‘instructor comunitario’ interviewed, clearly stated: "This CONAFE is a big disadvantage. Why? I have a teacher, people say, for example the indigenous people, but this is not a professional teacher, simply a teacher who has a little more knowledge to give to others, but it is a second-class teacher, or third-class, that is the disadvantage. As indigenous communities have little outside knowledge, at first they believe that he is a real teacher, but if they visit the city, then they realize that the government sends him (CONAFE) so

people will not talk, so the smaller communities do not start talking, so they have an education, so they do not start protesting" (GO16: Las Margaritas).

While the federal government presents CONAFE as an effective strategy for reaching the most remote communities, and puts 'instructores comunitarios' on a pedestal, usually referring to them as 'volunteers', the reality is that most of them come from very poor backgrounds and use CONAFE as a strategy to continue with their own education because of financial barriers to higher levels of school. However, many of these 'instructores' are not able to pursue a formal education, as the scholarship received is insufficient to cover the costs of studying outside their communities or the municipality, or they are not admitted to high schools or universities because of their low academic credentials. Therefore, many of them finish by studying in non-formal programs in order to prove eligibility to receive their scholarship. Many others simply continue to provide services to CONAFE in the absence of better employment opportunities in Las Margaritas (GO17: Las Margaritas). As most 'instructores comunitarios' come from poor communities and have themselves received poor quality of education, it can be argued that the poor are teaching the poor, thus reproducing the inequality gaps that are so pervasive in the educational system in Mexico.

While the main goal of Progres-Oportunidades is to break the cycle of intergenerational poverty by increasing education, the educational institutions that are available for the extremely poor rural households do very little to contribute to this goal, as poorly educated students are given responsibility for educating the children in some of the most marginal households in Mexico. CONAFE has since the mid-2000's received significant funding from the World Bank and the Inter American Development Bank to improve the training of the 'instructores comunitarios' as well as to implement additional or complementary programs, in part as a result of the implementation of national tests in which CONAFE schools were ranked at the bottom, as well as widespread pressure on Mexico's government to improve quality of education in the country. While attempts are being made to provide better training for the instructores, the fundamental issues are that these are not professional teachers, and they teach multilevel classes. At the same time, the poorest families are required to provide school infrastructure and feed the instructores. The fact that CONAFE is expanding to teach at

the secondary level is worrying and is moving in the opposite direction of improving quality of education.

The differential impacts of Progresa-Oportunidades on education

As a very large number of households in Las Margaritas are recipients of Progresa-Oportunidades, it is reasonable to believe that the program is financing the education of a large percent of their children enrolled in school. According to data provided by the program's website, in 2011 a total of 20,883 students in Las Margaritas were 'becarios' or recipients of grants offered by this program.⁵⁴ If one looks at the total number of students presented in Table 5-9, approximately two thirds of the students in the municipality were 'becarios' from this program. In theory, these grants should have led to increased school enrollment and completion rates and a greater demand for school infrastructure in all communities in Las Margaritas. In reality, multiple factors limit students from continuing with their education.

Most officials felt that Progresa-Oportunidades has been effective in increasing enrollment rates in the municipality. From a state level perspective, a senior program official stated that: "the greatest impact of Oportunidades has been in education, I mean, it has been amazing what has been achieved" (GO1: Tuxtla Gutiérrez). The official explained the 'great impact' as the result of the rapid demand created by recipients from the program, who put pressure on the educational system, which in turn responded by providing high schools in many municipalities in Chiapas. According to this official, the program has also been responsible for reducing the gender gap in education. Increased enrollment rates among girls as well as the family planning talks offered by health officials, have led to extending the time in school of the current generation, and the program can be credited for reducing birth rates in Chiapas and Mexico: "Oportunidades has made it, I mean, it is verified in data provided by INEGI, how the birthrate in this country has declined, and in Chiapas it is astonishing. The reduction of the birthrate in this country, is totally linked to the emergence of the Oportunidades program, you can tell how the trend was going, and as soon as Oportunidades emerged, you can tell how it went down, down, down" (GO1: Tuxtla Gutiérrez). As a consequence, this lowered

⁵⁴ Data available at: http://www.oportunidades.gob.mx/Portal/wb/Web/apoyos_emitidos_a_las_familias_beneficiarias_por_c

birth rate has also “contributed to reducing the pressure for land in the state...” (GO1: Tuxtla Gutiérrez).

When asked which level of education has experienced higher enrollment rates, most officials considered that overall enrollment has increased in urban areas and secondary in rural areas, which correlates with available infrastructure in the municipality. One official attributed this differential impact to the fact that secondary school is seen as essential in urban areas while this is not the case in rural areas (GO13: Comitán).

