

Targeting and Leakages in Transfer Programs

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Targeted Social Programs

- Social programs that are directed towards the poor
- Increasingly common:
 - Conditional Cash Transfer Programs, Food Subsidy Program, Health Insurance Schemes,

Key Challenges

- **Targeting:**
 - How do you identify the poor?
 - Hard to observe income:
 - Underground economies, in-kind income, instable/multiple forms of income
- **Leakages:**
 - Once you find the poor, how do you ensure that they actually receive the social programs?

“PMT” Targeting

- Common method as it does not rely on observing household income:
 1. Using pre-existing survey data, create a formula which maps hard-to-hide assets and demographics to consumption
 2. Conduct asset census to collect these assets variables
 3. Assign all households a consumption “score” based on formula
 4. Those below cutoff are given program access

Involving Communities

Strengths

- Community may have better information:
 - Harder to conceal income from neighbors
 - PMT focus on assets may miss transitory shocks
- Greater legitimacy, especially if PMT gets it wrong by community perception

Weaknesses

- Risk of elite capture in community methods (loss of legitimacy of program?)
- Community perception of poverty differs from government?

Randomized Experiment

600 villages enrolled in
unconditional cash transfer program

PMT

(200 villages)

Community

(200 villages)

Hybrid

(200 villages)

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Due to **random assignment**, villages are the same other than the treatment -- Can compare outcomes across groups to learn relative effects of each method

Community Targeting

- Community Meeting
 - Stack of index cards, one for each household (randomly ordered)
 - Facilitator led discussion on the poor (about 15 minutes)
 - Start with the first two cards, then keep ranking cards one by one





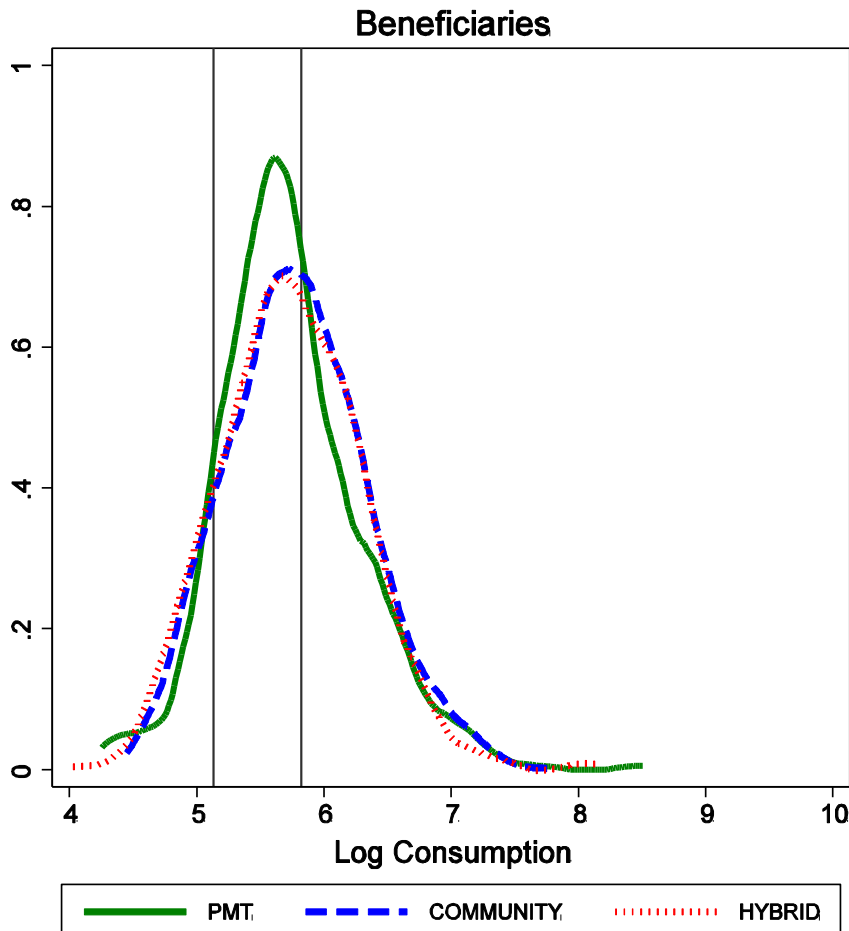
Hybrid

- Combine community and PMT
 - Community meeting determines who the government should interview
 - PMT determines eligibility

Who should be at the meetings?

- Cheaper to just organize local leaders than large meetings...but increased risk of elite capture!
- Randomly divide half the community meetings and observe if outcomes differ:
 - Local leaders invited (both formal and informal)
 - Full community invite

Beneficiaries Poorer Under PMT



- PMT centered to the left of community methods—better performing on average
- However, community methods select more of the very poor (those below \$1 per day)

However....

