## THE BROOKINGS INSTITUTION

## PROGRESS AGAINST POVERTY: SUSTAINING MEXICO'S PROGRESA-OPORTUNIDADES PROGRAM

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## APPEARANCES:

JAMES D. WOLFENSOHN, Chairman, Citigroup International Advisory Board Former President of World Bank

JOHANNES F. LINN, Moderator
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PANELISTS:

JOACHIM von BRAUN, Director General, International Food Policy Research Institute

CHARLES C. GRIFFIN, Senior Fellow, Global Economy and Development, The Brookings Institution

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FEATURED SPEAKER:

SANTIAGO LEVY, Former Deputy Minister of Finance, Mexico; Nonresident Senior Fellow, The Brookings Institution

PROCEEDINGS

MR. WOLFENSOHN: -- in Mexico, which was the brain child of

Santiago. As you probably know, it started in 1997, with a budget in those days of \$58

million. It now has a budget of 3.2 billion a year. It went from 300,000 families to five

million families, essentially addressing the issue of poverty in Mexico. And it is being

emulated now in I think 30 plus countries, and I hope that maybe Santiago will tell you

about that.

The extraordinary thing about this program is both its natural presentation.

It is getting money to poor people for specialized use, it is very straight forward, it is a

program that can be monitored and is monitored, that has been enormously effective, and

that can be scaled up and extended.

And it went from kids in primary school, if I'm not mistaken, to secondary

school, and gives people an opportunity to have a future before them assisted by the

participation of government, and made a really national project that can change the

framework and can change the contours of both an economy and the opportunities for

people.

I think we're very fortunate today to have Santiago with us. Our little

contribution to Brookings could not have been better positioned than to have Santiago

write this book, and so I'd like to get off the stage and give the opportunity for Santiago to

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tell you about it and to have our distinguished discussants tell us what they think of it. So

thank you for coming, and thank you, Santiago, very much.

MR. LEVY: Good afternoon, everybody. Let me begin first by thanking

Mr. Wolfensohn and Johannes Linn; without either of them, this event would not be

taking place. And also take the opportunity to thank Brookings in general for the

generosity of the Institution, the editor, and all the people at work, we put together this

book.

The book has a strange origin, and perhaps I should share that with you. I

left the government about a year ago, slightly more than a year ago, and I had the

opportunity of having at that time a conversation with Mr. Wolfensohn, who had just

finished his tenure at the World Bank.

And I didn't know then, but to my good fortune, Mr. Wolfensohn shared

with me that he was thinking of this initiative at Brookings, but that he was trying to do

something different, that he was trying to start a center on development and work on

policy and work on poverty, but there was not going to be a center on technical research,

but he was trying to answer something that bothered him immensely while he was

President of the World Bank for ten years.

It was a fact that on many occasions he saw good programs, but that either

these programs were too small to have an impact on people or they were too short of an

impact on people. So the issue, how can these programs be made large scaled and how

can this program be made sustainable so that they have a lasting impact on the poor, was

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part of the centerpiece of the research agenda or the Wolfensohn Center.

And after that conversation with Mr. Wolfensohn and quite a few

conversations with Johannes, this book evolved, and the defects are still my responsibility,

but some of the good points have to have with Johannes and the good points he made

along the way.

The book is about three ideas. One idea is a very simple idea to

economists, which is, in general, if you want to transfer income to people, and you want to

do so because people are poor, poor people will probably like that to be in cash rather than

the form of lower prices for electricity, lower prices for gasoline, or for food, or for some

consumption good.

The idea, however, can't just be a pure cash transfer because you would

like this not to be necessary. You would like the poverty program to end, not right away,

but the real success of a poverty program is that it becomes no longer necessary after some

time.