Officials also described the program's impact on education as changing entrenched traditional ideas, particularly in rural households, which limit school enrollment. Interviewees usually referred to the increased awareness on the part of parents regarding the importance of education and the need to send their children to school. Most officials felt that the impacts have been greater in rural communities, as one Oportunidades official argued: “rural areas are where people used to believe that women should not study, but should stay at home, and that only men had the right to study. Since the Oportunidades program started, I have seen a change, in which Oportunidades program has encouraged mothers to understand that there are equal rights between men and women, and that women also have the right to study, therefore, the Oportunidades program has motivated mothers and girls to continue with their studies (GO5: Comitán) Another official from CONAFE added: “I feel that it has had a greater impact in rural areas, because it has allowed greater school enrollment, perhaps due to the interest in the cash transfers, but it has allowed children to attend school, when before the parents used to take them to work, to pick coffee, there was greater absenteeism, lower attendance of children. Therefore, the program has benefited rural areas the most, because in urban areas, people are already used to the idea that children have to go to school, they are already sensitized in this aspect, and receiving Oportunidades or not, parents send their children to school” (GO17: Las Margaritas).

Some officials added that the program has facilitated the work of teachers to convince parents to send their children to school: “when these incentives were not there, it was more work for the teachers to convince students to enroll in school. Now with this

Oportunidades program, it has helped a lot so parents are interested and enroll their children in school, mainly because of the economic support they receive” (GO8: Las Margaritas). Most interviewees were more critical and felt that school enrollment and attendance has increased mainly because parents are practically ‘obligated’ to send their children to school, as they otherwise may lose the program grants. A comment repeated several times by officials was that now with these transfers parents see their children “‘como un negocio’ or “as a business”.

There was widespread belief among officials that these grants have created an incentive to have more children to receive an increased amount of money. When questioned if parents tend to have more children in order to receive a greater amount, a CONAFE official stated: “That's something we've always said, sometimes as a joke, but it's true eh! I mean, many parents want to have many children because they think that the more children they have the greater the amount of cash transfers, perhaps because they are unaware that the program puts a cap on the total amount available to each family regardless of the number of children” (GO17: Las Margaritas). In La Trinidad, however, when the same question was posed to recipients, most argued that children are expensive to maintain, and the transfers are too small to cover an increased number of children.

While there was a general perception that grants offered by Progres-Oportunidades have led to increased enrollment rates in all levels of education, most officials acknowledged that few students from small communities are able to continue with their education. A CONAFE official offered this description of the situation that small communities face if they do not have schools within their communities: “it's a very strong constraint, of 100 children who graduate from elementary school, only 6 or 7 continue where there is no school infrastructure... if they had higher school levels within their community I think parents would send them to secondary school, because many people are aware of the importance of children's education. So the problem here is that where a local school does not exist, there are only few parents who can or who are willing to invest financially for the child to go to school outside the community” (GO17: Las Margaritas).

When asked to describe the main factors that limit students from small communities to continue their education, most officials agreed that extreme poverty and lack of schools in the communities are major indicators in predicting whether or not students will continue with schooling. Answering this question the IEA official stated: “I think that it is poverty, sadly, because many people depend on agriculture, and the problem is that because it is seasonal, and there are no irrigation systems, most people obtain their income only once a year, therefore, I believe it is the greatest difficulty that leads to desertion. In addition, higher level schools are not accessible to them, and there are not enough boarding schools. It would be excellent if there were more boarding schools, which would facilitate children going to school” (GO7: Las Margaritas).

Officials recognized that the major challenge in Las Margaritas is the transition from elementary to secondary school, as students at this age still depend on their parents’ decisions and resources. As explained by a CONAFE official: “the problem of transition is from elementary to secondary school, which has to be supported by the parents to be possible, because children at this age are still dependent on their parents. If one day the father says to his child, you will study, the child will study and if he says you’re not going to study, the child does not. So, this is the transition problem, because from secondary to high school the boy can almost do it on his own, he has by then more maturity; he is in another stage. Because of no resources, or school infrastructure, very few come out of the community, very few, even when they have Oportunidades.” (GO17: Las Margaritas).

Another factor influencing students’ dropping out after elementary school raised during the interviews in La Trinidad, was that parents often feel hesitant or unwilling to send their children to other communities because of their young age. At this young age, both the parents and the students themselves feel they are not prepared to leave their communities to go to ‘albergues’ or secondary schools in other communities or in ‘la cabecera’. This is also the age, as one CONAFE official argued, when they contribute significantly to parent’s activities (GO16: Comitán). As well, at this level the grant offered by the program is too small and at this age students are too young to participate in CONAFE and obtain a scholarship; therefore, the whole financial burden falls on the parents.

There was unanimous agreement among officials and recipients from La Trinidad that the grants offered by Progres-Oportunidades are insufficient to cover the costs of sending children to schools outside their communities. One Oportunidades official said: “it’s enough if they study in their own communities, but not enough to send them out (GO4: Comitán); the truth is that it is very little” (GO5: Comitán). The bilingual teacher said: “it is not enough, because they cannot fully cover the costs to continue studying, so if there are only elementary schools in their communities, they do not continue with secondary” (GO9: Las Margaritas). In La Trinidad, when asked if grants are sufficient to cover the costs for studying outside, interviewees responded with the following comments: “what the program provides is enough to buy shoes, a set of clothes, but the father supports the student with renting a room and food; there are a lot of expenses” (TCM1); “the amount is very little, and we cannot continue with school, it’s not enough for food, imagine, every two months with 1,500 pesos, is almost nothing, maybe for fifteen days, or for a month, but this grant is delivered every two months, it is not enough” (TCM16); “1,500 every two months, 750 a month, it is not enough, 400 for renting a room, plus the cost of food, it is not enough” (TCM17).

