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The regressive demands of demand-driven development☆

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ABSTRACT

Despite their explicit focus on reaching the poor, many community driven development (CDD) initiatives are only partially successful in targeting spending towards them. This paper examines Tanzania's flagship CDD program and provides new evidence on the mechanisms by which the demand-driven components of the program may undermine the goal of pro-poor funding allocations. We exploit two data sources for the analysis: a census of wards for mainland Tanzania and a census of households in 100 program villages. These data paint a consistent picture at both levels: wealth, education, access to media, and political engagement are positively correlated with the likelihood to apply for the program at the national level, and to be aware of it at the local level. Centrally dictated features of the program – namely predetermined funding allocations to districts and eligibility rules – combine with the decentralized selection process within districts to counteract this initially regressive application pattern and produce a program that is, like many other CDD programs, only mildly pro-poor. Our results suggest that sensitization and outreach prior to the application process will be a critical dimension in making CDD programs more progressive.

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1. Introduction

Over the past two decades, community driven or community based development (CDD/CBD) has become an increasingly common way to distribute public assistance. In addition to providing much needed infrastructure, it is intended to provide a variety of other benefits to communities including poverty reduction, improved social capital, and capacity building at the local government level. Mansuri and Rao (2012) argue that the current wave of interest in localized participatory development started as a reaction to "top-down" development aid that was "… deeply disconnected from the needs of the poor, the marginalized, and the excluded" (p. 2). CDD programs are supposed to improve on previous approaches by better targeting the available funds to needy communities and also to allow those communities to determine their specific needs — hence community- or demand-driven development.

Despite the fact that the poor are explicitly the target group for most of these programs, the empirical literature on targeting performance shows that they tend to be only moderately pro-poor.[1] For example, World Bank (2002) found that "…social funds projects have delivered slightly more than proportional benefits to the poor and the poorest" (p. xi). Beneficiary communities and households are determined by which ones apply and, having applied, get approved. The literature before us has examined the benefit incidence for program beneficiaries (i.e. targeting performance vis-à-vis the final funding allocations), but we know of no studies of decentralized CDD programs that decompose targeting performance into project applications and, conditional on application, selection.[2]

In this paper, we exploit a unique combination of datasets to examine the application and selection processes for a CDD project at the national and household levels. At the national level, we combine administrative data on the universe of project applications from villages and the final funding allocations to these communities under Tanzania's Social Action

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[1] In this paper, we use pro-poor to mean that the share of per capita program spending that reaches poor communities (or households) is significantly higher than that for the non-poor. For a discussion of commonly used targeting performance measures, see Ravallion (2009).

[2] Coady and Parker (2009) pose a similar question in a different context, and assess the relative contributions of self-selection (i.e. applications) and administrative targeting (i.e. eligibility criteria) at the household level to the final targeting performance of *Oportunidades*, Mexico's urban cash transfer program.

Fund Second Phase (TASAF II) with a poverty map of Tanzania, as well as census data and voting records to distinguish the pattern of project applications from that of final spending allocations in almost 2200 wards.[3] We also examine the roles played by the center and the decentralized administrative units by decomposing these outcomes into within- and between-district components. Finally, we complement this analysis with micro level data from 100 program villages to assess awareness of TASAF II and the likelihood of benefitting from it at the household level. Using data on every household in these 100 communities, we examine the roles of eligibility, access to information, and political connectedness in determining beneficiary status in great detail.

We uncover a regressive pattern on the demand side: richer districts produce substantially more applications per capita than poorer ones at the national level while richer households are more likely to be aware of the program among those eligible at the local level. At both of these levels, independent sources of data paint a consistent picture: access to media, education, and political participation are strongly associated with the likelihood of being aware of and applying for projects.

Faced with this regressive pool of applicants, TASAF successfully utilizes several tools available to it to produce an ultimately pro-poor program. First, the effect of an inordinately large number of applications from richer districts is nullified by a funding formula that is used by the center to allocate each district a fixed amount of funds before the start of the program. Second, households eligible to receive grants for income generating activities under TASAF II – determined by criteria also imposed by the center using easily observable household characteristics – are significantly more likely to be poor than ineligible households. Finally, even though eligible households who are aware of the program, i.e. those who can de facto apply for grants, are no more or less likely to be poor than other households (because program awareness increases with income), the selection process within districts is such that the final beneficiary pool is slightly poorer than the population as a whole. The final targeting performance can thus be decomposed into a strongly regressive demand-driven component, and then a funding formula, an eligibility rule, and a decentralized beneficiary selection process each of which is progressive.

