

Targeting Mechanisms of Social Safety Net Systems

Ahmet Levent Yener
Senior Specialist – HD Sector
World Bank Ankara Office

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Targeting

- **Objective:** To achieve the greatest impact for a given budget and reducing wastage by concentrating programs on the desired population
 - Economic Rationale: Maximize coverage of the poor for a given budget
 - Historic Rationale: Poor are often excluded from public spending allocation
 - Human Capital Rationale: Poor have significant human capital gaps that needs to be addressed.

Gains from Targeting

- Targeting helps improving cost-effectiveness by channeling resources for a target group
- To equalize quality or provide enriched quality to demand-constraint households.
- For example
 - For SSN, demand can be infinite (for cash) or up to saturation (in-kind) which implies a need for targeting
 - For some services, such as basic health and education, the goal may be universal access, but targeting of fees or of promotion may be needed.
 - To channel public resources where finance is mixed public/private – e.g. to decide for whom to offer subsidies for health insurance, or to whom to offer fee waivers

Costs

- **Costs of targeting**
 - Administrative costs
 - Management of the program, gathering information of potential beneficiaries, monitoring...
 - Private costs
 - Cost of application (transportation, time....)
 - Incentive costs
 - Change behavior in attempt to become beneficiaries
 - Social costs
 - Stigmatization
 - Political costs

Targeting Errors

- **Targeting Errors:**
 - Lack of perfect information
 - Gathering such information can be costly and time consuming
- **Error of Inclusion**
 - Not-targeted population but participating in the program
- **Error of Exclusion**
 - Targeted population but not participating in the program

	Targeted population	Non targeted population	Total
Participating	Success 55	Inclusion error 10	65
Not participating	Exclusion error 5	Success 30	35
Total	60	40	100

Summary of basic contexts

Hypothetical Scenario:

- Economy of 100 people
- 60 are from the targeted group
- Budget for transfer program is \$600

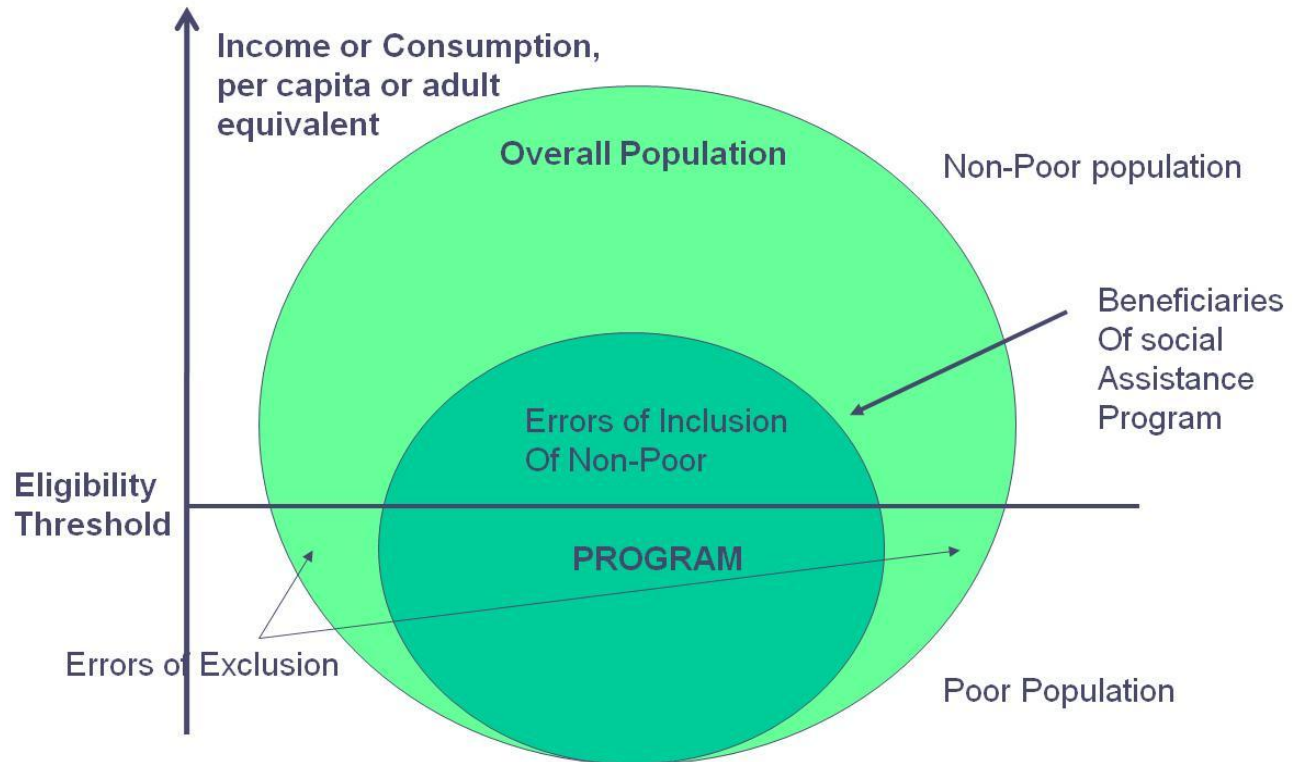
No Targeting	Option 1	Option 2	Option 3
<p><u>Universal</u></p> <ul style="list-style-type: none"> • Each person gets \$6 • Budget is \$600 • 40% of \$ → error • \$ going to the targeted group: 360 	<p><u>Perfect information</u> (unlikely to happen)</p> <ul style="list-style-type: none"> • Each targeted person gets \$10 • Budget is \$600 • \$ going to the targeted group: 600 	<p><u>Perfect information</u> (unlikely to happen)</p> <ul style="list-style-type: none"> • Each targeted person gets \$6 • Budget is cut to \$360 • \$ going to the targeted group: 360 	<p>• <u>Imperfect Information: Participants: 65</u></p> <ul style="list-style-type: none"> • 10 of them are from "not-targeted" group ("Errors of inclusion") • 5 from "targeted" group are not selected ("Errors of exclusion") • Administrative cost is estimated at \$0.5 for gathering information : total \$ 50 • Therefore: each participant gets \$8.45 • Budget is \$600 but 15% of \$ → error \$ going to the targeted group: 464.8