When questioned about what would help to increase enrollment rates in Las Margaritas, the most common suggestions from both officials and recipients were to provide more schools and to increase the amount of the grants at the secondary level: “increase it in secondary school, because many children need to leave their communities, increase the amount they receive, although it the amount they receive in elementary school is also small, at least they are in are in their homes, in their community, therefore, the expenses are minimal” (GO14: Comitán); “what would be required? that they build more boarding schools, or more infrastructure, build schools closer to them, increase the amount of the grant at the secondary level (GO7: Las Margaritas); “create strategic educational services, and maybe increase the amount of the grant” (GO18: Tuxtla Gutiérrez).

Most interviewees also agreed that parents would enrol their children if schools were closer: “if a school were nearby, they would go, without having to be in the “cabecera municipal”, and having to pay for a room and food” (GO8: Las Margaritas). “if schools are established in their communities, they will send their children; the problem is

when you have to incur expenses, transportation, food, by leaving the community” (GO18: Tuxtla Gutiérrez).

While officials offered varied opinions about what constrains the establishment of secondary schools in Las Margaritas, most agreed that the main factors were the small number of students and the dispersion and inaccessibility of communities in the municipality. As most of these small communities cannot support a secondary school because of current government requirements for a minimum number of students, and parents cannot generate enough income to send their children outside their communities because they rely on subsistence farming, most students from these small communities, are likely to drop out immediately after they finish elementary school, even when they are eligible to receive grants from Progres-Oportunidades.

Demand for schools has increased as a result of grants from Progres-Oportunidades. While different educational institutions have responded and expanded in Las Margaritas, (e.g. CONAFE providing services at the secondary level, and telesecundarias and telebachilleratos) it is the larger communities that have benefited the most as that is where the majority of the new services are located. This means that those poor households living in rural communities with larger populations, and those closer to urban areas are more likely to benefit from and to take advantage of Progres-Oportunidades grants. The result is that the cycle of intergenerational poverty continues, and students from these very small communities are more likely to marry at an early age, have a large family and remain in their communities, relying on subsistence farming for their livelihood. This was the case for the majority of students from La Trinidad who dropped out of school after finishing elementary school.

For those few students who do continue their education outside of their small communities, they do so not only because of the grants offered by Progres-Oportunidades but because their families have some resources to cover the costs involved. As the bilingual teacher stated: “What Oportunidades gives is not enough to sustain the student, that is why those families who have sent their children to secondary school do so because they know they can provide a little support, because they have some resources... Now, what they receive from the Oportunidades program, it is an

extra help, but they do not rely entirely on this” (GO8: Las Margaritas). In fact, these families might send their children to school whether or not they receive the grant from Progres-Oportunidades.

As rural households with some resources to send their children outside their communities may be few in Las Margaritas, it is more likely that parents who do send their children are those who make huge sacrifices, resulting in a significant reduction in the welfare of those families. These sacrifices may entail selling the few assets they own, reduced productivity due to the loss of work that was previously done by the student who leaves, and increased burden of community contributions. In some peasant and indigenous communities in southern Mexico, cultural obligations require that all members of a community must participate in order to maintain community rights. These may be financial or work related activities. In La Trinidad, for example, members from age 13 to 63 are obligated to contribute to these communal activities, and if they fail to do so, there are fines or financial penalties. When students leave the community to go to school their parents are tend to take over these responsibilities. In order to help their parents, students may also make sacrifices; the most common being to work a year or two as an ‘instructor comunitario’ for CONAFE, which is the path of those students from La Trinidad who have completed their secondary school.

Summary: There was strong consensus that lack of school infrastructure limits the ability of households to send children to school, despite receiving school grants from P-O, and these youth are more likely to remain in their communities as subsistence farmers. Poor quality was also noted by both officials and community members.

5.2.3. Impacts on migration

The ultimate goal of Progres-Oportunidades is to help break the intergenerational transmission of poverty. The central assumption of the program is that investing in human capital accumulation (nutrition, health and education) of the poorest households, particularly of their children, will facilitate their insertion into better remunerated jobs, and commonly found in the non-farming sectors. As mentioned in chapter two, Progres-Oportunidades was designed as part of a broader strategy to

reduce extreme poverty in Mexico, where the role of the program was to invest in the human capital of the poor, while other development policies and programs were responsible for expanding infrastructure and generating employment growth. Although Progres-Oportunidades is not directly responsible for job creation, it is reasonable to assume that poverty reduction cannot be achieved without labor market insertion upon graduation from the program, after completion of high school. This section examines to what extent those who have achieved more years of schooling with the support of Progres-Oportunidades are able to obtain better paid jobs; and to what extent the municipality of Las Margaritas has benefited from an increased level of education of its population.