In the end, however, the targeting performance of this CDD program, in which communities and households have to produce applications to receive government support and local authorities select beneficiaries under rules imposed by the center, is underwhelming. At the national level, a one standard deviation increase in poverty headcount would imply an increase of $0.24 in per capita spending in the ward.[4] Similarly at the household level, TASAF II beneficiaries are only marginally more likely to be poor than non-beneficiaries (in our household data 66% of TASAF II VG group members are poor, while 55% of non-beneficiaries are). At both levels, these figures appear closer to a neutral targeting scheme (in which every ward or household receives the same amount of funding) than to a perfectly pro-poor allocation of funds. Furthermore, political activity at the ward level (measured by voter turnout) and proximity to the village center, political participation, connections to local elites, and access to other safety net programs at the household level are strong correlates of beneficiary status — even after controlling for poverty. Because program awareness is low among poor eligible households, a large fraction of the population – those who are most likely to be isolated and least likely to have access to other forms of safety nets – are left with no chance of receiving support from the program once the applications are in.

There are several takeaway messages from our study. First, even (or perhaps especially) in decentralized programs, careful centralized design is critical. The allocation of funding to sub-national units and the designation of eligibility criteria provide direct levers for the center to influence the composition of beneficiaries.[5] Second, our study provides guidance on how the very definition of sub-national administrative units and the appropriate choice for the level of decentralization can improve targeting: if the regressive pattern of applications is spatially clustered (as it is here), then defining sub-national units such that most of this variation is between units and then funding them using a predetermined formula will neutralize this effect. The same principle also applies to the spatial composition of poverty: progressive allocation of funds to districts will, on average, be more effective in channeling funds to the poor when poverty is explained mostly by income differences between districts rather than within them.[6] As the starting point for any demand-driven program is the act of applying, a robust information campaign seems to be a necessary, but likely insufficient, condition for potential beneficiaries to join what is intended to be a participatory process. Our results suggest that informationally and politically marginalized groups start at a disadvantage when development is demand-driven.

The primary argument that has emerged from the literature so far as to why CDD programs fail to reach the poor is the idea of elite capture (Bardhan and Mookherjee, 2000, 2005). A number of studies have examined the differences in policy preferences across elite and non-elite groups (Platteau and Gaspart, 2003; Rao and Ibanez, 2003; Dasgupta and Beard, 2007; Olken, 2007) and the role of local inequality in permitting elite capture (Conning and Kevane, 2002; Galasso and Ravallion, 2005; Araujo et al., 2008). When community development funds are used for political purposes they can also influence targeting performance (Cox and McCubbins, 1986; Dixit and Londregan, 1996; Schady, 2000; Khemani, 2010), while corruption can divert scarce resources away from their intended targets (Reinikka and Svensson, 2004). Most relevant to this paper, local political elites can steer funds towards themselves, their extended families, kinship networks, and constituencies (Arcand et al., 2006; Besley et al., 2007; Camacho and Conover, 2011). Alatas et al. (2013), using a recent experiment in Indonesia, find that local officials and their relatives, who are slightly richer than non-elites, are more likely to receive benefits than non-elites but also that the welfare losses from such elite capture are small.

However, the strong roles played by access to information and political involvement in our data raise the possibility that a different form of capture, an informational one, is at play. Such asymmetries in access to information are potentially welfare reducing even when local authorities are better able to take advantage of idiosyncratic information at the local level (Alderman, 2002), or when their priorities or their

[3] The hierarchy of administrative units in Tanzania is Region, District, Division, Ward, and Village.

[4] The increase of $0.24 is calculated by multiplying the standard deviation of the poverty headcount (0.184 as shown in Table 1) with the coefficient estimate of poverty headcount on final per capita spending (1.33 as shown in column 6 of Table 2), i.e. $0.184 \times \$1.33 = \$0.244$. By contrast, a ward with a poverty headcount of 0.34, which is equal to the average headcount rate in our data across 2177 wards, is expected to receive, on average, $3.07 per person in TASAF II funding.

[5] Several empirical papers have attempted to measure the relative performance of national and local-level governments in poverty targeting (Ravallion, 2000; Alderman, 2002; Galasso and Ravallion, 2005). Mansuri and Rao (2012), summarizing the evidence on the performance of the central vs. the local authorities in allocating private transfers, find that such programs are mildly pro-poor at best with the targeting performance slightly better at the local level. In contrast, studies of social funds indicate that while the center is somewhat successful in allocating resources to poor areas, it is less successful in ensuring that poor households (or poorer communities within these poor areas) benefit more from these programs (Paxson and Schady, 2002; World Bank, 2002). For example, Paxson and Schady (1999) found in Peru that "there was no intra-district targeting." Targeting performance, especially at the center and the district levels, depends largely on the availability of data and the political will to use those data to target poor areas. For example, Galasso and Ravallion (2005) report that all 490 Thanas (sub-districts) in Bangladesh benefited from the Food-for-Education program because of political considerations and note that this is not uncommon.

[6] Note, however, that Ravallion (2009), studying the relationship between traditional targeting performance indicators and poverty reduction in China's Di Bao cash transfer program, finds that the correlation between targeting performance and poverty reduction is low at best and recommends focusing on estimable outcome measures that are most directly relevant to the policy problem at hand.

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