So the idea is to tie the cash transfers to some investments by these

families in something that will materially change their conditions, so that eventually they

will no longer need these transfers. And this will make it different from transfers in the

past of subsidies to tortilla, to bread, to milk, to what not, that can continue for 20, 30, 40

years without anything really changing. So the first idea is change what you were doing

before to do it in a more efficient way and to actually tie it up with something that changes

the underlying material conditions. And this would be a very sensible idea to economists,

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not a foreign or alien idea, and perhaps the merit is that all of this was just packed together

with an additional idea.

If you make health, education, and food present at the same time, you will

probably have more impact than if you just deliver food or health or education, because

these goods are complimentary, and if you explore the complementarities, things will be

better.

The second part of the idea was, it is important to evaluate this; it is

important to measure with the most scientifically technical techniques available to see

whether, in fact, this idea is working, and to measure whether it's, in fact, having the

impact that you expect it's going to have.

So far it would be an interesting exercise for academics. But I think the

reason we're here is because there was a policy decision made in Mexico at that time that

this program was to cover every person in poverty in Mexico and that it was assigned

from the beginning to have a sustainable impact on the poor, long lasting. So the book is

about three ideas at the same time, a micro-economic technical design of how to transfer

income to people such that this is transitory, an idea of how to evaluate the impact to this,

an idea of how do you make this on a large scale and to make it sustainable.

The book is a story about how these three components evolved in Mexico,

and the story told in the book is told from two perspectives. It is told from the perspective

of the technical economic side of issues, the underlying budget, the underlying micro

economics, and the technical elements of evaluation, and that's one tract; and the other

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track is, it is told from the perspective of the politics, of the political economy elements

that were inherently part of the program design and that allowed the program to be

sustainable over time.

And it's a story of a political economy in a country that was experiencing a

democratic transition, and such that program design had to take into account the fact that

the political environment was changing very importantly.

So these three ideas, a micro design, evaluation, you want large scale

sustainability and a long term impact, are applied to Mexico in the context of a country

that you want to have a long impact and also experience in democratic transition. In a nut

shell, that's what the book is about. It's impossible in 15 minutes to try to go through all

the ideas, so what I decided to do is to try to pick out what I think would be seven or eight

important points in the understanding that maybe these points would be useful not only for

Mexico, but would be useful for the research agenda of the Wolfensohn Institute, and in

general, for the research agenda of policy makers interested in poverty (off mike) and to

study the extent to which this experience could or could not, or to what extent it could be

replicated in other countries.

The first point is changing all these mechanisms of income transfers for

cash transfers works. It is not a theory, this we didn't know, or this we didn't know really

too well ten years ago, but now it can be established; this works, it's not a crazy idea. And

believe me, when I first proposed this, people thought it was nuts. But now we know that

this works. So the micro economic issues have been settled.

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The important point for sustainability is that it was no longer enough to

show that a program worked, it was very important to show that the program could be

financed. And I think a key component of sustainability is that unless you find a micro

economically sustainable way to finance this program over a long period, the program

might not last, even if it is a good program. It might not last because the finance minister

at some point, if the price comes down, or if the price of the commodity that the country is

exporting goes down, or there's a micro crisis of which we've had way too many in Latin

America happens or whatever reason happens, we'll cut the funds. And poor people in

general have very little political leverage to ensure that their funds are protected. So the

sustainability from the finance point of view was an important element of the discussion,

and the book illustrates how this was achieved in Mexico basically by facing out

everything else.

And there's an important decision for countries, whether they like

programs of this nature to be, as I call them in the book, in addition to the existing system

of subsidies, or instead of the existing system of subsidies.

The decision in Mexico was instead of rather than in position to, and part

of the sustainability story has to do with the way other programs, generalized food

subsidies or subsidies for transportation or other things are phased out at the same this

program is faced in, not only from the technical point of view, from a politically

sustainable point of view.

The third point that the book tries to bring out is, it's not only sufficient --

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it's not sufficient to have a good micro economic design, and it's not sufficient to have the

money for the program. You've got to change the incentives of the agencies in the

government that are in charge of these programs.

And we've all lived through many bureaucratic headaches and hassles in

which there's a lot of bureaucratic in fighting. There's program (off mike) every ministry

has its own little program, everybody has its own little leash, and these are what Mr.

