

Final Examination

**(Three hours, closed books. 30% of course grade. Total of 100 points.
Write on back side of page if needed))**

Your name: _____

Part I. Definitions (Select any 5 of the following 6; 4 points each for a total of 20 points)

Define the following concepts. Use words, formulas, and graphs as needed.

1. Type I and Type II errors in targeting

2. Poverty index P_1

3. Lorenz curve and Gini coefficient

4. Joint liability for a loan.

5. Program placement bias in impact evaluation, using an example.

6. Dynamic incentives in lending program

Part II. Short questions (Select any 3 of the following 6; 8 points each for a total of 40 points)

Give short answers

1. Self-Targeting of anti-poverty programs.

Why is self-targeting a potentially desirable approach to targeting compared to other approaches?

Explain how a workfare program could be designed to achieve self-targeting.

2. Decentralization

Comment on Bardhan's sentence "Decentralization is to be preferred when tastes are heterogeneous and there is no spillovers across jurisdictions". Explain the role of heterogeneity, and use examples to illustrate your point. Explain the effect of spillovers and use examples to support your point.

3. Propensity score matching

Under what assumption is the propensity score matching a valid method to obtain the impact of a program?

Describe briefly the method.