



Are Public Expenditures Targeted to the Poor?

< Work in Progress >

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Kenya PADI workshop: *Understanding Poverty in Kenya*

Nairobi - March 21, 2005



Benefit Incidence

- ◆ What proportion of the poor benefit from targeted anti-poverty programs, public services and expenditures?
- ◆ Data needed:
 - Welfare/Poverty Status
 - Program Allocation/Targeting & Use
- ◆ The level of analysis:
 - Individuals & Households
 - Geographic Areas



Examples of Targeting Approaches

- ◆ Means & Proxy-Means tests Individuals
- ◆ Community based targeting Groups
- ◆ Demographic targeting Groups
- ◆ **Geographic targeting** **Groups**



Geographic Targeting - Implicit in Budget

- ◆ The central Government, through ministries, makes budget allocations at the District level
- ◆ Some allocations are “earmarked” within the District, but some portion of the budget allocations are discretionary
- ◆ Some portion of the public expenditure budget is thus implicitly geographically targeted at the District level.
- ◆ What proportion of these public expenditures are targeted to the poor?



Measuring Targeting Performance (1)

- ◆ How to assess targeting performance when benefit incidence is unobserved at the local level?
- ◆ Latent benefit incidence can be inferred by regressing District level expenditure allocations on the District poverty map.
- ◆ This approach will yield a measure of average targeting performance.

Measuring Targeting Performance (2)

$$G_i \equiv G_i^{NP} (1 - H_i) + G_i^P H_i$$

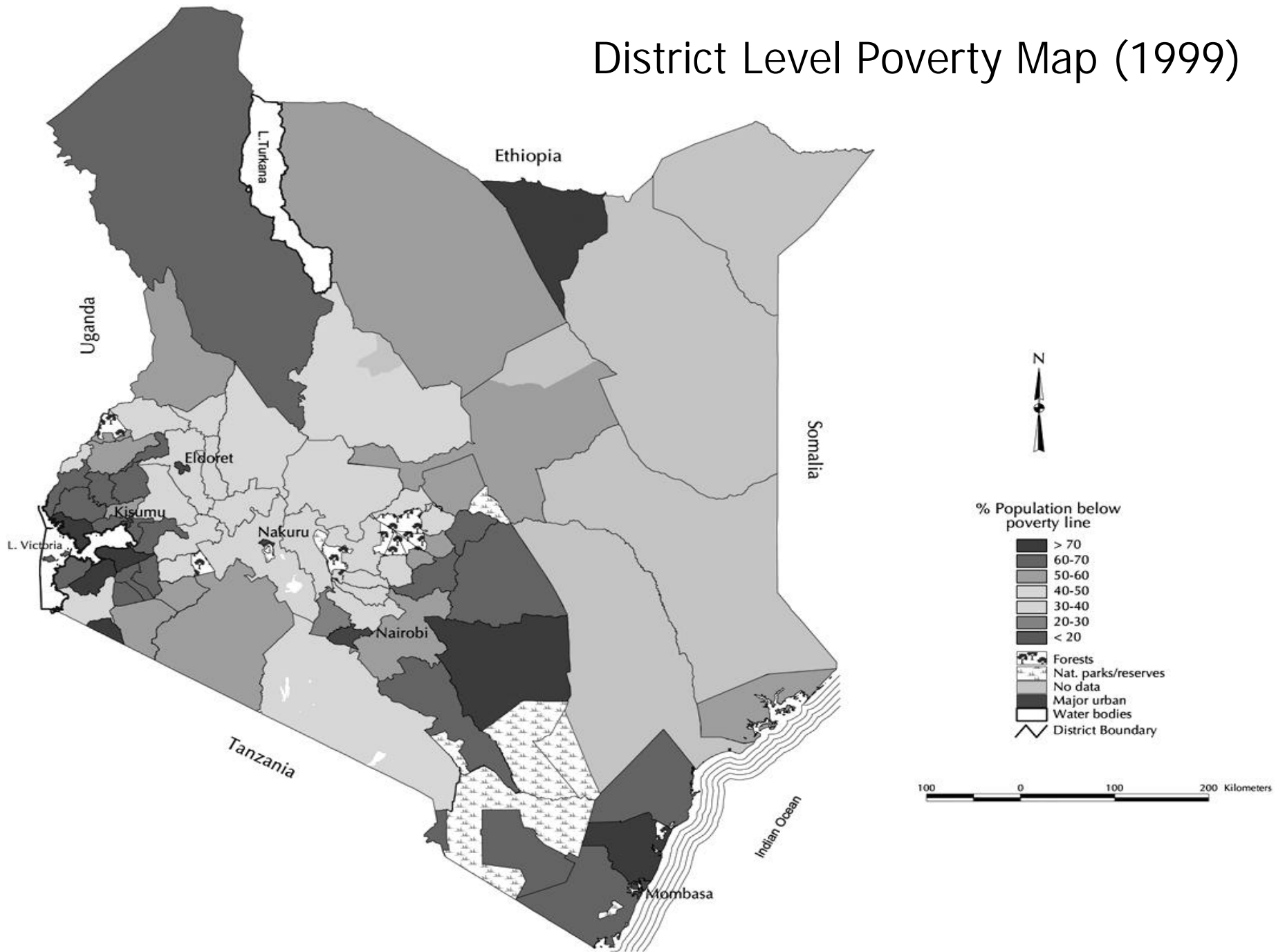
$$\begin{aligned} G_i &= \bar{G}^P H_i + \bar{G}^{NP} (1 - H_i) + \mathbf{e}_i \\ &= \bar{G}^{NP} + (\bar{G}^P - \bar{G}^{NP}) H_i + \mathbf{e}_i \\ &= \mathbf{a} + \mathbf{b} H_i + \mathbf{e}_i \end{aligned}$$

$$\mathbf{e}_i = (G_i^1 - \bar{G}^1) H_i + (G_i^0 - \bar{G}^0)(1 - H_i)$$

$\mathbf{b} = \bar{G}^P - \bar{G}^{NP}$	Targeting Differential
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$$\text{cov}(H_i, \mathbf{e}_i) = 0$$