Wolfensohn has called feel good programs, but really the only people who feel good about

them are the bureaucrats that are running and not the people that are benefiting from it.

So a turning point in component is how do you align agency incentives

inside the executive branch to take people away from a vertical view in which the health

ministry looks at its health program, the education ministry looks at its education program,

the (off mike) ministry looks at his food program, each -- looks at his program on his own,

and you try to put forth a horizontal view of programs across the whole range of

programs.

And I think in the sense Progresa marks a landmark because it tries to force on the

government a horizontal view.

I don't know how much this can be extrapolated to other countries, but

unless you have the finance ministry behind you, it won't happen. And the reason it

happened in Mexico is because the finance ministry at the end of the day had the leverage

and could close the pipes on the other programs as the pipes on this program were being

opened.

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But even if you can do that, even if you can align the incentives of all the

agencies within the government to actually carry out the program, you've got to ask

yourself the question whether the program is sustainable, not only from a fiscal point of

view, or from a munitiative (?) point of view, but whether the program is sustainable from

a political point of view. And at the time in which Progresa was being designed, Mexico

was also experiencing important democratic transition. And we had a long history of very

many programs that were very good, and when the government finished, they would end

just because the government ended, and the new president would have to come in with his

own new program.

So the question that we ask ourselves was, under what conditions would

this program be continued six years from today if a new government from a different

political party than the government that is currently in power comes into power? How can

we align the incentives of the future executive, and how can we align the incentives of

congress which have much more power than in the past so that it no longer want to

destroy the program when the administration comes to an end.

And that's where the book puts a lot of attention to the issues of

transparency, accountability, credibility, and evaluation. These were somewhat novel

features at that time in Mexico because Mexico unfortunately has a long tradition, as

many countries in Latin America, of political manipulation of programs or of electoral use

of programs. And despite the fact that these programs are good, presidents feel a political

need, or congress feels a political need to actually phase out these programs.

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So the program paid a lot of attention to changing the incentives of

congress, a little bit like judo. In judo, what you try to do is, you try to use the force of the

opponent in your favor. So the question was, what would congress want, and what could

make it impossible for congress to roll back this program.

And if I think about that, what do I put in the program today such that

congress will actually be willing to continue with the program, i.e., align the incentives of

the legislative branch, not only within the executive, but align the incentives of the

legislative branch for continuity and in the direction of continuity, and present them with a

program that they can't refuse, because all the information is available, because all the

information (off mike) because the information is credible, because the information has

not been manipulated, and because the program is showing to have results.

And very importantly, put sufficient locks or Chinese firewalls in the

program such that the program cannot be used for an electoral purpose by a president.

And an important political departure for program design in Mexico, the program was

bypassed state governments, bypassed municipal governments, established a direct

relationship between a new agency in the federal government and beneficiaries, made not

only all the information transparent, but made it non-manipulatable by political parties and

non-manipulatable by other levels of government. And this way, the beneficiaries could

not be asked for some electoral behavior in the sense of where their vote had to go one

way or the other at the time the program was being implemented, and during election

times, such that one party would accuse the other party of using this for the other.

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We also decided to empower households by providing information that

this program was being delivered to them regardless of the political party that was in

power, and a major information effort for beneficiaries was part of the program, so that

beneficiaries understood that as long as my child goes to school, and as long as my child is

brought to the health clinic and I go to the health clinic, I'm entitled to this money, period,

and I can vote for whatever I vote.

And this alignment of incentives to congress is a fourth key element in the

sustainability and to continue to the program over time. The fifth element, and perhaps is

the one that has attracted the most attention world wide so far, has to do with evaluation.

I'm not going to talk about evaluation evidently for reasons of time. If I

can share a thought with you; it sort of feels very nice that something that you've done has

now been looked at by academics throughout the world and, you know, I need to put a

checkmark.

