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Universidad
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**Navarra Center for International Development,
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Stefan Klonner - Ethnic Favoritism in Targeted Welfare Programs: Evidence from Burkina Faso

At the aggregated level, ethnic favoritism, where coethnics benefit from public policy decisions, has been identified as a major challenge to economic development. In this study, we look at ethnic favoritism within a decentralized welfare program that allocates private in-kind benefits in 50 communities of northwestern Burkina Faso. We employ a community-driven targeting design that allows three locally appointed political leaders to determine beneficiary households. We find strong evidence for ethnic favoritism in urban committees where ethnically represented households are favored over non-represented households. This result is unlikely to be driven by an unintended information-based favoritism and is associated with a situation of benefit capture by ethnic majority groups. While the distortion due to favoritism is modest in economic terms, it dramatically increases with a community's ethnic diversity, thereby confirming a well-established relationship from cross-country studies for the local level.