

# Targeting

## Political Economy, Basic Concepts, Results, Options and Implementation



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# Politics matters

2

- Development and poverty reduction are intrinsically political
- Reaching the poorest is a particular challenge
  - ▣ Do they deserve it? Will richer & more powerful groups support investments for the poorest?
- Research shows that politics has been central to the success and failure of social protection
- Politics viewed here as an enabling as well as constraining force



# Is more for the poor less for the poor?

3

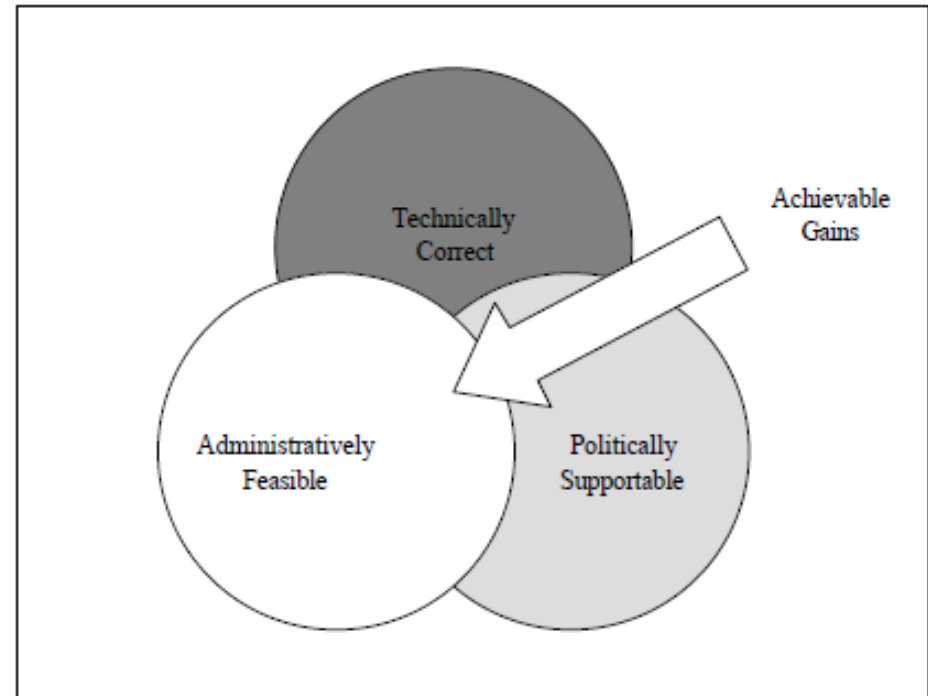
- There is little evidence that programmes targeted at the chronically poor are politically unsustainable.
- Such programmes may endure and be expanded, even during economic decline, while more universal programmes can be placed under political pressure on cost grounds.
- Implications: inclusive (categorical) targeting, include the ‘deserving poor’, ensure procedural justice...although this is *not* an argument against universal approaches



# 5 dimensions (Pritchett, 2005)

4

- ❑ Electoral processes
- ❑ Emergency or long term
- ❑ Perception of social justice
- ❑ Reconcile implementation and, centralized control and decentralized controls
- ❑ Institutional arrangements



# Basic Concepts of Targeting

5

- Main Objective: To achieve the greatest impact for a given budget
  - ▣ 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 adressed.
- In other words, Targeting implies reducing wastage by concentrating programs on the desired population

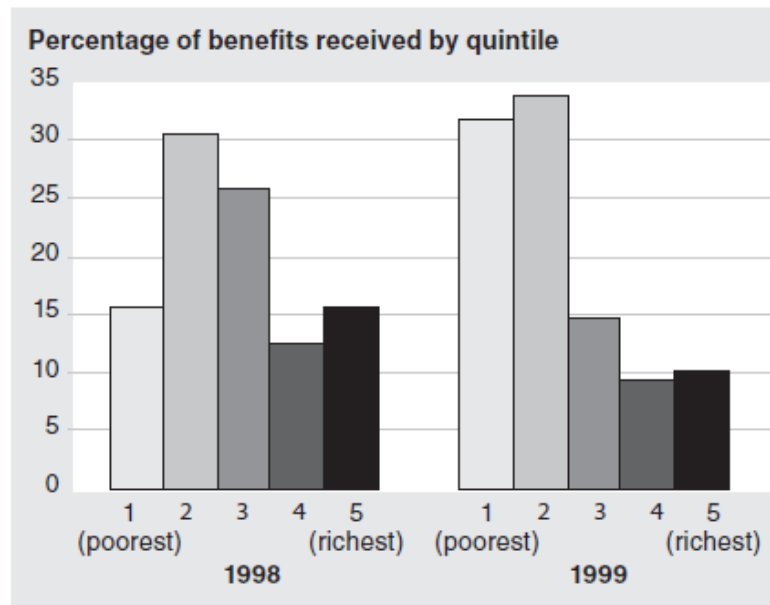




# Basic Concepts of Targeting

- Equity and efficiency

Fraction of the Social Assistance Budget Captured by Each Quintile, Armenia 1998 and 1999



SOURCES: Tesliuc and others forthcoming; World Bank 2002a.



