Prospering through Prospera: CCT Impacts on Educational Attainment and Achievement in Mexico

Jere R. Behrman, Susan W. Parker, Petra E. Todd and Weilong Zhang [1]

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Abstract

This paper develops and estimates a dynamic model of student enrollment, school choice, academic achievement and grade progression to evaluate the impacts of Mexico's conditional cash transfer program *Prospera* on educational attainment and academic achievement over grades 4-9. Enrollment decisions are modeled as the outcome of sequential decisions at each age/grade from a person's feasible choice sets. The production function for academic achievement, which is measured by standardized tests in math and Spanish, has a value-added structure. Model parameters are estimated via maximum likelihood using nationwide administrative test score data (the Encel data) combined with survey data from students, parents, teachers and principals and census labor market data. The estimation approach controls for nonrandom selection arising from selective school enrollment and grade retention. The results show that the *Prospera* program increases school enrollment as well as academic achievement for participating students. The impacts on test scores are highest in secondary grades and in mathematics and range from 0.1-0.2 std dev.