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Targeting in social protection

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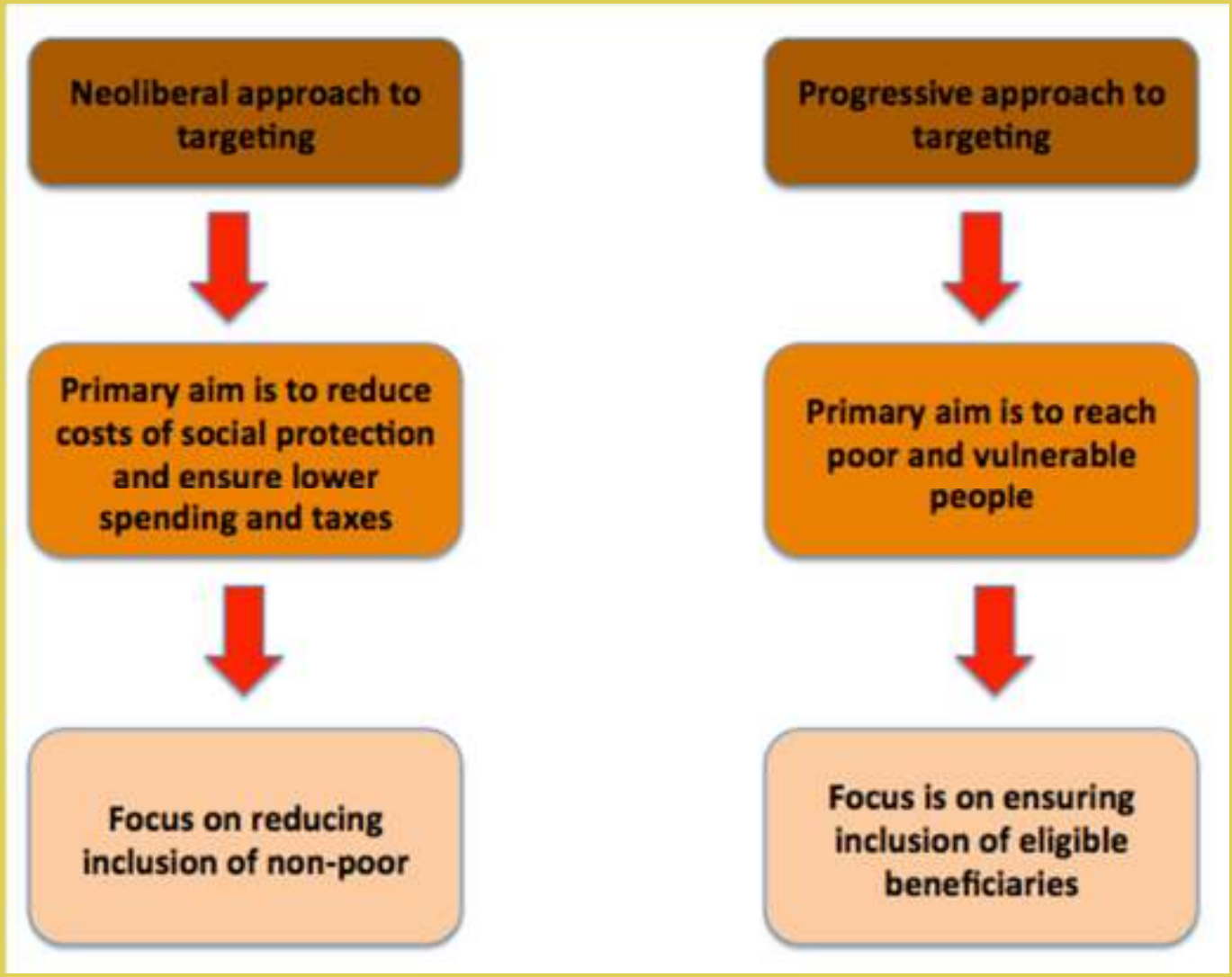
Inclusion and exclusion errors

	Eligible	Non-eligible	Total
People excluded from scheme	10 (Exclusion error = 50%)	70	80
People included in scheme	10	10 (Inclusion error = 50%)	20
Total	20	80	100

Which is more important to address: inclusion or exclusion error?