Results of Targeting

- Overall, main results are measured in terms of errors and cost.

- **Main source of errors:**

- Budget,
- Outreach
- Method
- Private costs



Options for targeting

- Geographic targeting
- Demographic targeting
- Community-based targeting
- Self Targeting
- Means tests
- Proxy means test
- Mixed methods

Categorical (Demographic) Targeting

- Characteristics that are linked to poverty or vulnerability
 - Age: pre-school children and old-age
 - Marital status: single parent
 - Ethnicity

Advantages

- Administratively simple
- Low cost
- Universal (no stigma)

Disadvantages

- Correlation with poverty can be small

Technical Requirements: Good civil registry

Appropriate Circumstances: When targeting specific vulnerabilities (malnutrition)

Community Based Targeting

- Uses a group of community members or leaders (whose functions are not related to the program)
 - They must identify those most in need according to program criteria

Advantages

- Good information
- Low administrative cost
- Local monitoring may reduce disincentives

Disadvantages

- Local definitions and priorities may vary
- May be costly for the community
- May generate conflict, divisiveness, and social exclusion

Technical Requirements: Intensive outreach to decision-makers; cohesive, well-defined communities

Appropriate Circumstances: Low administrative capacity; strong community structures, political economy; low benefit that must be finely targeted

Self Targeting for consumption subsidies

- Open to everyone but only the poor will be interested
- Food subsidies of staples consumed by the poor

Advantages

- Administratively simple
- Few errors of exclusion
- “Universal” benefit may be politically very popular

Disadvantages

- Hard to find really “inferior” goods
- May be hard to transfer large amounts
- Hard to reform

Technical Requirements: An “inferior” good with a suitable marketing chain; a service supplied by public and private sector where amenities can differ

Appropriate Circumstances: Low administrative capacity

Self Targeting for Workfare

- Labor intensive public works with wages set very low: works for targeting.