# Basic Concepts of Targeting

7

- So, Targeting on What? What are the gains? What are the costs? What are the errors?
- Targeting on What?
  - Income poverty is often linked to malnutrition, poor education, unemployment or underemployment, vulnerability to crisis
  - Sometimes other categories may work
    - Widows in rural Africa
    - Families with no able-bodied workers



# Basic Concepts of Targeting

8

- 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;





# Basic Concepts of Targeting

9

- 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
    - More for the poor is less for the poor!!!!!!!



# Basic Concepts of Targeting

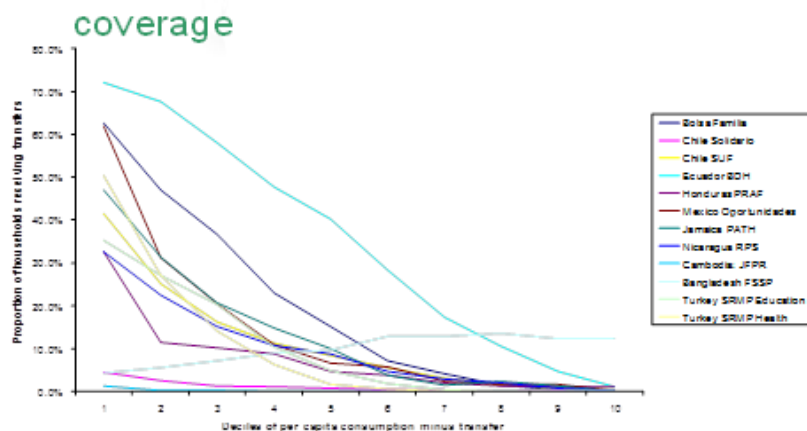
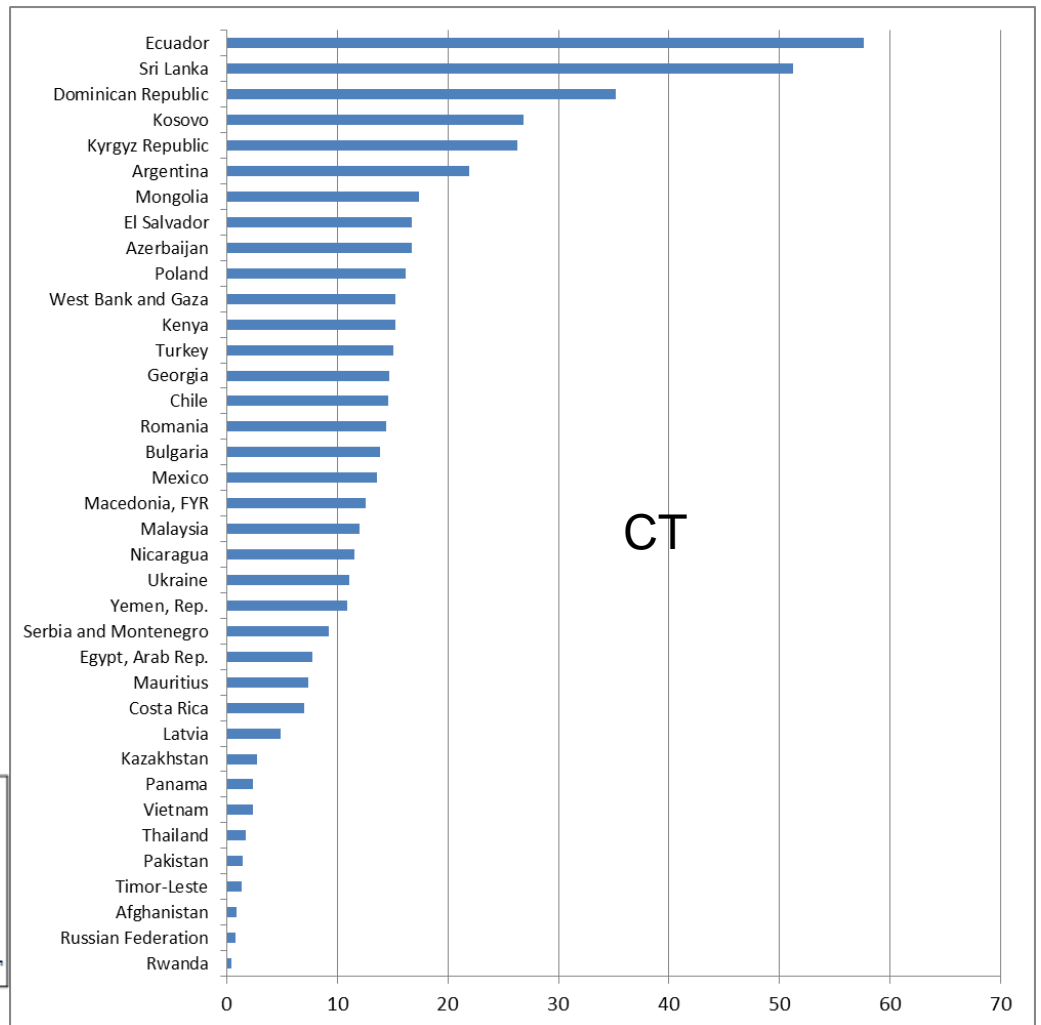
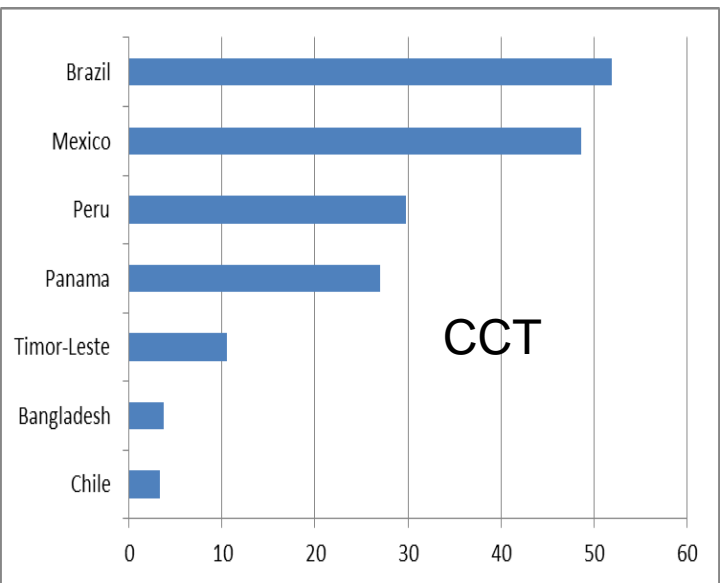
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- Errors of targeting
  - In practice we don't have perfect information about the target population.
  - Gathering such information can be costly and time consuming
  - Therefore, any targeting method generates two types of errors
    - Error of Inclusion
      - 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	<b>Success</b> 55	Inclusion error 10	65
Not participating	Exclusion error 5	<b>Success</b> 30	35
Total	60	40	100

