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CPS Paper

POLITICAL FAVOR, DEVELOPMENT PROJECTS, AND HOUSEHOLD WELLBEING

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Brief Description

The paper examines the impact of a large-scale development program on household well-being in the Hambantota District in the Southern Province of Sri Lanka.

The name of the program is the Greater Hambantota Development Program (GHDP), which includes international level constructions such as a port, an airport, a stadium, and a massive administrative complex.

The government obtained a huge amount of money from China for the construction of the project.

Introducing such a massive development program to Hambantota was one of the biggest promises one candidate made during the presidential election in 2005.

Project outcomes and the political motivation of the program is still debatable.

However, whether the project is successful or not, the job creation and the cash flow circulating in the area can, directly and indirectly, impact domestic well-being, which is the focus of this study.

The diff-in-diff method was employed to investigate the impacts. The findings show that the income (earnings from wages, agricultural activities, and non-agricultural activities) of the people who live in the Hambantota districts is lower compared to the income of the people who live in the non-treated district after the program was implemented, relative to the before intervention.

Simultaneously, the spending of people on food and non-food items have also been lower in the households of the Hambantota district compared to their counterparts.

The time it needs to spend by people who live in the Hambantota district to reach the public places is higher than the people who live in the non-treated district after the new city plan and road network introduced, vis-a-vis the before period.

Furthermore, irregular development projects carried out have increased the vulnerability of the people of the area to natural disasters and disasters due to wild animals. Introducing large-scale projects suitable for a luxurious lifestyle sometimes may not meet the needs of the poor.

The GHDP would be a good example of such a situation. Therefore, care should be taken when planning projects to uplift the living standards of the people living in such areas where more than 40% of the population depends on agriculture for their livelihood.

Today, Sri Lanka is experiencing the consequences of politicians not listening to the views and advice of experts in the field when making their decisions.

It is important to have an accurate estimate of the expected returns on loans before investing.

Developing large-scale infrastructure by borrowing at high-interest rates without proper planning or study is very risky.

Therefore, policymakers need to prepare policies that are required to prevent such situations. Project failure is common in most developing countries.

Many projects they implement to uplift the household's well-being.

Unfortunately, a considerable number of projects fail.

The biggest issue occurs when the money spent on the projects is borrowed at high-interest rates.

The case of Sri Lanka would be a good example for them to think more before investing in massive projects after borrowing a large amount of money.

Figures/Tables

Table 1

Table 1.2: Impact of GHDP on Income of the households

Description	(1)	(2)	(3)	(4)	(5)	(6)
	Log Income by different categories					
	Salaries and wages	Income from Seasonal Crops	Non-Agri. activities	Income from Non-Seasonal Crops	Other Income	Adhoc Income
Treated	0.095***	0.174***	0.169***	0.338***	0.140**	0.146**
	(0.025)	(0.050)	(0.053)	(0.170)	(0.055)	(0.060)
Post	0.215***	0.071*	0.163*	0.372***	0.281***	0.361***
	(0.026)	(0.041)	(0.091)	(0.018)	(0.063)	(0.061)
Treated x Post	-0.165***	-0.158**	-0.185**	-0.033	-0.038	-0.080
	(0.035)	(0.068)	(0.077)	(0.230)	(0.079)	(0.087)
Controls	YES	YES	YES	YES	YES	YES
R2	0.41	0.27	0.27	0.23	0.30	0.23
Observations	3317	3317	3317	3317	3317	3317

Dependent Variables are income in log forms, by different categories. Columns (1) to (6) represent income from salaries and wages, income from agricultural activities, income from non-agriculture activities, other agriculture income, and Adhoc income.

The variable of salaries & wages refers to the income received through salaries and wages during the last 4 weeks prior to the survey. Income received through agriculture activities refers to the period of cultivation year prior to the survey. The reference period of income through Non-agriculture activities refers to the last calendar month prior to the survey. The periods of income received through other agriculture activities, Adhoc income, and other income refer to the last 12 months prior to the survey.

Salaries and wages refer to the income received by working as an employee during the last calendar month. (Note: This includes tips, commissions, overtime payments received during the last calendar month, and bonus and/or arrears payments received within the last 12)