Advantages

- Administratively simple
- Keeps work incentives
- Eliminates concerns about 'shirkers'
- Automatic exit criteria

Disadvantages

- Organizing public works is not administratively simple
- Not applicable for many programs or target groups
- Foregone earnings reduce net benefit

Technical Requirements: Wage set below going wage for hard, physical labor; a works program that does high value-added projects

Appropriate Circumstances: Unemployment; Crisis and chronic poverty settings

Means Testing

- Eligibility determined based on income and asset tests or self-declaration

Advantages

- Accuracy

Disadvantages

- Administratively demanding
- Challenging with informality
- Work disincentives

Technical Requirements: Good databases and functional MIS

Appropriate Circumstances: Incomes, expenditures, wealth are formal, monetized and well-documented; where benefits are high

Proxy Means Testing

- Eligibility based on weighted index of observable characteristics (score), not easily manipulated and associated with poverty:

Advantages

- Objective and verifiable
- Possible with high informality
- Avoids work disincentives
- May capture multi-dimensional aspects of poverty

Disadvantages

- Administratively demanding
- Doesn't capture changes quickly

Technical Requirements: Good analysis capacity

Appropriate Circumstances: with high degree of informality, seasonality, or in-kind earnings; where chronic poor are the target group; where benefits will be granted for long periods of time

Guidance on choice of method

- Most methods are applicable for all programs (few goes hand-in-hand)
- Not a simple choice
- No one size fits all
- And mixed methods provides better outcomes
- Combining methods may improve accuracy
 - Often a first step is geographical targeting, then collect some information at the household-level, and use several sources: respondent, community, administrative records at local and central level, and grievance mechanisms
- Cost concerns exist

Country cases: Indonesia, Rwanda, Niger, Ghana, Kenya, Cambodia, Afghanistan and Tanzania

- methods: CBT vs. PMT or Mixed
 - CBT has low (on the books) administrative cost and easier to implement than PMT - Tanzania, Ghana and Indonesia
 - CBT has low Cost for the community – Indonesia and Tanzania
 - CBT generates great legitimacy of the process – Niger, Tanzania and Kenya
 - CBT works better than PMT – Ghana, Rwanda, Indonesia and Tanzania
 - Targeting can be easily improved by combining CBT and PMT – Indonesia, Ghana, Afghanistan, Cambodia and Tanzania
 - PMT process can be managed by the community to improve targeting – Kenya and Tanzania
 - CBT-PMT may reduce inclusion errors because combining both subjective judgment with objective criteria helps minimizing targeting errors – Rwanda, Tanzania and Ghana

Country cases: Indonesia, Rwanda, Niger, Ghana, Kenya, Cambodia, Afghanistan and Tanzania

- methods: CBT vs. PMT or Mixed
 - CBT and PMT when implemented separated, work fairly well – Tanzania, Ghana, Indonesia, Kenya and Rwanda
 - CBT, as PMT, does generate inclusion and exclusion errors – Indonesia and Kenya
 - CBT may generate conflict and divisiveness – Niger and Afghanistan
 - CBT may reinforce existing power structures or patterns of exclusion – Niger, Tanzania and Indonesia
 - Local perceptions of poverty may vary – Cambodia, Indonesia, Niger, Ghana and Tanzania
 - High satisfaction levels but generates elite capture , and gives preference for those more connected or to a particular group – Tanzania, Indonesia and Cambodia
 - Local knowledge helps identifying the poorest of the poor or a particular group that are often missed by PMT due to the nature of PMT – Ghana and Indonesia
 - While focusing on methods low attention is given to implementation arrangements – all cases

Implementation

- Despite the method, implementation matters a LOT for optimizing targeting outcomes
- Moving from population to beneficiary is not simple.
 - General population: Budget implications, coordination, administration and transparency
 - Target population: Budget, develop a Monitoring and Information system, determine a targeting method; design an information and outreach campaign, ensure low cost for potential beneficiaries, set payment level

Implementation

- Applicants : Application, selection of potential beneficiaires, program intake, Grievance & Appeal mechanism
- Beneficiaries: Enrolment, verification, (re)certification and payment set-up
- Monitoring: Ongoing process based on MIS; Process evaluation
- Certification: After a determined period of time, pool of beneficiaries must be recertified under the program rules

A good targeting system should ensure

- Transparency and consistency
 - Clear and consistent application of centralized criteria
 - Low political interference and manipulation by frontline officials and beneficiaries
- Maximum inclusion of the poor with on-going access to the registry
 - People who think they are eligible should be able to apply
 - Issues: budget and outreach
- Minimum leakage to the non-poor
 - As technically possible, to near poor, errors rather than fraud
- Cost-efficiency

Conclusion

- Targeting is complex
- A single method does not dominate another
- Combination can work but attention is needed on the implementation arrangements
 - Implementation arrangements have much in common:
 - Verification strategies – home visit versus computerized cross-checks of databases
 - Outreach, re-certification, quality control, system design, staffing, etc.
- Combining methods may improve accuracy