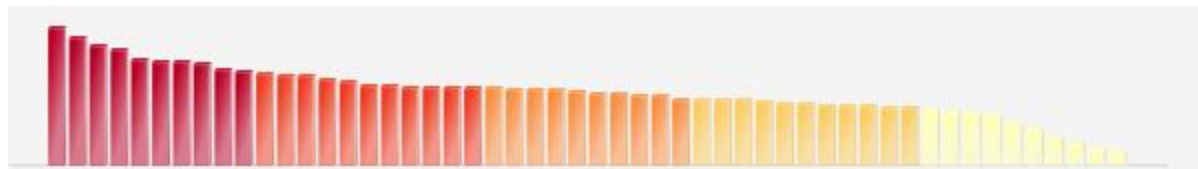
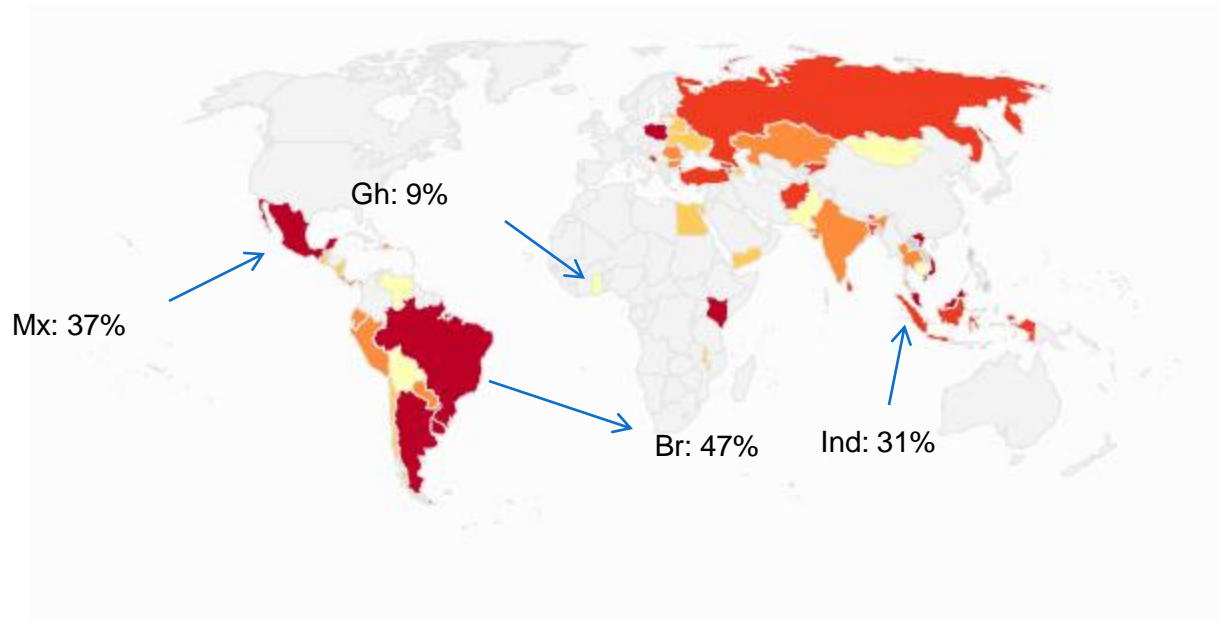
# Basic Concepts of Targeting: Coverage (poorest 20%)

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# Basic Concepts of Targeting: accuracy (poorest 20%)