As it is difficult to track the experiences of those students who have completed higher levels of education with the support of the program to determine if they have in fact found better paid jobs, an alternative is to examine the employment opportunities that are available in Las Margaritas for them. While most officials and recipients agreed that Progres-Oportunidades has likely increased school enrollment rates in Las Margaritas, they also shared the concern that the lack of employment opportunities in the municipality offers few options for those who are able to obtain higher educational levels, other than migration. In fact, the Municipal Development Plan (2011-2012) identified the lack of well remunerated jobs as the main constraint to local economic development as well as the main factor behind rising rates of migration (Informe Municipal, 2011: 55). This lack of employment opportunities in the municipality is leading to migration of those with higher levels of education as well as of those who dropped out of school at earlier stages. However, the educational level determines the patterns of migration in Las Margaritas. Progres-Oportunidades may be a factor both in moderating migration by providing a basic income to the poorest and less educated households; and at the same time increasing migration in the long-term by financing the education of youth, as most students have to attend schools outside their communities and eventually leave to find well remunerated jobs.

Progres-Oportunidades may be moderating the rate of migration among adults by providing the poorest households additional income to satisfy basic consumption needs and by making transfers conditional upon attending regular meetings and health

checks. One senior Oportunidades official stated that “In part, Oportunidades is retaining them in the countryside, so they can continue producing, as it is supplementing their income” (GO1: Tuxtla Gutiérrez). The bilingual teacher added that: “the Oportunidades program has encouraged people to stay in their communities, why? Because they are required to attend meetings and medical checkups, and that has required them to stay. But those families, who are not recipients, have no responsibility or obligation to attend these meetings, and so they may say, why should I stay? I have no obligation, and I have no income, I better go look elsewhere” (GO8: Las Margaritas). When asked what would happen if the program were dismantled, some officials and recipients responded that it will likely lead to increased migration. An official from SEDESOL said: “if the program was to end, there would be a really negative impact on the communities, and many people would migrate to the United States” (GO6: Comitán). In La Trinidad, some interviewees also felt that migration is very likely to increase in the community if the program was dismantled, yet most recipients interviewed admitted to having temporarily worked themselves in Yucatan or in the United States. While the program may have reduced pressure for permanent migration to a small degree, cash transfers are insufficient to cover all basic needs, and households must resort to other means to complement their livelihoods, and seasonal migration has become a common strategy for males in the municipality.

Small-scale farmers in Las Margaritas as in the rest of the country have been negatively affected by the policies implemented in Mexico since the mid-1980s which included the elimination of food pricing policies and agricultural liberalization, which has resulted in lower prices for their products. Few farmers have been able to convert to cash crops and connect to export markets, so the majority of farmers in the municipality continue producing traditional crops, particularly maize and beans. As a result, Las Margaritas began experiencing increased out-migration, particularly to Cancun and Playa del Carmen, in the Yucatan Peninsula. Seasonal migration to central and northern states of the country as well as to the United States is also rising (GO11: Las Margaritas). Migration to the United States, however, requires longer stays to recover the high costs involved. According to most interviewees, temporary migration has increased in Las Margaritas, and those who leave are typically young males with low educational credentials (elementary or secondary school levels) and therefore, tend to

occupy the poorest jobs available in the receiving regions. In La Trinidad, those who have undertaken seasonal migration to Yucatan described working as dishwashers, waiter helpers, and garbage collectors in Playa del Carmen, while the few who were in the United States during the field research were laboring in milk factories.

Some interviewees were concerned that increased migration is leading to changes in the composition of the population and in the economic structure of households in Las Margaritas because young and adult males typically migrate, while women tend to stay, taking over agricultural activities. On this topic, an official from Oportunidades stated that: "the oldest people are the ones who are staying in the communities, while the younger generation is the one that is leaving" (GO4: Comitán). Another program official added that: "In many indigenous communities women are alone, because their husbands went to the US" (GO5: Comitán). The health provider interviewed mentioned that on his visits to communities, it has become very common to find that people have gone to the United States, including women, something that he has not observed before (GO12: Las Margaritas). A CONAFE official was also concerned about the rising migration rates in the municipality, saying that: "the older population is staying, and young people are leaving, and there will come a time that you will not see people cultivating the land, and the balance that currently exists in terms of production is going to cease. If Mexico is already importing many products, there may come a time when it will no longer be self-sufficient" (GO17: Las Margaritas).

Most officials agreed that those who are able to attain education beyond secondary level tend not to return to their own communities and are most likely to remain in 'la cabecera' or other urban centers like Comitán. This is particularly the case for those who completed high school as mentioned by the IEA official in Las Margaritas: "It is amazing to see that even with only high school education they go to Las Margaritas or Comitán and they are not likely to return to their communities, because they say there's nothing there for them" (GO7: Las Margaritas). A CONAFE official added that "every day fewer young people want to stay in their community; those who obtained a high school diploma typically leave" (GO17: Las Margaritas). Yet officials emphasized that a high school education is not sufficient to obtain a well remunerated job in 'la cabecera' and the jobs they may find are very low paid.

