

Referee Report EJ20151215-1 Asset Transfers and Household Neediness by Elliot Collins and Ethan Ligon

Comments for the Authors

This paper provides very short-term results (within 6 months of the intervention it appears) for a small-scale ultra-poor program experiment in South Sudan. The paper provides some theory as a lens through which to interpret the results, relying on the concept of neediness developed by Ligon in a separate paper. However, I believe the theory fails to capture the essential issues behind the ultra-poor program being delivered the way it is, and the analysis of the experimental results suffers from several problems.

- 1) Concerns from the theory side: It is unclear how much of the theory in the paper is not already developed and covered in Ligon (2015), but it does not seem to me that the theory model is attempting to deal with understanding what exactly the ultra-poor program does. In particular, what is the difference between delivering the ultrapoor program in terms of grants of particular animals and food transfers, versus just giving the household an unrestricted cash transfer of the equivalent amount (still accompanied by the training)? As far as I can tell, the two would be equivalent in the theory set-up here. But obviously BRAC feels very strongly that there is a difference. Key things that one needs to consider that don't appear in the model are:
 - What does the "encouragement" not to sell the animal assets mean in practice? Does this induce a mental accounting aspect to these animals, allowing them to get separated from other sources of household resources? Does it increase the utility of owning them?
 - What is the resale market like for these assets, and for the food transfers? Can households liquidate additional food they don't want and use it to invest in their business?
 - Does the intervention aim to overcome self-control problems that prevent households from slowly accumulating assets on their own?
 - Are their non-convexities in production that matter? The rhetoric of these programs is built around a big push to help households escape from poverty traps – but the model contains no non-convexities and has households always equating things at the margin.
 - What does the monitoring and mentorship and small support groups do?
 - In practice there are many corner solutions in consumption, with households not consuming a number of items
- 2) Concerns from the reporting and analysis of the experiment:
 - a) The reporting needs to be a lot clearer on basics of the experiment. The paper never mentions clearly i) what the exact size of the control group is; ii) what the timing is of randomization and of surveys relative to the intervention (were the food transfers still taking place at the time of the follow-up survey? Was the mentoring and monitoring?); iii) what the survey attrition rates were by treatment status; iv) what specific food items were included in the food transfers; etc. A clear timeline would be good to report here.
 - b) Dealing with zeros: The paper pursues a very non-standard approach of treating zeros as missing data so that it can then do analysis on log outcomes. This becomes particularly ridiculous when it comes to some outcomes (e.g. the test for balance on "shed" is done on 9 observations, Table 2 looking at egg consumption is done on 91 observations, etc.). But it is problematic throughout. Basically the paper makes no allowance for the experiment to affect the extensive margin of whether to consume the item or not, and only reports the difference in means conditional on consumption (or conditional on working etc.). But since this involves

conditioning on a potentially endogenous outcome, simple comparison of treatment and control need not provide a consistent estimate of the treatment effect. The authors need to report i) impacts on unconditional outcomes which include zeros; and ii) then if they want to go further, look at the extensive margin, and then if they look at the intensive margin, note that it should be considered as descriptive only and does not allow for experimental estimation.

- c) How are the transfers covered? It is unclear whether the value of the food transfers are reported by households as “expenditure” or not – and whether what the authors call “consumption expenditure” is consumption or expenditure?
 - d) More care dealing with values: it would be typical for authors to carefully show sensitivity to different choices around truncating outliers, using logs vs levels, showing CDFs of consumption or income, etc. to make clear how robust the results are on key quantities.
- 3) Compare and contrast more with the existing literature: given the Science ultra-poor paper from 6 countries, and the BRAC Bangladesh study, it would be useful for the authors to make clear where their results are similar, and where they deliver differences from what we have already seen about the effects of these programs.