

Abstract

The four main essays in this thesis focus on the identification and empirical study of a few “unanticipated” effects of the Mexican Conditional Cash Transfer (CCT) intervention, the *Oportunidades* program. By “unanticipated” effects I denote observed household behavioral responses to the program incentives which, while more or less predictable, were not specifically stated as primary objectives nor included amongst the conditionalities required to obtain benefits. The final aim is to offer a broader analysis of this anti-poverty intervention through addressing its impacts on several dimensions and through identifying the economic mechanisms at play behind them. Results arise as useful to improve the program’s efficiency and in the design of similar policies elsewhere.

After a detailed description of the intervention in chapter one, chapter two exploits the randomized nature of the *Oportunidades* evaluation sample and the scheme of incentives to identify impacts on intra-household time allocation. Based on a simple unitary household model, I argue that changes in relative prices induced by the conditional-on-school-attendance transfer component lead to substitution effects, whereas the nutritional transfer component translates into a pure income effect. Findings show that far from providing disincentives to adult labor supply, the program is motivating a substitution of adult women work for domestic work previously performed by their children. This is likely to provide children with more time to attend school and do homework, thus promoting human capital accumulation.

Building on this result, the analysis in the third chapter focuses on child care. I apply the semiparametric estimator developed in Lewbel (2000, 2005) to estimate impacts on the time mothers and older daughters spend taking care of kids ages 0 to 3, and the substitution effect that can potentially arise between them. Results support the existence of such substitution effects. I take these findings as evidence that *Oportunidades* is not only increasing human capital accumulation through keeping teenage girls in school but also through improved (mother provided) child care.

The fourth chapter tests whether beneficiary households use the cash transfer received to invest in income generating activities that they otherwise would not have been able to. Results show that from each peso transferred, beneficiary households use 88 cents to purchase consumption and invest the rest. Increased investment in micro-enterprise and agricultural activities amongst beneficiaries is shown in a separate set of regressions. The investments improved the household’s ability to generate income with an estimated rate of return of 17 percent, suggesting households were both liquidity and credit constraint. Moreover, estimates on long run consumption suggest that increased living standards can be sustained even after program benefits end.

In the fifth chapter, nationwide data on *Oportunidades* coverage is merged to school census data and to coverage data on the CONAFE Compensatory Education Program to test for the existence of synergies between supply- and demand-side educational interventions on schooling outcomes. CONAFE channels extra resources to the worst performing schools in highly marginalized areas. Through increasing school quality in the areas where *Oportunidades* operates, CONAFE might help solve existing school deficiencies and satisfy the needs of the increased demand for schooling *Oportunidades* generates. We exploit the differential phasing-in of both interventions over space and time and find large effects of *Oportunidades* and empowering parents (a component of CONAFE) on failure and repetition. This suggests that supply-oriented interventions should be redirected towards decentralizing school management to the local level rather than focusing in centralized input provision. Findings also show that a CCT intervention whose main educational target is increase school enrollment and attendance can also improve education quality. No robust evidence of synergies between the two interventions is found.