12



Indicator: (%) Program beneficiaries in 1st 20% - All Social Safety Nets

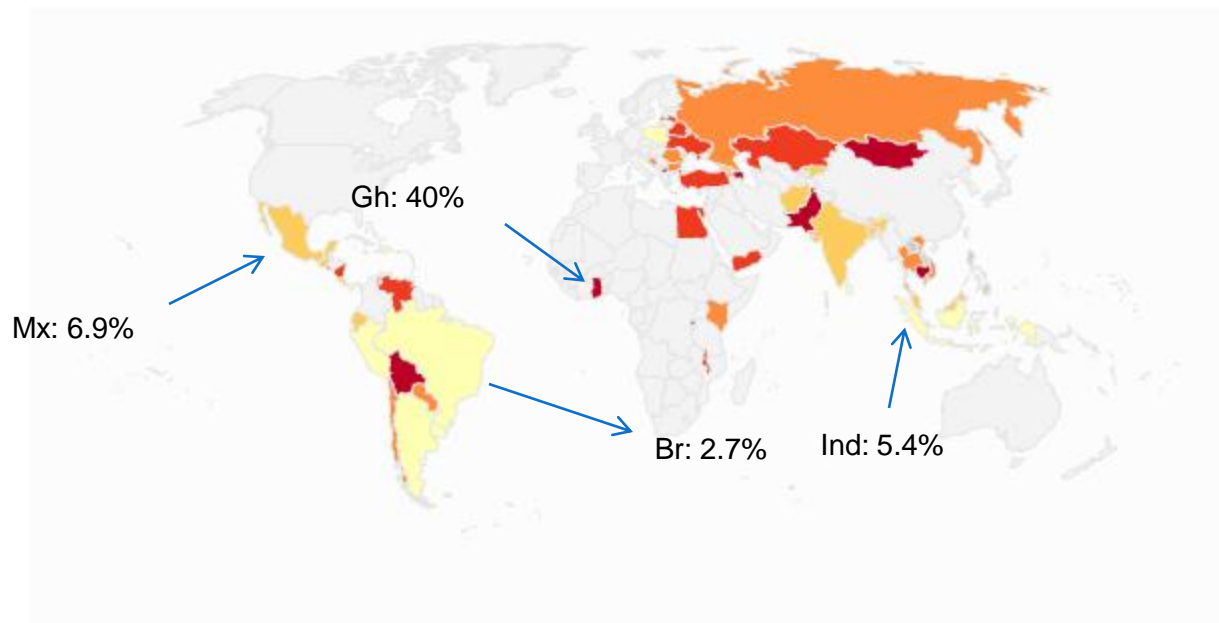
Year: 2010

Legend: No Data, 6.05 - 22.3, 22.3 - 25.8, 25.8 - 29.9, 29.9 - 36.5, 36.5 - 52.8

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# Basic Concepts of Targeting: accuracy (richest 20%)

13



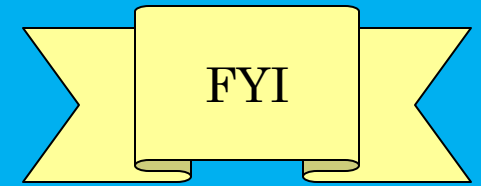
Indicator: (%) Program beneficiaries in 5th 20% - All Social Safety Nets

Year: 2010

Legend: No Data, 0 - 6.37, 6.37 - 9.09, 9.09 - 12.5, 12.5 - 16.6, 16.6 - 40.0

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# Summary of basic contexts



## Hypothetical Scenario:

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

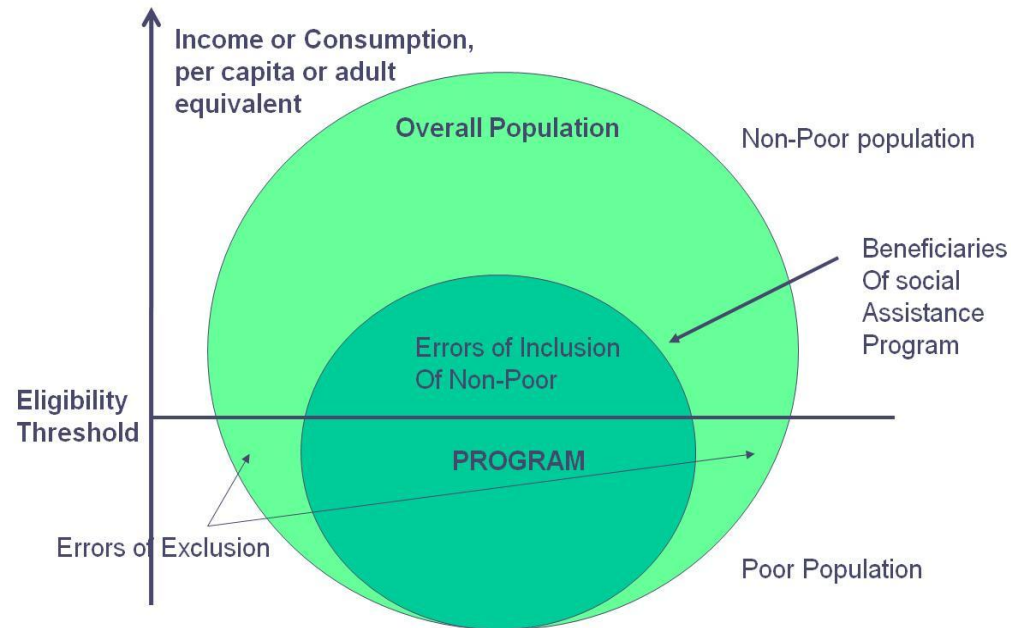
No Targeting	Option 1	Option 2	Option 3
<p><b><u>Universal</u></b></p> <ul style="list-style-type: none"> <li>• Each person gets \$6</li> <li>• Budget is \$600</li> <li>• 40% of \$ → error</li> <li>• \$ going to the targeted group: 360</li> </ul>	<p><b><u>Perfect information</u></b> (unlikely to happen)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



