Title: Measuring externalities generated by a public health program: Lessons from the study of a rural developing economy

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ABSTRACT
This paper extends the research on public spending evaluation by investigating the externalities generated by a maternal and child health intervention program, using a reduced-form demand approach. Data from the Matlab Health and Socio-Economic Survey of 1996 has been used to discuss the mechanism and generate estimates of the spillover effects of the public program on the health outcomes of adult men and elderly women. This study also estimates the differential impact of targeting different cohorts of women as well as both the direct and indirect impacts of the program on the health of targeted individuals. Results indicate a significantly positive spillover impact on the health of elderly women but a negligible impact on adult men. The externalities are significant when the younger cohort of women is targeted. The overall results of this study imply that targeted welfare improvements generate externalities, which can be quantified using appropriate methodology. The distributional benefits of public spending would therefore be significantly understated in the absence of a concerted effort to account for these externalities.

'Supporting Statement'
This paper has three main contributions in the field of public program evaluation. First, it tests and validates the proposed spill-over hypothesis. Second, this study estimates the direction and size of the externalities generated. Finally, the results of this study imply that using appropriate methodology, it is possible to quantify externalities and assess the overall benefits of public spending. This has far reaching consequences for public policy and targeting. The dataset used and the nature of the “natural experiment” carried out in this area of Bangladesh offers a unique opportunity to carry out this analysis. This study would be relevant for the session entitled “Looking Outwards: Evaluation for International Development” and contributes to the understanding of how the method of evaluation contributes to learning in a multicultural environment. This paper is a part of my dissertation and is almost complete. It has been accepted for presentation at the Spring Meeting of Young Economists, Paris, 2002.