There have been dozens of papers, perhaps in the hundreds of papers, and

some authors are here in this audience today, and I, by the way, thank them for being here

writing papers, evaluating different aspects of the program. The idea was to have a

controlled experiment, an experimental design, and to use the statistical techniques that

were up to date, but also to make some important departures in making the information

available to everybody.

On the internet page of the program, all the data bases are available, any

academic anywhere in the world can use them, can replicate them, the papers can be

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tested, and if, and here's Mr. von Braun which we thank for being here, the International

Food Policy Research Institute, played an important role, because a decision was made

that the evaluations would not be carried out by the Mexican government, the evaluations

would be carried out by an external agency, and that they had a free check to do with the

results whatever they wanted to do.

It was a bit risky at that time, but we actually did want to know, is this

working or is it not working, and if it's not working, what should we correct. Evaluation

has played an essential role in Progresa because it makes credible the fact that the program

is working, not because a government official says it, but because the World Bank says it

or the IDB says, but also because academics with no stake and no interest except for the

actual pure academic work are also saying that the program is working. But it also helped

us to change the program and to improve the program, because many issues were not

solved from the beginning. And evaluation plays an essential role, and I'll give an

example. We were very concerned with the issue under nutrition, particularly the issue of

anemia in newborns. And as part of the benefits of Progresa, we design a supplementary

nutritional formula that was given to families at health clinics, such that, in principal, it

had all the micro nutrients to ensure that no newly born or, in fact, pregnant or like its

mother, would be undernourished.

And anemia is a particularly problem in Mexico, so we added iron to the

nutritional supplement. Except that we found out three years later that the iron was not

being absorbed by the body of the little children, because the particular chemical

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composition of the iron in the nutritional formula was actually not working.

If we hadn't evaluations in the sense of making large samples, testing blood on people, and finding out the anemia counting, we've never known this. But we did, and then we could change the evaluations, and we could change the nutritional formula in a different form of iron. Don't ask me glucose instead of phosphate or something like that, such that now the iron can be of sort, and you can have a much more

positive impact on anemia. So evaluation is very important.

On the substantive content of the program, and on the political credibility of the results of the program, and the results of the program, there were politically credible is what allowed the program, in part, to go from one administration to another administration. In the book, I also tried to do a little bit more than just survey the very many evaluation papers that have been done by combining them with another literature that is perhaps less well known to English audiences, which has to do with a large set of work done by Mexican anthropologists and Mexican sociologists in which they've also looked at Progresa from anthropological angles and sociological angles.

This is a program that is operating in 86,000 communities in Mexico, in many ethnic communities, and that is covering one out of every four Mexicans. It's a very large program, and it's not only the economic impact and the technical side of it, but also the sociological and cultural impacts, in terms of empowerment, peoples sense of self-worth, women's' self of power within the family, and this is also brought in as part of the chapter on evaluation.

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Let me move on and ask myself a question. If you have a good micro

design, if you have micro sustainability because you found a space in the budget for this,

if you have an institutional arrangement inside the executive branch such that agencies

have incentives to continue, if you have an incentive alignment with a legislative and with

congress such that congress has an incentive to continue with this program through time,

and if the evaluations have good results, is that enough? Is that enough for (off mike) and

is that enough for sustainability? During the conversations I had with Johannes at the time

the book was being written, Johannes pushed me correctly, I think, to also talk about

something that's difficult in terms of measurement. He asked me to talk about the role of

leadership in these kinds of programs.

And it's not obvious how you measure this, but let me put the question as

follows. Suppose you are the president of a country, that you've just experienced a major

economic crisis in which DDP went down by six percent, the largest recession in the

1930's, suppose that the party that brought you to power is gradually losing power in

congress, and suppose that some member of your cabinet comes over to you and says, Mr.