# Results of Targeting

15

- Overall, main results are measured in terms of errors and cost.
- Main source of errors:
  - ▣ **Budget** – ex. insufficient to cover all
  - ▣ **Outreach** – ex. population of interest may not know how to apply or have never heard about the program
  - ▣ **Method** – ex. not appropriated method
  - ▣ **Private costs** – ex. going to a center to apply or requesting documents may bring some cost to applicant, don't want to be called poor...



# Options for targeting

16

- 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: scheduled castes in India, native American

## PROS

- Administratively simple
  - Low cost

## CONS

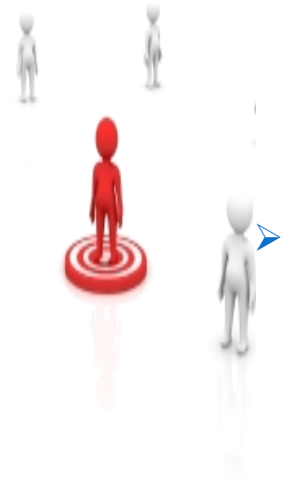
- Weak correlation with poverty

## 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 (often OVC, elderly, hh w/o able-bodied adult)
- Good results



Community meeting SCT Zambia



# Community-based targeting

## PROS

- Good information
- Low(on the books) administrative cost
- Local monitoring may reduce disincentives

## CONS

- Unknown effects on roles of local actors
- Costly for the community
- May reinforce existing power structures or patterns of exclusion
- May generate conflict and divisiveness
- Local definitions may vary

### 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

Cost to communities  
Scalability





# Self-targeting

- Open to everyone but only the poor will be interested
- Food subsidies of staples consumed by the poor: are they really consuming less? Mildly progressive at best. Little exclusion and stigmatization but high inclusion errors.
  - Example: Food subsidies in MENA
- Labor intensive public works with wages set very low: works for targeting. Stigmatization can be high, exclusion errors can be high.
  - Example: Trabajar in Argentina
- Some elements of self-targeting in a lot of programs: long waiting lines, compliance with conditionalities





# Self targeting for consumption subsidies

## PROS

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

## CONS

- ❑ 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

## PROS

- ❑ Administratively simple
- ❑ Keeps work incentives
- ❑ Eliminates concerns about ‘shirkers’
- ❑ Automatic exit criteria

## CONS

- ❑ 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 (MT)

- Eligibility determined based on income and asset tests or self-declaration
- Verification of information, sometimes extensive
  - Documentation provided by applicant (payroll statements, benefit letters, banking statements, vehicle documentation, etc.)
  - Third party documentation, usually automated (tax records, social security registry, unemployment listings, immigration, banking information)
- Appropriate conditions:
  - Incomes, expenditures, wealth are formal, monetized and well-documented;
  - Where benefits are high
  - Used in OECD, Central/Eastern Europe, South Africa
- Can generate strong targeting outcomes but low take-up





# Proxy-means testing

- Multi-dimensional notion of poverty (politically palatable)
- Eligibility based on weighted index of observable characteristics (score), not easily manipulated and associated with poverty:
  - Variables and weights can be determined using regression (predictors) or principal components analysis
  - Variables typically include: location, housing quality, assets/durables, education, occupation and income, and a variety of others (disability, health, etc.)
- Appropriate in situations
  - 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
- Fairly good results







# MT, PMT or both?

- Overlap in approaches is common.
  - ▣ Bulgaria, Romania, Kyrgyzstan MT systems impute the income potential of land and livestock, thus using them as proxies
  - ▣ Brazil uses PMT-models to check unverified declared means
  - ▣ Chile, Armenia PMT have some income questions on their form





# Mixed methods

- 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
  - ▣ Often a first step is geographical targeting
  - ▣ Then collect some information at the household-level
  - ▣ Triangulate from several sources:
    - Respondent
    - Community
    - Administrative records at local and central level
    - Grievance and redress mechanisms
  - ▣ No matter which combination, implementation is key.





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

methods: CBT vs. PMT or Mixed

## Facts

- 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





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

methods: CBT vs. PMT or Mixed

## Fiction

- 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





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

methods: CBT vs. PMT or Mixed

## MIXED - improving the community decision making processes

- CBT list and PMT validation experience is mixed – Indonesia, Ghana, Tanzania and Kenya
  - Length of list matters
  - PMT validation to trim the “richest”
- Attention to match list names and questionnaires - Ghana and Afghanistan
- CBT-PMT may reduce inclusion errors because combining both subjective judgment with objective criteria helps minimizing targeting errors – Rwanda, Tanzania and Ghana

## Implementation arrangements

- Strengthen sensitization and Implementation arrangements – Indonesia, Tanzania and Niger
- Short List prepared by the community, PMT & Community validation – Tanzania and Kenya
- Full list, PMT and Community validation - Niger





