

## Do social transfer programmes have long-term effects on poverty reduction?

### Lessons from Mexico's *Oportunidades* and challenges ahead

#### Key points

- Social transfers with long-term objectives have a better chance of supporting exits from chronic poverty.
- Mexico's *Oportunidades*, the longest-running social transfer programme, shows that participation in the programme translates into improved long-term productive capacity of poor households.
- To guide the adaptation of existing programmes, and the design of new programmes, programme designers should assess the long-term impact of interventions now, rather than measuring outcomes when existing programmes have completed a longer run.
- Further research is needed, in particular developing methodological strategies to enable researchers to simulate long-term effects of social transfer programmes in conditions where data constraints are strong.

#### What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty. Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation. This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

#### Introduction

In the last decade, large-scale non-contributory social transfer programmes have become central in reducing extreme poverty and vulnerability in many developing countries. They include among others, Mexico's *Oportunidades*, the longest running social transfers programme.<sup>1</sup>

Social transfers have proved effective in increasing schooling, improving nutrition and health, developing local infrastructure, guaranteeing work, and transferring assets among poor and

poorest households. A key issue for researchers and policy makers is how to translate these short-term gains into longer-term improvements in the productive capacity of households, to help secure permanent exit from poverty.<sup>2</sup>

Many social transfer programmes specifically target extreme and chronic poverty. For instance, in Latin America, social transfer programmes focused on human development explicitly aim to break the intergenerational persistence of poverty through investments in nutrition, education and health. Such social transfers with long-term objectives have



a better chance of supporting exits from chronic poverty. Determining whether social transfers have long-term effects is important.

This policy brief addresses the importance of the longer-term effects of social transfers in poverty reduction through assessing current knowledge and mapping out the challenges ahead.

## The challenges of assessing long-term effects

The growth of social transfer programmes in developing countries is very recent and existing programmes have a relatively short life span. Few programme designers have considered collecting appropriate data necessary to evaluate both its impact and the longitudinal datasets suitable for the analysis of medium-term effects, let alone longer-term effects. The lack of data availability severely constrains the assessment of long-term social transfers in developing countries.

Research on the longer-term effects of social transfers has to overcome these methodological and data limitations. The main challenge is to identify strategies which could employ current information to ascertain future long-term effects.<sup>3</sup> At least two approaches are possible:

The first is to focus on single indicators known to provide information on long-term wellbeing and deprivation. For example, stunting, poor cognitive development, early school dropout, full-time work in early life, ill-health, and depletion of physical and financial assets have been identified as factors that undermine poor households' productive capacity and long term wellbeing. Exploring current information on the impact of transfer programmes on these indicators could provide clues as to the effects of social transfers on reducing long-term deprivation.

The second approach is to focus on measures of (chronic) poverty, and to explore associations between programme participation and changes in the poverty status of households.

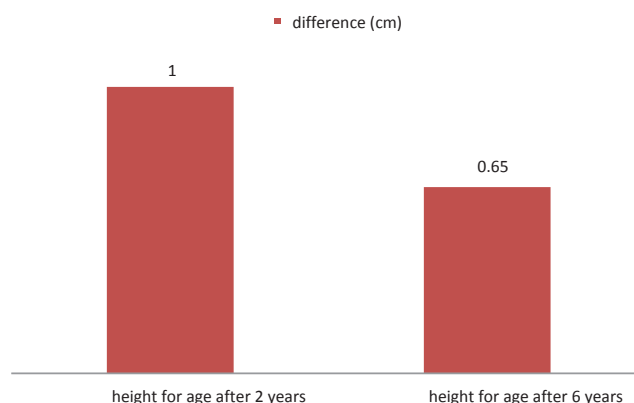
Programme designers should consider spending time and resources to assess the long-term impact of interventions now, rather than measuring outcomes when existing programmes have completed a longer run. Assessing the long-term impact of social transfers today can generate knowledge which can inform and guide the adaptation of existing programmes, and the design of new programmes. Neglecting the study of long-term effects precludes these gains, as it will be harder to re-construct data needed to assess longer term effectiveness.

## Learning from Mexico's *Oportunidades*

A large measure of what we know about the long-term effects of social transfers comes from Mexico's *Oportunidades* experience, which was launched in 1997. The design of *Oportunidades* involved a longitudinal experimental survey between 1997 to 2000 and a further evaluation survey in 2003, when the programme was extended to urban areas, and again in 2007. This made available the valuable information needed to estimate programme outcomes in the short run. The longitudinal surveys have also provided the best dataset available for the assessment of longer-term effects of social transfer programmes in developing countries.

Several evaluations of Mexico's *Oportunidades* programme have shown positive outcomes that impact on the poor. First, improvements in nutrition among children participating in *Oportunidades* have an impact on child development, school attainment and, in the longer-term, on labour

Figure 1: Difference in height for age among *Oportunidades* treatment (joined 1998) and control (joined 2000) groups in 2003 for 2 to 6 year olds



Source: Gertler and Fernald 2005



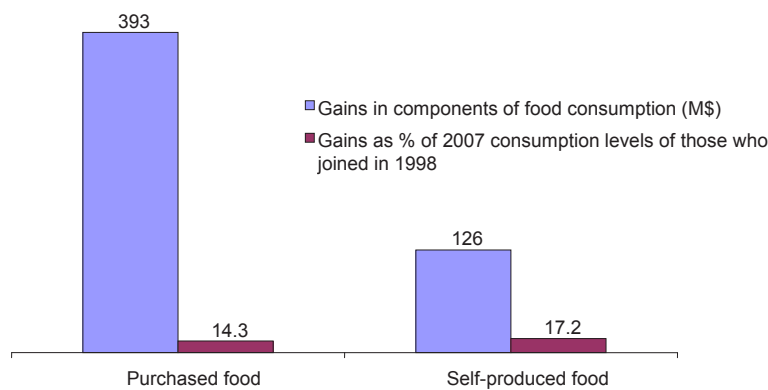
productivity. Evaluating height for age suggests a long-term impact of improvements in nutrition: children in *Oportunidades* gained one centimetre after two years, and in 2003 children who joined the programme in 1998 were still 0.65 centimetres taller on average than those who joined in 2000 (Gertler and Fernald, 2005).