President, what I think we should do is, dismantle all the food subsidies in Mexico,

dismantle the apparatus of political support associated with the party that manipulates

these programs, and even though it's never been done anywhere else in the world, I

suggest to you that you do this program of giving money to mothers in the rural area and

require that their children have to go to school and go to a health clinic; so that's what was

being asked (off mike) and perhaps that's the best way to answer what is (off mike)

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Present folks also to (off mike) decision in a different context. Six years

later, the program had passed on from the administration of a pre-government (off mike)

and as many of you know, Mr. Fox was elected President of Mexico for the first time of a

non-pre-government. In (off mike) the opposition party now empowered what brought

Mr. Fox to the presidency, had long thought, in my view partly correct, or measured

correctly, that all the social programs had been used by the (off mike) to fight against the

(off mike)

So now Mr. Fox in power is facing a huge amount of pressure from the

pan (?) that says it is time to dismantle all these pre-inherited, internalistic (off mike)

programs that have been used against us, and we expect you to dismantle Progresa, as

well. And Mr. Fox decided just with a name change, not only to continue with the

program, but to double the (off mike)

So leadership is essential. This is bothersome and troublesome to the

extent that you say, if I have managed to design a program that has all this micro side well

done, the micro side well done, the political side well done, the incentives are aligned, it's

well evaluated, and at the end of the day, it's all just going to hinge on leadership, I don't

have a good answer to this dilemma.

I think what people involved in policy, what is it that we can do, is to

facilitate leadership, to tell Mr. Fox, you have these elements to tell the other political

parties that it has not been used for political manipulation, you have these results, we have

talked to the congressman, we have talked to the press, we have talked to the opposition

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parties, and even though it's a tough decision, it is not an unduly risky decision to continue

with the program. So I don't want to say that leadership is endogenous, there's still an

important component of just pure leadership as any historian would know, but I think it's

part of a role of policy makers to facilitate leadership.

Let me finish here, and I'll take no more than two minutes to say perhaps

the novelty of Progresa was not a technical design, perhaps it was not the evaluation, and

perhaps it was not the political design, perhaps the novelty is that all three were there from

the beginning. And sustainability and for scaling up a program, I think the lesson and

what may be important for the Wolfensohn Institute research agenda is that these kind of

design issues must go hand in hand.

Economists have paid way too much attention to the technical part, has to

do with the incentive structure that we face as economists, but from the point of view of

policy, what we need to do is to put all these three things in the balance and then make

sure that all these three things work together and walk together to get results.

I am looking ahead. Johannes also asked me during part of the writing of

the book what is next. And here there are just a lot of questions basically. We have

constructed boxes in which we put poverty policy in a particular box, social policy in

another box, and then economic policy in another box. But think of an extremely

successful program and assume that Progress works 100 percent to what it's supposed to

do, and that over time, every single poor children in Mexico is no longer under nourished,

his mother was not under weight when he was born, there was no anemia, he was never

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suffering the nutrition, there was never any cognitive (off mike) or any harm to his

abilities during his life, and that he finished high school, and now he's out with a high

school degree, a health man; is he going to get a job, or is he going to migrate to the U.S.?

Is Progresa only improving the quality of the U.S. work force? Under

what conditions will these people now get productive jobs in Mexico? And what are the

incentives for these workers who look for a productive job in the formal sector, and how

do we make the interface, or if I may use a technical term from economists, the incentive

compatibility of poverty programs with the rest of the other programs in which I think the

incentives might not actually be to get a productive job.

This is an issue that bothers me immensely, because I think this part of

Mexico has not solved, and I think, in fact, Mexican policy, in my view, and I put this

carefully, has been moving in the wrong direction, in the direction of creating (off mike)

incentives, not because an individual program is well designed, but because the set of

programs is not well designed.

And in terms of what the impact of the poor is going to be, they don't really care about an

individual program, they care about the outcomes in their lives, and for that, they need a

whole set of programs, not only one in particular working well, but all working well, and I

think the challenge for Progresa or for post-Progresa is to think about that and think about

policy to help them in that dimension. Thank you all for listening to me.

MR. WOLFENSOHN: Well, thank you very, very much, Santiago, not

only did you complete your book in record time, Santiago started working just about a

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year ago, and we had it up on the web I think in early November, so it's been just amazing

how this book came together so quickly and effectively. But you've also stayed in time,

well in time here with your presentation, so thanks very much.