Table 2

Table 1.3: Impact of GHDP on Food Expenditure of households

Description	(1) Total Food Expenditure	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		Food Expenditure on						
		Cereal	Fish	Non-Alcohol Beverages	Other Food	Short Eats	Vegetable	Liquor
Treated	0.039***	0.037**	0.146***	0.031*	0.166***	0.057**	0.069***	0.149***
	(0.009)	(0.011)	(0.018)	(0.017)	(0.012)	(0.026)	(0.011)	(0.030)
Post	0.209***	0.39***	0.198***	0.177***	0.259***	0.258***	0.272***	0.065
	(0.022)	(0.031)	(0.037)	0.046)	(0.032)	(0.053)	(0.017)	(0.092)
Treated x Post	-0.055***	-0.090***	-0.053**	-0.123***	-0.102***	-0.080**	-0.023	-0.014
	(0.014)	(0.017)	(0.025)	(0.025)	(0.018)	(0.037)	(0.017)	(0.050)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
R2	0.51	0.36	0.28	0.27	0.43	0.23	0.39	0.18
Observations	3317	3317	3317	3317	3317	3317	3317	3317

Notes: Coefficients with robust standard errors are reported in parenthesis.*$p<0.10$, **$p<0.05$, ***$p<0.01$. Dependent Variables are log variables that indicate food expenditure by types of food. Column (1) shows the total food expenditure of households. Columns (2) – (8) represent expenditure on cereals, fish, non-alcoholic beverages, other foods, short eats, vegetables, and liquor respectively. All regressions included 'household controls', and 'district-fixed effects.

Table 3

Table 1.4 : Impacts of GHDP on Non-Food Expenditure of households

Description	(1) Total Nonfood Expenditure	(2) Health	(3) Fuel & Light	(4) Personal Care	(5) Clothing	(6) Housing	(7) Transport	(8) Other
		Nonfood Expenditures on						
Treated	0.063**	0.100***	0.060***	0.099***	0.059***	0.090***	0.007	0.403***
	(0.029)	(0.031)	(0.014)	(0.015)	(0.022)	(0.021)	(0.030)	(0.046)
Post	0.058	0.376***	-0.084**	0.383***	0.305***	0.056	0.329***	0.014
	(0.063)	(0.071)	(0.035)	(0.039)	(0.051)	(0.053)	(0.061)	(0.102)
Treated x Post	-0.014	-0.085*	-0.096***	-0.197***	-0.124	-0.031	-0.042	-0.108
	(0.041)	(0.047)	(0.021)	(0.022)	(0.031)	(0.029)	(0.039)	(0.067)
Controls	YES	YES	YES	YES	YES	YES	YES	YES
R2	0.27	0.23	0.21	0.43	0.23	0.38	0.20	0.38
Observations	3317	3317	3317	3317	3317	3317	3317	3317

Notes: Coefficients with robust standard errors are reported in parenthesis.*p<0.10, **p<0.05, ***p<0.01. Dependent Variables are log variables that indicate non-food expenditure by types of non-food. Column (1) shows the total non-food expenditure of households. Columns (2) – (8) represent expenditure on health, fuel & light[8], personal care[9], clothing, housing, transport, and other respectively. All regressions included 'household controls', and 'district-fixed effects.

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Table 4

Table 1.5: Impacts of GHDP on Household conditions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Description	Houses with more than 2 bedrooms.	Cooking Fuel	Toilet facility	Floor material	Roof material	Wall materials	Household Ownership
Treated	0.106***	0.053***	0.045***	0.33***	0.065***	0.048***	0.006
	(0.026)	(0.015)	(0.015)	(0.006)	(0.015)	(0.014)	(0.013)
Post	0.095*	-0.161***	-0.033	-0.011	0.022	0.016	0.180***
	(0.054)	(0.057)	(0.020)	(0.014)	(0.025)	(0.021)	(0.037)
Treated x Post	-0.156***	-0.058**	-0.030*	-0.035***	-0.092***	-0.087***	-0.021
	(0.036)	(0.024)	(0.018)	(0.013)	(0.019)	(0.017)	(0.016)
Controls	YES	YES	YES	YES	YES	YES	YES
R2	0.15	0.10	0.08	0.09	0.13	0.12	0.05
Observations	3317	3317	3317	3317	3317	3317	3317

Notes: Coefficients with robust standard errors are reported in parenthesis.*p<0.10, **p<0.05, ***p<0.01. Dependent Variables are binary variables. Column (1) represents a binary variable which equals 1 if the household has more than 2-bed rooms and zero otherwise. Column (2) represents the variable of cooking fuel which equals 1 if the household uses either gas or electricity for cooking and zero otherwise. Column (3) represents the toilet types of the household which equals 1 if the household uses a water seal toilet and zero otherwise. Column (4) shows the floor material which equals 1 if the household uses permanent material and zero otherwise. Column (5) represents the roof material, which equals 1 if the household has permanent material for the roof and zero otherwise. Column (6) represents wall material which equals 1 if the household has permanent material for the roof and zero otherwise. Column (7) shows the ownership of the house which equals 1 if the house owns by a member of the household and zero otherwise. All regressions included household controls and district-fixed effects.