When asked what level education is needed to have any possibility to escape from poverty, most officials felt that a university level is essential. However, a university degree is of little value if they stay in Las Margaritas, because the only prospects there are to obtain a position with the Municipal Administration, to teach or to open their own business, as described by the local radio announcer: "Las Margaritas is not a place for you to develop, unless you have money, a shoe store owner for example, I mean, if you are a merchant, then you do not have to leave" (GO11: Las Margaritas). He also added that: "The fact that you have a university degree means that you are going to be a professor, whether in junior or senior high school, but that's it. But if you want to apply your degree to another career, you have to go to Comitán or San Cristobal. So this means if you have a degree, and want to find work, you need to leave" (GO11: Las Margaritas). Therefore, the few who do obtain a university degree leave Las Margaritas to look for well paid jobs related to their areas of study in larger urban centers in Chiapas, usually Comitán or Tuxtla Gutiérrez. In some cases those who do not migrate may live in Las Margaritas but commute daily to Comitán.

Las Margaritas has received increased resources for infrastructure which has led to improved basic indicators as discussed earlier. Investments have also been made for economic projects, but these have been mostly directed to the agricultural sector, and to individual farmers. According to most officials interviewed, these projects have been poorly coordinated and on an insufficient scale to produce any noticeable impact. This is also reflected in the poverty data. When asked what strategies are needed to promote local economic development, most recipients highlighted the need for greater investment in the countryside. Nor has the municipality been able to attract investment that would create non-farming jobs for those with higher levels of education. The only exception to this has been 'Bodega Aurrerá' which has provided 60 direct jobs but these are low-skilled and require little education.

To summarize, those who abandon school after elementary or secondary levels are likely to remain in their communities or undertake seasonal migration and remain in conditions of poverty and subsistence farming. Those who complete higher levels of education, high school for example, are more likely to remain in 'la cabecera' but condemned to receive very low wages, while those who are able to obtain a university

education, are likely to leave the municipality where there are few opportunities to pursue a career. Thus, while the program is somewhat effective in increasing school enrollment, the severe lack of non-farming jobs in Las Margaritas puts pressure on the more educated youth to migrate to more dynamic urban centers to seek jobs according to their level of education. Whether these more educated youth find well remunerated jobs outside Las Margaritas is also questionable; and one can speculate that they are encountering more competitive labor markets, stiffer credential requirements, low wages, discrimination and higher costs of living in the larger urban centers. Increased out-migration, however, is decimating the potential for sustainable development in the municipality by expelling its young and more qualified labor force while the poor remain, reproducing the marginal economic role and unequal status of Las Margaritas at the regional level.

Summary: Both government officials and community members agree that the absence of local job opportunities puts pressure on program graduates to leave their communities and even Las Margaritas to pursue higher education, if they have resources to do so, and to seek better jobs.

5.3. Conclusions

Increased attention and federal resources, including cash transfers from Progres-Oportunidades, directed to Chiapas, particularly since the EZLN uprising in 1994, have led to significant improvements in several basic indicators. The three levels of income poverty as reported by CONEVAL remain high, reflecting the precarious labour market conditions that exist in most municipalities in Chiapas, which is conducive to domestic and international migration. The municipality of Las Margaritas mirrors these trends of increased resources and improved basic indicators but no significant reduction in the three levels of income poverty.

With a high proportion of poor and extremely poor population in Las Margaritas, there is widespread coverage by Progres-Oportunidades; despite this, exclusion and inclusion errors were identified. The inclusion errors tended to occur in the “cabecera”, where the non-extreme poor population reside. The general conclusion from the

fieldwork was that recipients as well as government officials felt the cash transfers from Progres-Oportunidades are insufficient to lift the poor out of poverty. Recipients and officials perceived that cash transfers have become critical to households' consumption and recipients have become dependent on the cash transfers. Given that the majority of the population in Las Margaritas reside in small and geographically dispersed communities, recipients tend to spend their cash transfers in the "cabecera" and therefore, the spill-over effects of cash transfers are likely to end up in the municipality "cabecera" and in the pockets of the local elites, who are the owners of the main stores in Las Margaritas, and increasingly by national and transnational economic actors such as banks and super markets like "Bodega Aurrera".

The geographic dispersion and small size of these communities is also an obstacle for achieving the educational goal of the program. As so many communities are too small to support junior and high schools, children must commute outside of their communities if they wish to continue school, and families are prepared to make sacrifices to that end such as selling the few assets they own. Progres-Oportunidades has failed to respond to the multiple barriers that the poorest households face, and provides the same level of scholarship funding to all recipients. Students from these communities who drop out of school, are more likely to reproduce the same conditions that perpetuate extreme poverty (marrying at a young age, large family, subsistence farming). For those students who are able to overcome the multiple barriers and continue their education, the poor quality of education they receive may not guarantee access to university or to well paying jobs. While educational services in Las Margaritas have expanded, this has been led by institutions like CONAFE and telesecundarias, which have been shown to deliver education with the poorest results in the country.

