Center for International Development
at Harvard University
EVIDENCE FOR POLICY DESIGN

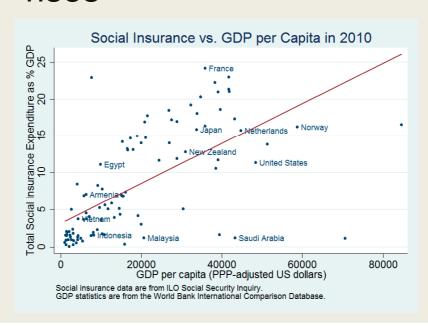# EVALUATING SOCIAL SPENDING PROGRAMS

Dr. Rema Hanna
Cheah Professor of South East Asia, Harvard University
JPAL-SEA Scientific Director
Director of Harvard's Evidence for Policy Design (EPoD)

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Social Protection Policies of Growing Importance for Emerging Nations

- Non-contributory transfers designed to provide regular and predictable support to the targeted poor and vulnerable

- Over 1 bil people in developing countries (or 1/5 of the population) participate in at least one safety net, but still significant undercoverage

- Every country has at least one program in place:
  - *School feeding programs in 130 countries (most widespread type)*
  - *Unconditional cash transfers in 118 countries*

- As of 2013, a total of 67 countries have a social protection policy or strategy in place that outlines such systemic approaches, up from just 19 in 2009

Social Protection Spending Increases as GDP rises

Social Insurance vs. GDP per Capita in 2010

Social insurance data are from ILO Social Security Inquiry.
GDP statistics are from the World Bank International Comparison Database.

Many different ways to design social protection programs

- What should we provide? Cash versus in-kind?
  - *If In-kind, what type of transfer? If cash, how much? How frequent should payments be made?*
- Should there be conditions for payment to encourage behavioral changes? If so, what types of conditions should be required? How much slack should we give in enforcement?
- What method should we use to identify poor households? Once identified, how do we ensure that they receive their entitlements?

How do we know what "works"? What is the best design given the context?

- Particularly given budget constraints, we want to ensure the "right" people are provided assistance and that we are providing them with the "right form" of assistance
- Rigorous research and evaluation methods can be useful in providing feedback for policy in order to achieve our distributive goals
  - *Using administrative data and survey data to provide descriptive picture of programs*
  - *Conducting experimental pilots to assess impact*

Why experiment? Why not *just* rely on theory of change?

- Ideas from theory about how policies should work, but often times the theory is ambiguous in its predictions. Or, we don't get the theory right the first time around!
  - *Engineers do this: they draw up blueprints for machines based on their theory of mechanics and build samples. Then, they systematically test it out.   Sometime it overheats or implodes, and then they go back to the drawing board and try again….. But they learn from this experience.*
  - *Chemists do this: they invent a new drug based on beliefs about its chemical properties, but then they run experimental drug trials to ensure that the new drug solves the illness at hand…without large associated bad side effects.*
- So, why should we—in the policy space—decide that we just know the answer, without systematically trying things out…..

Rigorous research has played a large role of in designing social protection

- Best practice in many countries:
  - *In the 1970s and 1980s, experiments conducted across many state programs in the US to study cash transfer programs and job trainings*
  - *Innovative experimental randomized control trial of PROGRESA in Mexico*
  - *RCTS on social protection: Philippines, India, Kenya, Indonesia, and so forth*
- But, we can also use methods to not only learn if program works, but what is the best way to design and implement the programs

Example: Targeting the Poor Lessons from Indonesia

- Indonesia has been a true leader in using rigorous, experimental research methods to learn how to improve its social spending programs
  - *Long-run evaluations of PKK (CCT program)*
  - *Evaluations of Generasi (Community Based Transfers)*
  - *Pilot study of KPS card*
  - *Pilot study to evaluate private versus public sector distribution of Raskin*
  - *Series of studies on targeting methods*
    - How do you identify the right people for social transfers?

Project 1: Involving communities in identifying the poor

- ■ ~600 villages

- ■ This study examined a special, one-time real transfer programme operated by the government

- ■ Which method, Proxy Means Test (PMT) or Community Targeting, performed best at identifying the poor?
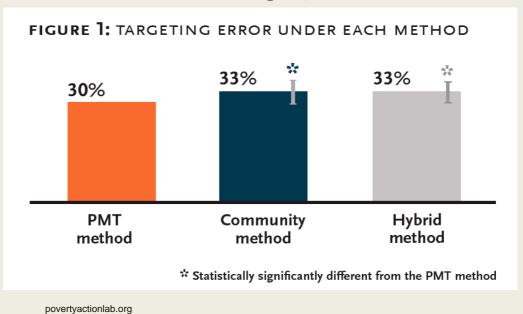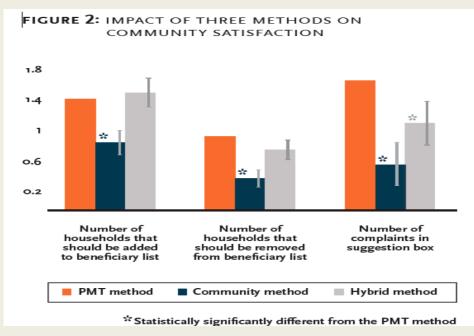
Different types of Targeting Methods