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Table 5

Table 1.6: Impacts of the GHDP on time take to access public services

Description	(1) Bank	(2) Bus halt	(3) DMO office	(4) DS office	(5) Gov. Dispensary	(6) Private dispensary	(7) Hospital	(8) Maternity clinic	(9) MC/UC /PC	(10) Post office	(11) Pre school
Treated	-0.102***	0.002	-0.004	0.013	0.061***	0.020	0.002	0.029**	0.015	0.112***	0.087**
	(0.007)	(0.016)	(0.014)	(0.013)	(0.014)	(0.015)	(0.014)	(0.013)	(0.012)	(0.013)	(0.013)
Post	0.250***	0.272***	0.404***	0.307***	0.375***	0.435***	0.402***	0.384***	0.483***	0.177***	0.183***
	(0.019)	(0.030)	(0.040)	(0.038)	(0.038)	(0.041)	(0.038)	(0.038)	(0.039)	(0.034)	(0.029)
Treated x Post	0.164***	0.091***	0.034*	0.084***	0.063***	0.073***	0.088***	0.090***	0.052***	0.052***	0.070***
	(0.011)	(0.024)	(0.020)	(0.018)	(0.019)	(0.021)	(0.020)	(0.019)	(0.019)	(0.019)	(0.019)
Controls	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
R2	0.08	0.07	0.11	0.12	0.13	0.14	0.12	0.12	0.16	0.11	0.10
Observations	3317	3317	3317	3317	3317	3317	3317	3317	3317	3317	3317

Notes: Coefficients with robust standard errors are reported in parenthesis.*$p<0.10$, **$p<0.05$, ***$p<0.01$. Dependent Variables indicate the time taken to access public services from home. Those are in natural log forms. Accordingly, columns (1) – (11) represent the time taken from home to bank, bus halt, DMO office, DS office, government dispensary, private dispensary, hospital, maternity clinic, MC/UC.PC, post office, pre-school respectively. DMO stands for District Medical Office, DS stands for Divisional Secretariat office, MC stands for Municipal council, UC stands for Urban Council, PC stands for Provincial Council.
All regressions included 'household controls', and 'district-fixed effects'.

Table 6

Table 1.14: Triple DID – Heterogeneity by sector and household headship

Description	[1]	[2]	[3]	[4]	[5]	[6]
	Household income from					
	Salaries and wages		Non agriculture section		Other	
Panel A : Heterogeneity by sector						
Treated	0.099***		0.185**		-0.181***	
	(0.031)		(0.060)		(0.056)	
Post	0.514***		0.527***		0.788***	
	(0.029)		(0.064)		(0.057)	
Urban	0.357***		0.192*		0.323***	
	(0.044)		(0.101)		(0.108)	
Treated x Post	-0.111***		-0.118		0.009	
	(0.041)		(0.083)		(0.081)	
Treatment x Urban	-0.136*		0.101		0.185	
	(0.059)		(0.117)		(0.152)	
Post x Urban	-0.046		0.549*		0.059	
	(0.065)		(0.301)		(0.224)	
Treatment x post x Urban	-0.280***		-0.231**		-0.052	
	(0.109)		(0.102)		(0.305)	
Panel B : Heterogeneity by household headship						
Treated		-0.086		-0.105		-0.253**
		(0.110)		(0.146)		(0.106)
Post		-0.211**		0.333**		0.643***
		(0.092)		(0.162)		(0.098)
Male_Headed_HH		-0.086		0.181		-0.44***
		(0.082)		(0.135)		(0.092)
Treated x Post		0.042		0.062		0.129
		(0.142)		(0.199)		(0.139)
Treatment x Male_Headed_HH		0.212*		0.323**		0.174
		(0.113)		(0.157)		(0.123)
Post x Male_Headed_HH		0.306***		0.201		0.248**
		(0.095)		(0.173)		(0.116)
Treatment x post x Male_Headed_HH		-0.227		-0.264		0.255
		(0.146)		(0.215)		(0.168)
Controls	YES	YES	YES	YES	YES	YES
R2	0.29	0.38	0.26	0.27	0.39	0.28
Observations	3,317	3,317	3,317	3,317	3,317	3,317

Notes: Coefficients with robust standard errors are reported in parenthesis. *p<0.10, **p<0.05, ***p<0.01. Dependent Variables are income in log form. Columns (1) – (2) represent income from salaries and wages. Columns (3) & (4) represent income from agricultural activities, and columns (5) & (6) represent income from non-agriculture activities. The variable of salaries & wages refers to the last 4 weeks prior to the survey. Income received through agriculture activities refers to the cultivation year prior to the survey. Income through non-agriculture activities refers to the previous calendar month. Odd columns of the table show heterogeneity by