Finally, migration is increasing, mostly because of limited employment opportunities. Those who are able to complete junior or high school, as a result of Progres-Oportunidades scholarships, face poor employment prospects in their communities, and are forced to migrate to seek for job opportunities in the "cabecera" and frequently out of the municipality. Those who are able to obtain a university degree are not likely to return to Las Margaritas, seeking jobs in Chiapas' main urban centers or in other states of the country. Thus, even as the program is helping to increase the

human capital of the poor, improvements in the lives of some individuals are not benefiting the municipality as those with the higher levels of education leave Las Margaritas because of poor labour market conditions. Increased out migration is reducing the potential for sustainable development in the municipality by expelling its young and more qualified labour force, while the poor remain, reproducing the marginal economic role and unequal status of Las Margaritas.

Chapter 6. Conclusions and Implications

The design and implementation of Progresa-Oportunidades reflects how Mexico's governments viewed the role of subsistence farmers in the country's neoliberal development strategy. From being seen as potential food producers, subsistence farmers are now seen by the government as "the poor", and policies and programs have been implemented accordingly. Particular attention and resources have been directed towards building their human capital to increase their chances of becoming waged workers rather than food producers. After agricultural liberalization, Mexico's government did not fully withdraw from agriculture but redirected its support towards the most profitable producers, to allow them to compete in global markets. This led to increased regional inequalities as large national and transnational food corporations are concentrated in the northern states and receive the largest part of state subsidies, which is well documented in the literature. Progresa-Oportunidades was designed to provide transitional support to subsistence farmers, who were the losers in the process of agricultural liberalization. The implementation of Progresa-Oportunidades reflects the continuing but changing role of the state in the agricultural sector, a fundamental tenet of the `neoliberal food regime` concept. The state has not abandoned subsistence farmers, but through Progresa-Oportunidades, has aimed to relocate them to other sectors of the economy, particularly the manufacturing sector which was positioned as the centerpiece of the Mexico's neoliberal development strategy through NAFTA.

As described in chapter two, Progresa-Oportunidades was part of a three pronged antipoverty strategy, designed and implemented with the objective of enhancing the productivity of the rural poor by investing in their human capital, to facilitate their insertion into the labour market. However, as Santiago Levy pointed out, Progresa-Oportunidades could be successful only if the other components of the strategy were also successful; emphasizing that Progresa-Oportunidades, the centerpiece of Mexico's antipoverty strategy, does not work in isolation, but is dependent on the country's

economic performance, which in turn, is dependent on the country's overall development strategy.

Mexico's neoliberal development strategy has failed to produce sustained economic growth and the number and quality of jobs required; thus, Progresa-Oportunidades is limited in its ability to break the intergenerational transmission of poverty of poor rural recipients. This has been documented by scholars and has even been recognized by the current federal administration. In this context, and given the program's large coverage, the incentives and behaviours that Progresa-Oportunidades encourages may have negative impacts in Mexico's economy and society, contributing to increasing regional and intraregional inequality as well as worsening labour conditions in both sending and receiving regions. In the absence of longitudinal studies following Progresa-Oportunidades program graduates, one can only infer that they are likely increasing the pool of informal labour. If this is the case, Progresa-Oportunidades could be contributing to produce imbalances in both urban and rural labour markets, reducing wages and devaluing educational credentials. I argued that these negative outcomes are not an accident but are inherent in the theoretical foundations of Progresa-Oportunidades and in Mexico's neoliberal development strategy, which relies on the availability of cheap labour to compete in the globalized economy, leading some authors to define it as the "cheap-labour export-model". By examining the program as a component of Mexico's neoliberal development strategy, it can be argued that the Mexican state, through Progresa-Oportunidades, has played a strategic role in providing cheap labour for the manufacturing sector, for the benefit of large national and transnational corporations.

As Progresa-Oportunidades targets the poorest households and the most marginal areas of the country, one might expect that it would contribute to reducing inequality. This thesis sought to explore the ways in which Progresa-Oportunidades may affect regional and intraregional inequality. To address the research question posited in the introduction, this study undertook a broader view than most impact evaluation studies, which have tended to focus on program impacts on recipient households and on poverty reduction. These studies exclude the broader, indirect impacts which also affect the non-recipient population and may produce undesirable

effects. This study conducted a review of the impact evaluation literature on Progres-Oportunidades as well as ethnographic research in the very poor municipality of Las Margaritas, Chiapas, which is representative of the poor municipalities in which the program operates. Given that this is a preliminary exploration of the connection between Progres-Oportunidades and regional inequality, and because of the small scale of the study, further research is needed to validate and quantify these impacts. Nonetheless, five general observations are drawn primarily from the literature on the ways in which the program may affect regional and intraregional inequality and are shown in a table for ease of presentation.

