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, unstable/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)
Randomized Experiment

600 villages enrolled in unconditional cash transfer program

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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