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

methods: CBT vs. PMT or Mixed

## Technical Requirements

- Intensive outreach to decision-makers
- Cohesive, well-defined communities

## Appropriate Circumstances

- Strong community structures, political economy

## □ Attention is needed to

- Cost to communities
- Scalability
- Improve administrative practices
  - Quality of data
  - Training
  - Information
  - Field supervision
  - Transparency

## Gains of combining methods

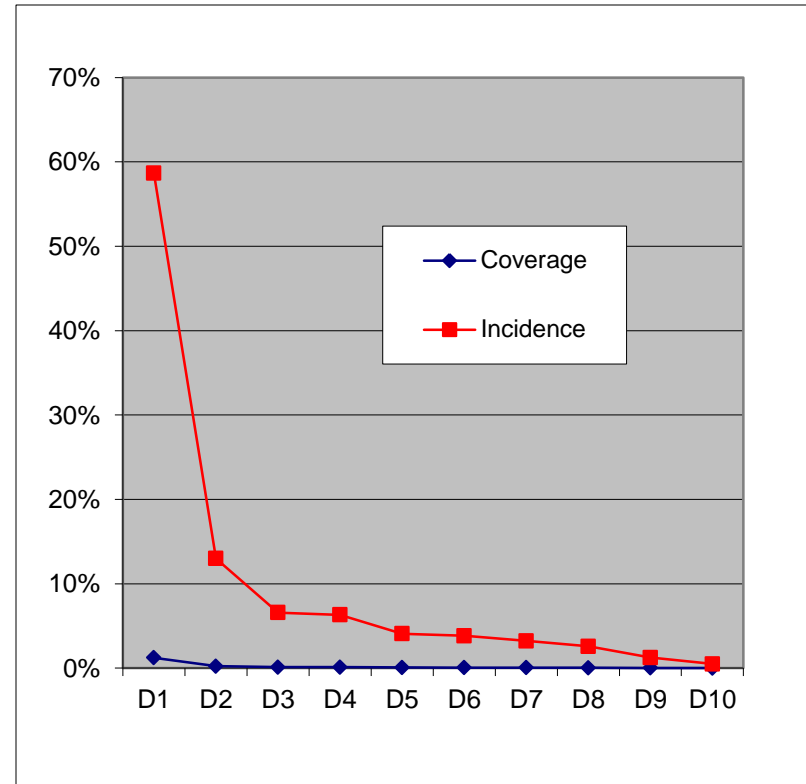
- a. Can reduce both exclusion and inclusion errors
- b. More engagement of communities and villager (transparence in the process)
- c. Can generate more horizontal equity

# Cambodia secondary scholarship program

FYI

32

- Implementation adjusted for low capacity setting
- Geographical + PMT+community
  - First geographic targeting; each school in priority areas gets 30 or 45 slots
  - Students fill out form in class, teacher reads answers aloud and classmates verify information is correct
  - Formula based on usual stat analysis but simple variables and integers
  - School committee scores and ranks forms by hand, awards scholarship



# CBT, Geographical, Demographic and Self-targeting

FYI

33

<u>Method</u>	<u>Advantages</u>	<u>Disadvantages</u>
Community-Based targeting	<ul style="list-style-type: none"><li>• Relies on local information</li><li>• Account for local definitions of needs/welfare</li></ul>	<ul style="list-style-type: none"><li>• Local authors have different objectives than good targeting</li><li>• Social exclusion</li></ul>
Geographical targeting	<ul style="list-style-type: none"><li>• Administrative simple</li><li>• Do not generate disincentive since all population is beneficiary.</li></ul>	<ul style="list-style-type: none"><li>• Relies on spatial correlation</li><li>• Can suffer from political influence</li></ul>
Demographic targeting	<ul style="list-style-type: none"><li>• Administrative simple</li><li>• Sort of universal (so no stigma)</li></ul>	<ul style="list-style-type: none"><li>• Correlation between a variable and poverty can be small</li></ul>
Self-targeting	<ul style="list-style-type: none"><li>• Administratively simple</li><li>• Keep incentives</li><li>• Eliminates concerns about 'shirkers'</li></ul>	<ul style="list-style-type: none"><li>• Not administratively simple</li><li>• Not applicable for many programs</li></ul>





# Means test, Proxy Means test and Hybrid

FYI

34

## Method

## Data Collection

## Eligibility Criteria

Means Tests (MT)

- Self-Reported Income & Assets
- Verified (or not) with certification, public information

•  $Y < \text{Threshold Income}$

Proxy Means Tests (PMT)

- Alternative indicators of living standards
- Collect data on indicators that are correlated with poverty

- $\text{PMT} = \alpha + \beta \cdot X < \text{cut-off}$
- Predicted values are established as a linear combination of weights ( $\alpha$  and  $\beta$ 's) applicant characteristics and cut-offs

Hybrid Means Testing (MT + PMT either as predictive or validating)

- Combine both:
- Self-Reported Income & Assets; and
  - Proxies indicators

- $\text{HMT} = f(\text{data on incomes, proxies}) < \text{cut-off}$   
OR
- Validate self-reported incomes with data on proxies · FLAGS



# Means test, Proxy Means test and Hybrid

FYI

35

## Method

## Advantages

## Disadvantages

Means Tests (MT)