Five observations from the literature and the field research in Las Margaritas:

From the literature	From the interviews and official data
1. Exclusion and inclusion errors	
<p>Progres-Oportunidades excludes a large number of households living in small and remote communities, most of them indigenous; while at the same time it includes a large number of non-extreme poor households (Sariego, 2008; Huesca, 2010; Ulrichs and Roelen, 2012; SEDESOL, 2012; CONEVAL, 2012a).</p>	<p>The program reaches the majority of the poorest and most remote communities; but it does exclude some communities, and particularly extreme poor households within these communities, as was the case in La Trinidad. The program cannot keep up with population growth and the persistence of high levels of extreme poverty. In addition, inclusion errors were identified in the ‘cabecera’.</p>
2. Poor quality of services	
<p>Poor quality of education provided in rural areas, particularly to indigenous peoples, tends to perpetuate inequality (Agudo, 2008; Yaschine, 2012; Mancera, Priede and Serna, 2012). Even if the program is effective in increasing the years of schooling among the rural poor, the poor quality limits their ability to get out of poverty and operates as a mechanism that reproduces inequality.</p>	<p>Lack of school infrastructure means that students from small communities have to commute or leave their communities, or drop out at earlier stages. Interviews described the poor quality of education provided in the municipality. The educational system in Las Margaritas relies heavily on the “poor teaching the poor” via institutions like CONAFE or Telesecundarias.</p>
3. Economic spillovers	
<p>Knowledge is limited about the potential regional economic spill overs of cash transfers from Progres-Oportunidades (Levy, 2006; Kabber et al, 2012; Barrientos, 2012).</p>	<p>Economic spill overs in Las Margaritas flow to the municipal ‘cabecera’, leaking to the non-extreme poor population and into the pockets of local and regional elites, who are the owners of the main stores in the municipality. Increasingly, these spill overs are captured by transnational corporations such as Bodega Aurrerá. A portion of the cash</p>

transfers may ultimately reach the city of Comitán, the regional commercial center.

4. Migration from rural areas

In the absence of non-farming jobs in the rural municipalities where the program widely operates, those who are able to increase their years of education with help from the program, tend to leave in search of better remunerated jobs in more dynamic areas and sectors, particularly in urban and semi-urban centers (González de la Rocha, 2008; Agudo, 2008; Rodríguez-Oreggia and Freije, 2008; 2012).

Las Margaritas is losing its most productive and educated labour force, decimating the potential for sustainable development, while disrupting subsistence agriculture. Migration has increased in the municipality, and older people and women remain in their communities, with reduced household productivity. This is a result of both economic conditions, and the incentives encouraged by Progres-Oportunidades.

5. Competition for few jobs with disadvantaged backgrounds

Mexico's weak economic performance and lack of employment growth in non-farming sectors, means that program graduates face difficulties in finding well remunerated jobs in the formal sector. Increased years of schooling is no guarantee for poverty reduction if jobs are not present. In this context, the potentially large number of program graduates is adding to the oversupply of labor in urban centers, worsening conditions of the labour force by lowering urban wages and at the same time depreciating educational credentials. While there is little knowledge of those who migrate, there is some evidence of little social mobility (Yaschine, 2012; Sánchez and Jiménez, 2012).

Those who leave the municipality to find jobs in other urban centers are forced to compete for the few available jobs. With a back-ground of poverty and poor quality education, discrimination for their place of origin, and their limited social networks, they find it hard to compete in urban labour markets. In addition, these very poor program graduates carry the responsibility to support their families left behind, who have been excluded by economic policies and who receive an allowance from Progres-Oportunidades which is insufficient even to address their food poverty.

Both the literature review and the field research confirm that Progres-Oportunidades reaches the majority of households experiencing extreme poverty; the program is also effective in increasing the nutrition, health and education of program recipients, although these impacts appear to be modest and heterogeneous, reflecting the diverse contexts in which the program operates. While these impacts are positive, this should not obscure the fact that to date the program has not been able to reduce long-term poverty among its target population. Cash transfers increase the income of recipient households, only to the extent that they move recipients closer to the line of moderate poverty, but do not move them out of poverty permanently. This brings into question the supposed transitional nature and cost effectiveness of the program. Furthermore, the alleged cost effectiveness can be questioned, as cash transfers are

indexed to the consumer price index and basic food prices continue to rise, which means that the size of cash transfers and the program budget will continue to grow.

Since its implementation, Progresa-Oportunidades has injected significant resources into the poorest households, communities, municipalities and states. As Gonzalez de la Rocha (2008) argues, in a context characterized by the decline of subsistence agriculture, cash transfers have become one of the main pillars for the survival of the extreme poor rural households. However, within very poor rural municipalities like Las Margaritas, these resources are likely to spillover into the whole regional economy, ending up in the pockets of the non-poor population and local business owners. While cash transfers may be a more effective mechanism to transfer income to the extremely poor rural population than previous food policies and programs, this may come at the cost of increasing inequality. At first sight, Progresa-Oportunidades contributes to reducing income inequality at the national level, given that it increases the income of a large percent of the population; however, a closer examination into the program's indirect impacts suggests that the program is not as progressive as has been heralded. The benefits of increased human capital and spillovers are transferred from poor rural communities to the 'cabeceras' and from poor municipalities to more dynamic urban centers, thus, increasing regional and intraregional inequality. It is important to recognize that increased regional inequality in Mexico is mainly a result of the implementation of neoliberal economic policies, but Progresa-Oportunidades has been a contributing factor in this process.