- Community methods better at matching “village” perceptions of who is poor and individual’s own “self-assessment” of their own poverty status
- Deeper analysis reveals that communities choose those that they perceive to be more vulnerable to poverty
 - E.g. widows, those with bad shocks, lower education, more kids

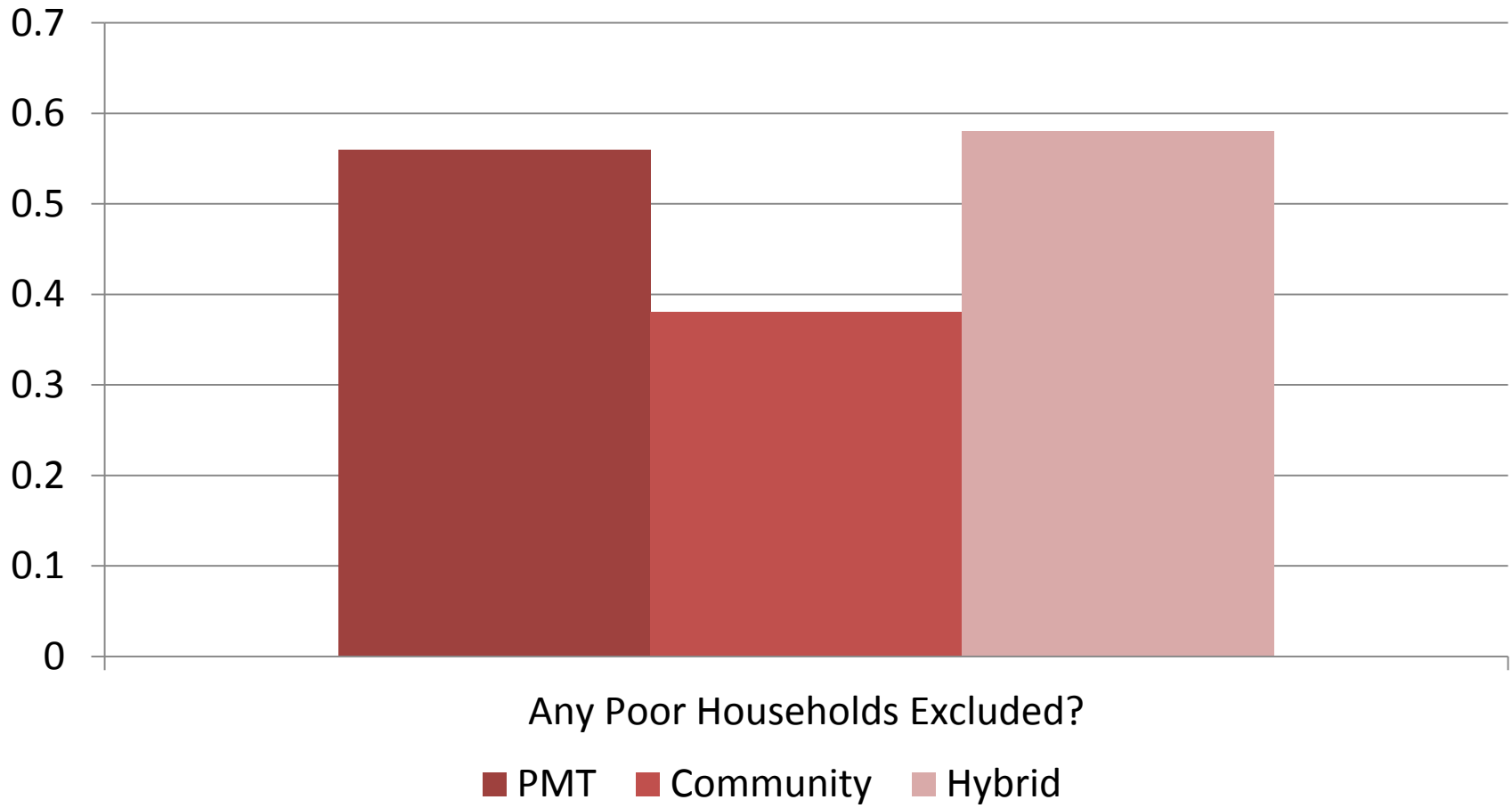
Elite Capture?

- We find no differences in targeting error rates between elite and full community meetings
- Two stories:
 - No elite capture
 - The elites also fully captured the community meetings/PMT

No Elite Capture

- Look at targeting outcomes for the actual elites and their relatives
- In community methods, elites and their relatives are actually less likely become beneficiaries

Satisfaction with Methods?



Any Poor Households Excluded?

■ PMT ■ Community ■ Hybrid

Community Method Has Highest Satisfaction and Legitimacy

- In measure of satisfaction we look at, community method ranked higher
- Hybrid ranks higher than PMT, but not as high as pure community

Conclusion

- PMT targeting was better at finding the poor (based on consumption) than community methods, but the difference was not large
- Community methods was good at finding the poorest households, was not subject to elite capture, matched communities perception of poverty, and enjoyed the highest satisfaction level
- Method to choose based on government objectives

Targeting II

- Findings from Targeting I experiment led to follow-up study
- Randomized experiment comparing PMT with self-targeting and an “improved” hybrid