But let me start by thanking (off mike) for hosting the Wolfensohn Center

(off mike) Brookings on behalf of Brookings, and especially the Wolfensohns, Elaine

Wolfensohn and Jim Wolfensohn, they're both here today, for actually giving us this

opportunity to do stuff like what you just heard. So thank you, Jim, and thank you, Elaine,

and thank you to the entire family who are extraordinarily supportive in the work that we

started just a little while ago.

Now, as Jim said, and (off mike) said, and Santiago said, the work of the

Wolfensohn Center for development of Brookings is really about development

effectiveness. How do we get good, effective, lasting interventions on the ground? And

so it's about impact, it's about scale, it's about sustainability, and it requires, if you think

about what that involves, to achieve impact with scale, at scale, and sustainably, it

immediately puts you, of course, not only onto the economic issues that are also covered

in the book that we just heard about, but also the institutional and the political issues.

So when I had the good fortune to sort of, frankly, searching around how

to get started with the Center, Jim put me in touch with Santiago, and after a while, it

became very clear that Santiago would be a great ice breaker, and I think, you know, he

has exactly focused on the issues that we are broadly grappling with in a way that will

help us, I think, point the way forward in terms of the kind of analysis that we should do,

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not just for large scale programs, but I think more generally focusing on this issue of

incentive compatibility that he has pointed out so clearly, or incompatibility as so often

unfortunately in practice, and most of us working in the development business have seen it

at work, I think is just terrifically helpful for us.

But without going any further myself on this topic, I'd like to hear from

our three really outstanding panelists, just briefly, but before I do, there are lots of chairs

here, so if some of you guys would rather sit than stand, it's up to you, please come

forward, there's a good time right now to do so. While you come forward, if you like, let

me introduce you to, or introduce to you the panelists. First of all, Joachim von Braun,

and he being the head of -- the Director General of the International Food Policy Research

Institute. When he accepted the invitation, I was really pleased, because (off mike) at the

invitation I guess of Santiago and the government, it was really critical in putting together

a very effective, professionally outstanding evaluation program that in many ways was

half setting. (?)

Now, I don't know whether you will talk any about this, but for any of you

who are not aware of it, just be aware that IFPRI has turned out to be a tremendous

resource in this regard and path breaking.

Now, Joachim has, since he arrived in 2002 in Washington, has actually,

although he was not involved with the original evaluation phase, has continued to build up

IFPRI into an even stronger institution. He came from the Center for Development

Research and was Professor of Economics and Technological Change, and previously also

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Professor at the Kiel University, and he has a doctor degree from the University of

Goettingen in Germany.

The second and third panelists are actually colleagues from Brookings,

and let me continue with Charlie Griffin, who is a Senior Fellow of the Global Economy

and Development Program, recently mentored because he until very recently was actually

a colleague of mine at the World Bank. I left about three years ago; he just left about

three months ago, something like that. At the World Bank, he worked as Director for

Human Development Departments in Europe and Central Asia; he worked previously in

South Asia, and also in Latin America, always in this area of human development, and has

tremendous experience that he will bring to bear in our discussion here. Before that, he

was at the Urban Institute, and also Associate Professor at the University of Oregon, and

has a Ph.D. from the University of North Carolina at Chapel Hill.

Which brings me to the final panelist, it's Ron Haskins, who has the same,

as it turns out, I guess accidentally, this wasn't planned, also has a Ph.D. --

MR. HASKINS: It might have been a few years before he got his.

MR. WOLFENSOHN: We won't look into this. Also a Ph.D. from the

University of North Carolina at Chapel Hill, it must be a good place. So anyway, he's a

Senior Fellow of Economic Studies Program and co-directs the Center on children and

families at Brookings. He was previously at many appointments, different appointments

on the Hill and in the White House, and also was Professor at the University of North

Carolina, Chapel Hill.