- Can be very accurate

- Administratively demanding
- Challenging with informality
  - Work disincentives

Proxy Means Tests (PMT)

- Promising potential
- Possible with high informality
- Avoids work disincentives
- Objective/verifiable
- Allows to capture multi-dimensional aspects of poverty

- Administratively demanding
- Eligibility criteria – disclosure?
- Doesn't capture changes quickly

Hybrid Means Testing  
(MT + PMT either  
as predictive or validating)

- Can be very accurate
- Possible with high informality
- Avoids work disincentives
- Objective/verifiable

- Administratively demanding



# Guidance on choice of method

36

- 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
- Cost concerns: Means tests and PMT have larger costs
  - ▣ targeting costs are larger when launching but decrease over time
  - ▣ experience shows that on average targeting cost is 4% of total program costs; but it can range from 25 to 75% of total administrative cost, which is often lower than 10% of program costs.





# 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.





# Conclusion

- ✓ Combining methods may improve accuracy
  - Often a first step is geographical targeting
  - Then collect some information at the household-level
  - Triangulate from several sources:
    - Respondent
    - Community
    - Administrative records at local and central level
    - Grievance and redress mechanisms
- No matter which combination, implementation is key.





# 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



# Implementation

40

- 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

41

- 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

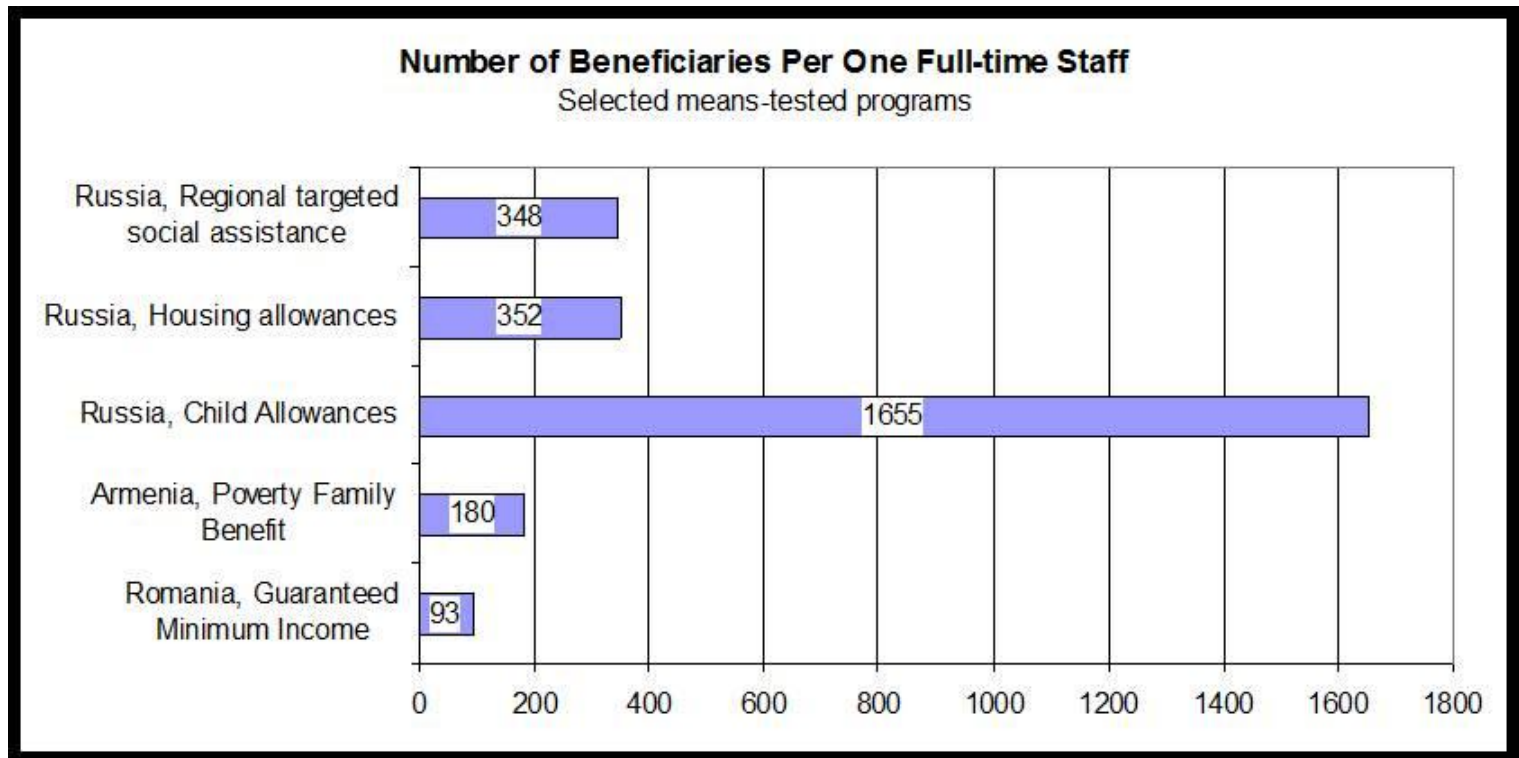




# Implementation: key points to remember

42