Progresa-Oportunidades was designed to work under ideal conditions, with the expectation that the neoliberal development strategy and NAFTA would produce sustainable growth and employment. However, these ideal conditions did not materialize and since the early 2000s Mexico's economic model has performed poorly, losing its competitiveness against other cheap labour countries like China. From the analysis, it is clear that to generate growth and jobs; Mexico has to restructure its economic strategy to adapt to changing global conditions and its antipoverty strategy to realign to current realities (e.g. quality of basic services, lack of jobs, increasing regional inequalities).

The following recommendations are presented regarding Mexico's antipoverty strategy, based on literature reviewed for this research, which is also supported by my fieldwork. Progres-Oportunidades needs to adopt a differentiated rather than one-size-fits-all approach regarding the distribution of cash transfers and school grants, taking into consideration the diversity of Mexico's rural areas and the country's institutions. As suggested by Agudo (2008) offering higher amounts of cash transfers to households located far from schools would make access to education more equitable, and improve the prospects of continuing their children's education. This could be achieved by reallocating existing program budget from elementary school transfers, where Progres-Oportunidades has minimal impacts, to households living in small and remote communities like La Trinidad, which lack schools above elementary level. Mexico's government is taking steps to address the quality of education; equal attention needs to be given to expanding educational services, and one way could be through establishing *albergues escolares* (boarding schools) at the secondary and high school level.

As currently implemented, Progres-Oportunidades does not take into account Mexico's social diversity. Behind the design and implementation of the program lies the belief that the only way for the rural poor to escape from extreme poverty is to leave their communities and migrate to urban areas, becoming waged labourers rather than food producers. This has significant implications for the indigenous population who have close links to their land for their production and reproduction, and who represent a large proportion of the program's recipients. By offering talks on reproduction, improving basic health conditions and increasing the level of education of the poorest rural youth, Progres-Oportunidades has sought to reduce the number of poor and relocate them, rather than reducing the conditions of extreme poverty in their own communities. A new approach needs to offer alternatives other than migrating to urban centers where there are few jobs for which they can compete. Given their socioeconomic background, the institutions available for them, and the setting of economic policies, marginally improving the nutrition, health and education of the rural poor is simply not an effective or efficient solution for breaking the intergenerational transmission of poverty or reducing the entrenched inequalities that exist in Mexico.

Complementary policies are necessary to provide support and credit to small farmers to enable them to stay in their communities if they wish to do so. The changes needed go far beyond the implementation of 'Cruzada contra el Hambre' and the redesign of Progres-Oportunidades. A critical step would be renegotiating the agricultural provisions within NAFTA, particularly related to maize, given the economic and cultural relevance of this crop to subsistence farmers. This would increase the incomes of the extreme poor of the rural population, so they can make investments in their children's nutrition, health and education. This leads to the conclusion that what is needed is a radical reorientation of Mexico's economic strategy. This may only be possible if a left of centre political party wins a federal election, but past attempts by left wing candidates have been unsuccessful in highly contested and questioned electoral processes. However, this is unlikely in the current economic and political setting. In particular, NAFTA limits Mexico's ability to promote significant changes in the agricultural sector. What Mexico can do is enforce stronger accountability measures around the funds allocated to municipalities particularly for infrastructure development. Infrastructure can provide income-generating opportunities for the rural poor and at the same time help improve the quality of basic services provided. This would reduce the pressure on rural recipients to migrate to more dynamic regions of the country and reduce existing regional inequalities.

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Appendix A

Sample questions:

With government officials

What are your thoughts on whether the Oportunidades program has had a significant impact in reducing poverty in the region?

To what extent do you think merchants in Las Margaritas have benefited from Opportunities program transfers?

Do you believe that cash transfers offered by the program are sufficient to cover the expenses necessary to send children to school outside their communities?

What is your knowledge of students who leave their communities in order to continue their studies in the city? Do they tend to return to their communities?

With community members:

Do you feel that the Oportunidades program has had a significant impact on poverty in your community and in the region?

Do you think that the Oportunidades program has promoted a higher level of school attendance in communities in the region? If so, at what educational levels have you noticed a greater impact?

What are in your opinion the reasons why other students in your community decided not to continue their secondary education?

Do you consider the amount awarded by the Oportunidades program is sufficient to cover expenses necessary to study in the city?

Appendix B

Cash transfer totals 2002-2012 (in Mexican pesos)

	Cash transfer totals (in pesos)	
Year	Chiapas	Las Margaritas
2002	1,775,922,360	41,565,783
2003	2,108,686,960	49,610,865
2004	2,412,814,350	59,263,905
2005	2,710,530,465	68,601,875
2006	3,058,453,565	80,268,960
2007	2,771,819,280	73,562,125
2008	4,158,522,110	117,218,515
2009	4,611,696,907	127,416,815
2010	5,271,690,825	145,953,765
2011	5,369,735,100	142,296,600
2012	5,942,669,835	169,387,515
Total:	40,192,541,757	1,075,146,723

Own calculations based on data from Oportunidades Program website