District Level Poverty Map (1999)





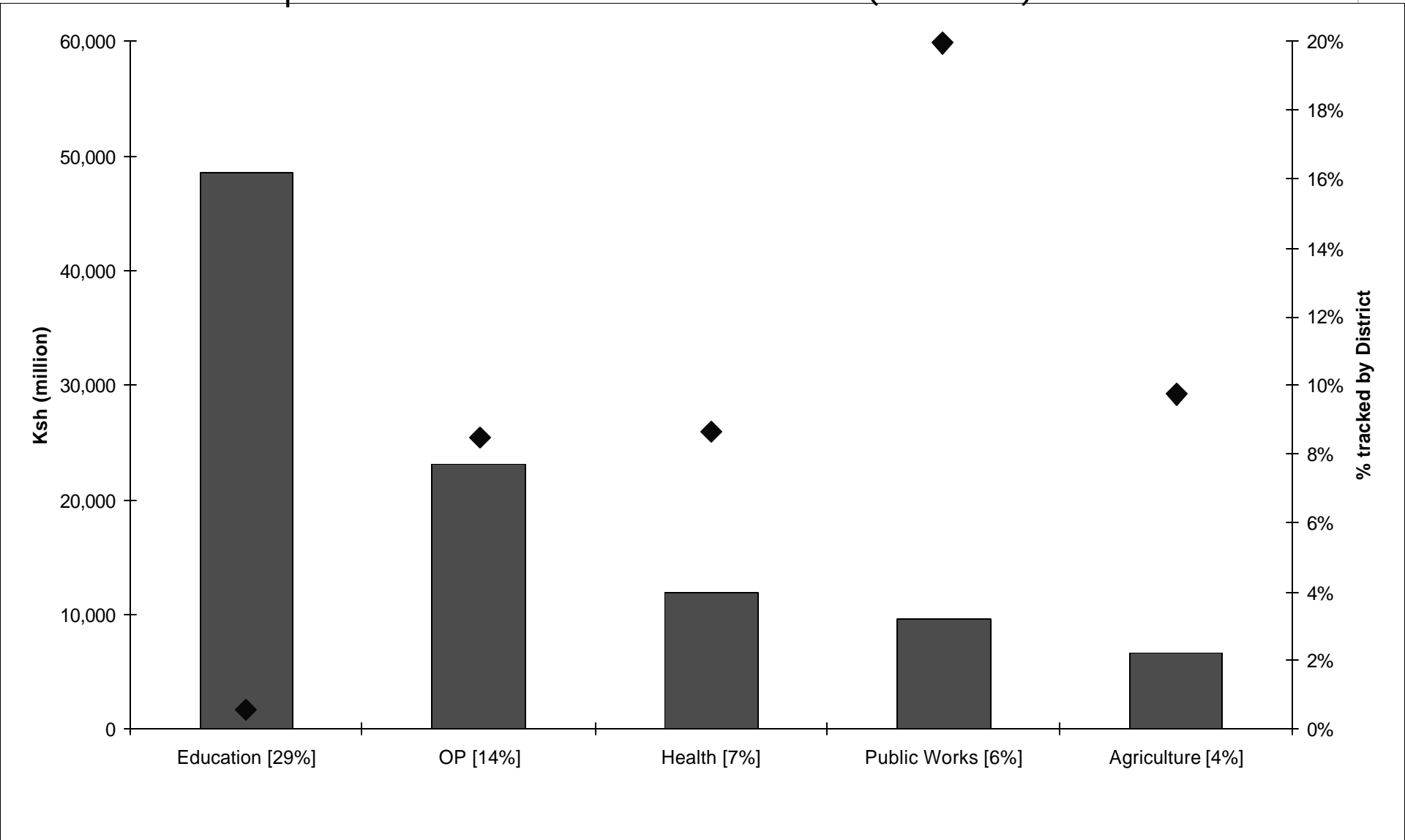
Budget Data in Kenya (1)

- ◆ Size of the budget about \$US 2.2bn (2000-01)
- ◆ Recurrent, Developmental and “Core Poverty” Expenditures
- ◆ Treasury accounting breaks down the budget: Votes (Ministry), Headings, Sub-Headings (District) and Items.
- ◆ Only 5.5% of the overall Government budget is tracked to the District level in Treasury (Paymaster General) database



Budget Data in Kenya (2)

Total Expenditures for selected Ministries (2000-01)





Budget Data in Kenya (3)

- ◆ Key Data Sources:
 - Treasury - Paymaster General: printed and actual and detail by sub-Heading (Districts)
 - Auditor General: detail on divergence between printed and actual; no sub-Heading info
 - Individual ministries – need to make an assessment of routinely collected data available

- ◆ Currently no central system in place to track public expenditures by Ministries to Districts !!!