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So what we've agreed is that each of them will take about -- sort of up to

ten minutes. Our two first panelists will talk mostly about the experience sort of from the

developing perspective, but then Ron will actually add what I think is a very important

and interesting perspective, and that's sort of how does this approach in Mexico maybe

contrast with, but also what might be learned from that experience for the U.S. So let me

stop here and start with, Joachim, if you would like to kick off.

MR. VON BRAUN: Yeah, thank you very much. Thank you for the

invitation, you and Mr. Wolfensohn. The book before us here I think is a development

studies jewel. My colleagues and I at IFPRI, we know a lot about the conditional cash

transfer problems, but there's a lot of new stuff in the book, so we, not only me personally,

very much enjoyed reading it.

It does not only lay out the fascinating story in Mexico and why it works,

but it also sets out a whole new research agenda on what to do next. In my remarks, I will

not review the book, other than telling you you have to read it, but we'll discuss a bit about

what next, especially on the whole issue of replicating.

If the program worked, everyone has to trust now. There are probably

very few programs which have been evaluated to that extent as Progresa-Oportunidades

have over the last decade. And I still would argue it has not been over evaluated. It must

have been a pain for you to catch up, Santiago, with all these evaluation reports.

There's an interesting figure in the book, by the way, I believe there were

eight million questionnaires filled out through surveys. Whether that's a good figure or

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not, I don't know. But there's no reason to not trust that the facts are completely clear.

This program had tremendous impact in Mexico. But can it have a similar impact around

the world elsewhere, and under what conditions?

We have over the last six or seven years got engaged in five other

countries doing a similar type of impact evaluation. And an interesting story is unfolding,

but the story doesn't have an end yet.

I think what becomes clear is, from the replications which we have so far,

is that the Progresa type projects have to adapt to local circumstances. So it's not a

blueprint which can be translated everywhere in the same form, and Santiago Levy points

that out also in his book.

You need certain pre-conditions. The program requires strong

administrative capacity for implementation. Then after all, you need a health and an

education system that functions to some extent, so critical mass needs to be there.

My second remark relates to how the Progresa type program fits into an

overall development strategy. Santiago Levy, at various points in the book, points out that

a Progresa type program is not the development strategy, it's a critical building block of it.

But development strategy is much bigger, how to create growth, the jobs, and what role

for infrastructure and so on, and how to move a country forward. That also applies, so the

complementarity issue related to a Progresa type program relates also to some of its

particularly complex elements. You mentioned just a moment ago the experience with

nutrition components, for instance, addressing the iron deficiency problem, and that

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apparently didn't work well, at least initially, with the Progresa program.

We find a similar story from Nicaragua, also a CCT program, also the micro nutrient component didn't work up to expectation, so the health and nutrition benefits were not as expected. So apparently there are key poverty reduction investments

of a specialized nature which need to be run in parallel to a really healthy

complementarity and some of the nutrition programs relate to that.

My third remarks relate to, is time working for the CCT's or where do we

stand on that? We received a lot more of them on forwarding your answer, and my

answer is yes, and the answer is yes because of a good and a bad reason. The good reason

is that many low income countries growing into sort of lower middle income countries

status do have more the capacity to get into CCT's. So my prediction would be, the

Mexico story will unfold a lot more (off mike) than we have seen so far.

The bad reason why CCT's are also going to be more attractive is that

countries which used to have more equal income distributions are showing more and more

unequal income distributions which will drive the political economy into political demand

for these types of programs, and hopefully with a good outcome, but both factors will

drive increased demand and increased effective demand capacity for CCT's. The reason

conference is looking across countries shows a tremendous enthusiasm for CCT programs.

It's not only 20 or 30 countries by now, but if you count the experiments going on around

the world, this really has multiplied, mushroomed the idea, Santiago's idea, the idea of the

teams working with you, and it's a great development story.

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So it's not a management task now to facilitate the world wise scaling up of the CCT's, but the development policy task is to make it work best, and that requires, as I said, adaptation.

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