School achievements and performance in maths and reading tests among long-term *Oportunidades* beneficiary children also confirm a significant improvement in schooling. The benefits from long-term improvements in labour productivity also mean that *Oportunidades* pays for itself, as studies calculate that the cost of the programme (about 0.3 percent of GDP) will be more than offset by increases in the income of beneficiaries in the future (Parker and Behrman, 2008).

The impact of *Oportunidades* on household consumption and investment shows that households with long-term participation enjoyed higher food consumption than those with a shorter period of treatment (Arroyo Ortiz, *et al.*, 2008). Furthermore, households who joined the programme in 1998 showed gains in land, livestock and productive assets of around four percent compared to households joining in 2003.

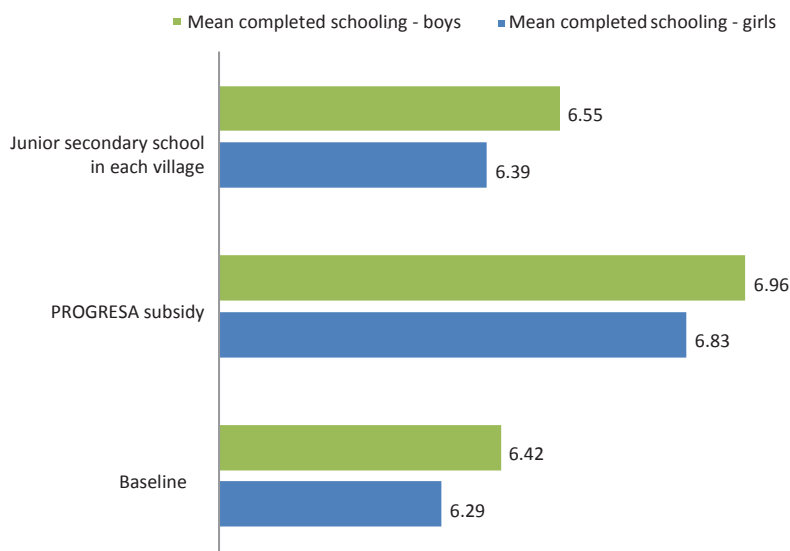
Finally, children participating in *Oportunidades* are predicted to complete the schooling cycle with almost one extra year of education (Todd and Wolpin, 2006). Figure 3 shows predicted completed years of schooling outcomes for the existing design of *Oportunidades* compared with an alternative supply-side policy, which focuses instead on school infrastructure. It suggests that the mix of demand

**Figure 2: Longer-term impact on food consumption**  
**Mean gain in food consumption for nine-year *Oportunidades* participants compared to three-year participants**



Source: Arroyo Ortiz *et al.* (2008)

**Figure 3: Schooling outcomes from alternative interventions in rural Mexico**  
**Mean completed years of schooling**



Source: Todd and Wolpin (2006)



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The Chronic Poverty Research Centre (CPRC) is an international partnership of universities, research institutes and NGOs, with the central aim of creating knowledge that contributes to both the speed and quality of poverty reduction, and a focus on assisting those who are trapped in poverty, particularly in sub-Saharan Africa and South Asia.

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and supply interventions in *Oportunidades* has stronger effects on schooling than a purely supply-side intervention.

## Where do we go from here?

Studies that identify the long-term effects of transfers in developing countries, like those highlighted in this policy brief, are scarce and most have focused on Mexico's *Oportunidades*. Other types of social transfer programmes and programmes in low income

countries might turn out different results. Nevertheless, these evaluations suggest that social transfers could have an impact on the long-term productive capacity of households, and might help reduce chronic poverty.

Further research on the long-term effects of social transfers is needed, in particular developing methodological strategies that will enable researchers to simulate long-term effects of social transfer programmes in conditions where data constraints are strong, and especially in low income countries.

The Chronic Poverty Research Centre's ongoing Social Transfers and Chronic Poverty Research Project aims to provide information on whether social transfers contribute to improving poor households' productive capacity in the longer term, develop methodological strategies which could be implemented in low income countries, and identify the modalities of social transfers that are most effective in generating long term poverty reduction. More information is available at: <http://www.sed.manchester.ac.uk/research/socialtransfers/index.htm>.

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### Endnotes

- 1 Other social transfers programmes include Brazil's Bolsa Familia; South Africa's Old Age and Child Support Grant; India's National Rural Employment Guarantee Scheme (NREGA) and Ethiopia's Productive Safety Net Programme (PSNP), Chile's Chile Solidario and Bangladesh's Challenging the Frontiers of Poverty Reduction: Targeting the Ultra Poor Programme.
- 2 The term productive capacity is used here to include human capital as well as physical or financial productive assets.
- 3 The scarce literature employs simulation methods and structural dynamic models to predict future effects.

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