- Outreach
  - Inadequate administrative budget



# Implementation: key points to remember

43

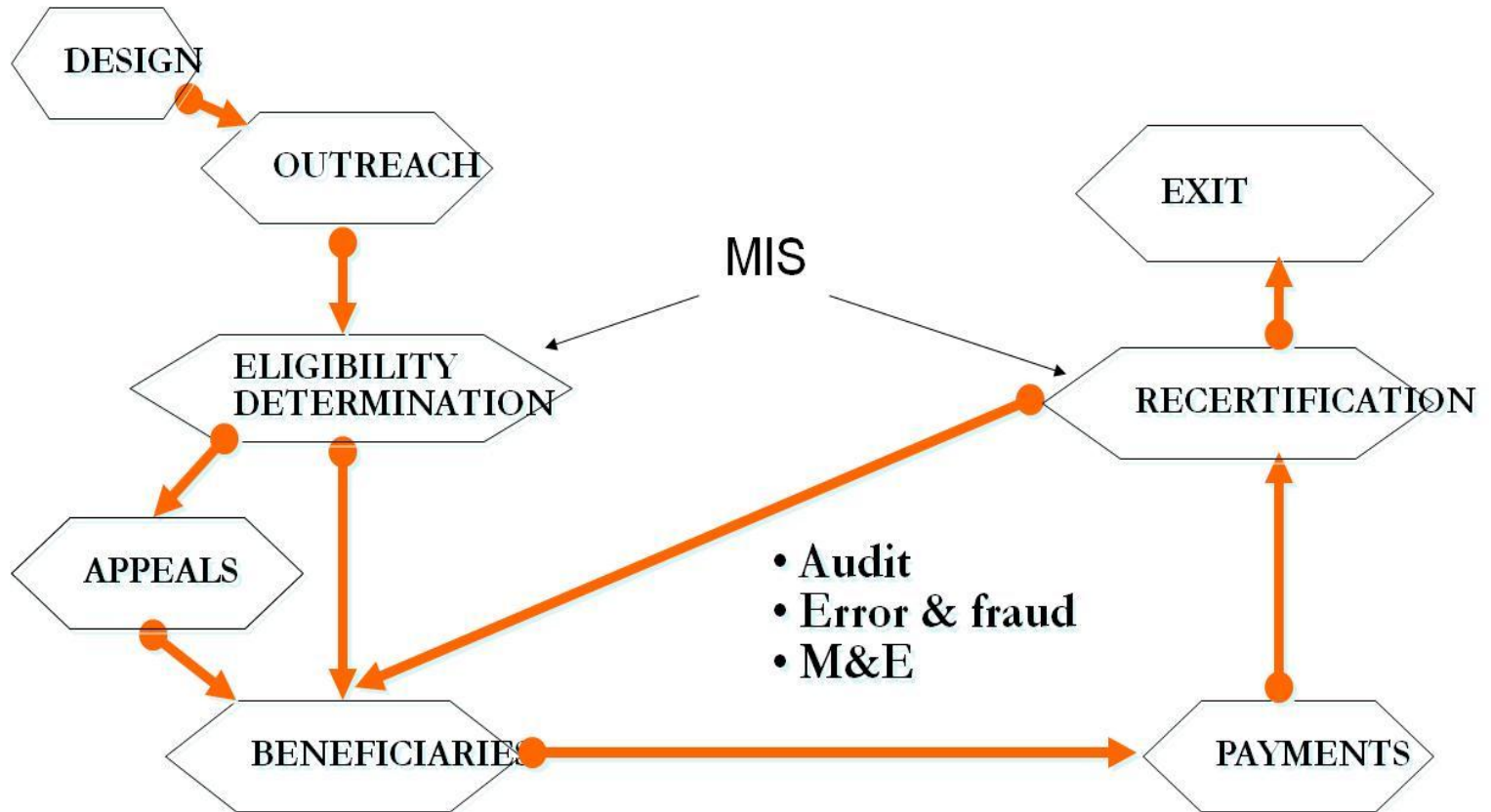
- Grievance & Appeal mechanism
  - Resolve concerns according to the program's rules
  - Must minimize costs to all
  - Accessible, transparent and fair
- Monitoring & information system
  - Proper identification and information of clients
  - Updates and recertification reduces Error, Fraud and Corruption
  - Provides key information for Evaluation, targeting assessment, and cost-benefit and cost-effectiveness analysis.



# Implementation: key points to remember

FYI

44



# Summary

45

- Concentration of resources in a particular group improve cost-effectiveness
- Targeting is never perfect
- Targeting has multiple costs, but in general cost does not add for more than 10% of program budget
- Most targeting methods are applicable for all programs (few goes hand-in-hand), but
  - ▣ Not a simple choice
  - ▣ No one size fits all
  - ▣ And mixed methods provides better outcomes



# Summary

46

- Implementation matters
  - Lowering barriers to participation
    - Effective dissemination of information about the program
    - Minimize visits and waiting for application
    - Minimize documentation required, free-of-charge provision of documents attesting eligibility
    - Introduction of one-stop or one-window system; Single application for multiple benefits
  - Lowering errors
    - Use multiple targeting methods combined
    - Cross-check the information provided by applicants against other public databases;
    - Perform home-visits to assess the means of the households and Frequent re-certification
  - Improving program administration
    - MIS, Staff training, Coordination,....