Proxy Means Test (PMT) Method	Community Method	Hybrid Method
• Government collected data on 49 indicators on household assets, composition, education, and occupations to determine a PMT score • Households with a PMT score below a village-specific cutout receive the transfer	• Allowed local community discretion to decide who is poor • Residents ranked households from richest to poorest at a community meeting led by trained facilitators • The poorest households from the community ranking received the transfer	• Combined the community ranking meeting with PMT verificaton • After residents ranked all households, government surveyors visited the lowest-ranked households to verify eligibility using the PMT

PMT had the lowest overall targeting error using PCC as outcome (but difference was not large)

FIGURE 1: TARGETING ERROR UNDER EACH METHOD

30%	33% �	33% ✶
PMT method	Community method	Hybrid method

✶ Statistically significantly different from the PMT method

But, community targeting led to greater household satisfaction with the program

FIGURE 2: IMPACT OF THREE METHODS ON COMMUNITY SATISFACTION

Number of households that should be added to beneficiary list

Number of households that should be removed from beneficiary list

Number of complaints in suggestion box

■ PMT method   ■ Community method   ■ Hybrid method

✶ Statistically significantly different from the PMT method

What drove the differences in the results between the methods?

■ Communities were more satisfied with the targeting and thought the beneficiary list was more in line with their beliefs of what constituted poverty –future vulnerability rather than just current per capita expenditure

Project 2: The impact of self-targeting methods

■ ~400 villages

■ Does requiring an application for a cash transfer programme select more eligible beneficiaries than automatically enrolling those who pass a proxy means test (PMT)?

■ Experiment took place in the context of Indonesia's conditional cash transfer programme, PKH

   – *Targets the poorest five percent of the population*

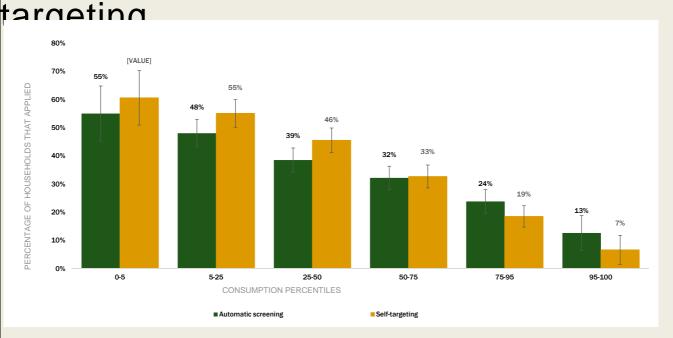   – *High stakes: household annual benefits around 11% consumption*

Experimental Design

- Automatic PMT (Status Quo):
  - *Households were automatically enrolled in the programme if their PMT scores were below their district cutoff point*
- Self-Targeting PMT (Treatment group):
  - *Households were required to apply for the programme*
  - *Surveyors conducted the PMT test for applications and automatically enrolled eligible households in the PKH programme*
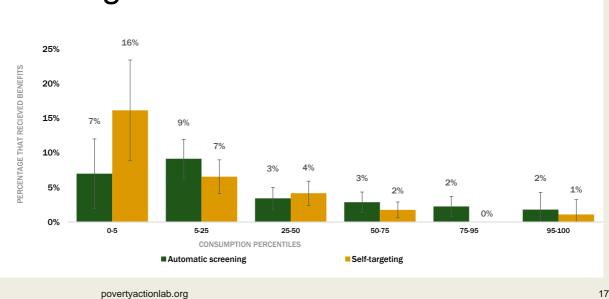
Poor households were more likely to apply than rich households under self-targeting

Chart: Percentage of households that applied vs. Consumption percentiles

Consumption Percentile	Automatic screening	Self-targeting
0-5	55%	[VALUE]
5-25	48%	55%
25-50	39%	46%
50-75	32%	33%
75-95	24%	19%
95-100	13%	7%

Self-targeting led more poor households and fewer non-poor households to receive benefits compared to automatic screening

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What Have we learned

- These two projects investigated alternative approaches to identifying poor households

- Learned that:

  – *Community targeting did about the same as PMT in terms of identifying people based on per-capita consumption but much better in terms of how local communities define poverty*

  – *Self-targeting did a much better job at differentiating between poor and rich than automatic PMT, although it does impose costs on applicant households*

- Policy Implementation

  – *Incorporation of community elements into national targeting*

  – *Ongoing discussion of on-demand application*

More Generally: Rigorous research can help improve efficiency of social transfers

- But, it takes government, policy institutes, and academia working together hand-in-hand to:

  – *Define key policy question so that the research meets the needs of government, and is not just an academic exercise*

  – *Experimentally test out different program alternative given actual administrative capacity, so the conclusions reached can be useful in terms of the specific context*