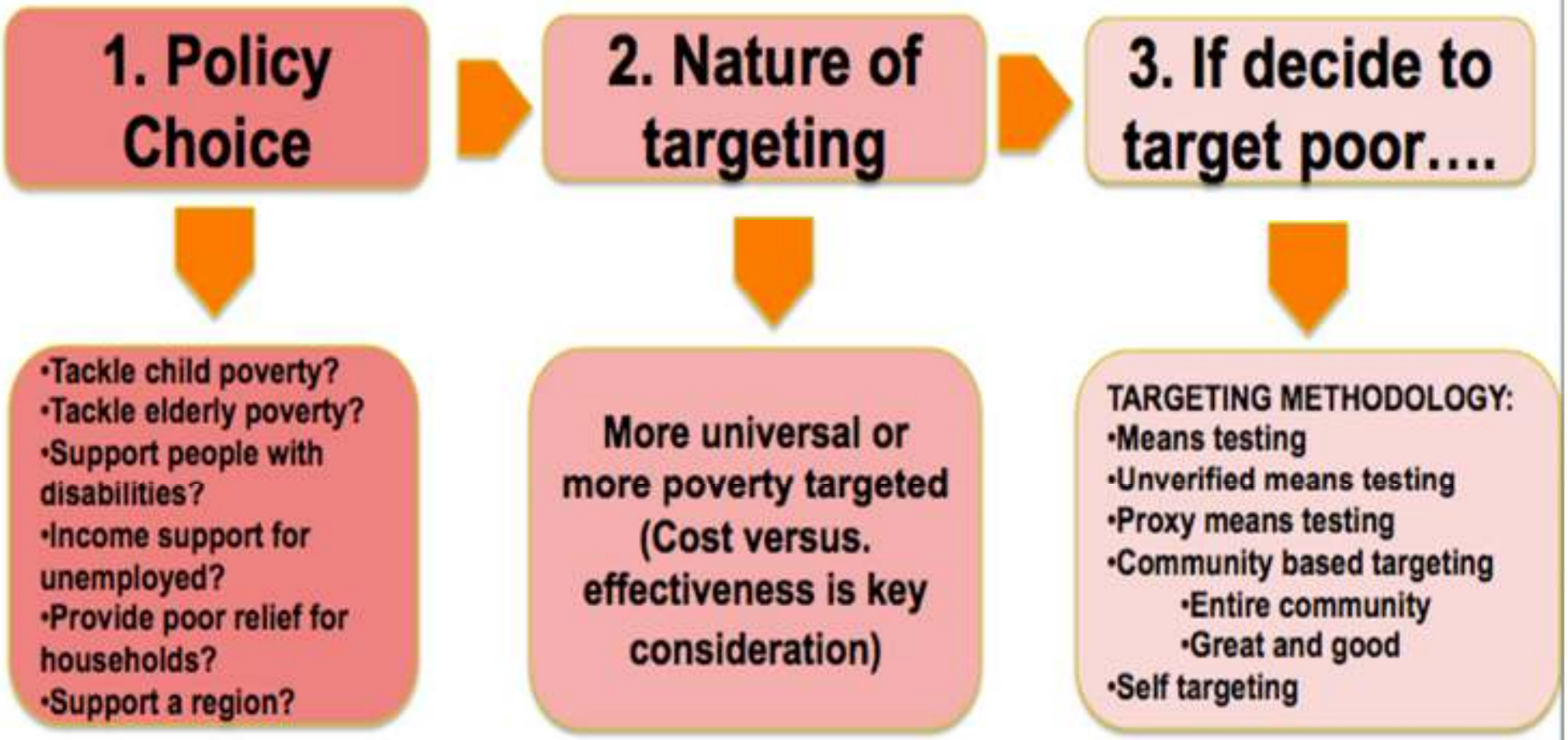
Rationale for targeting:
Fundamental ideological differences in approach



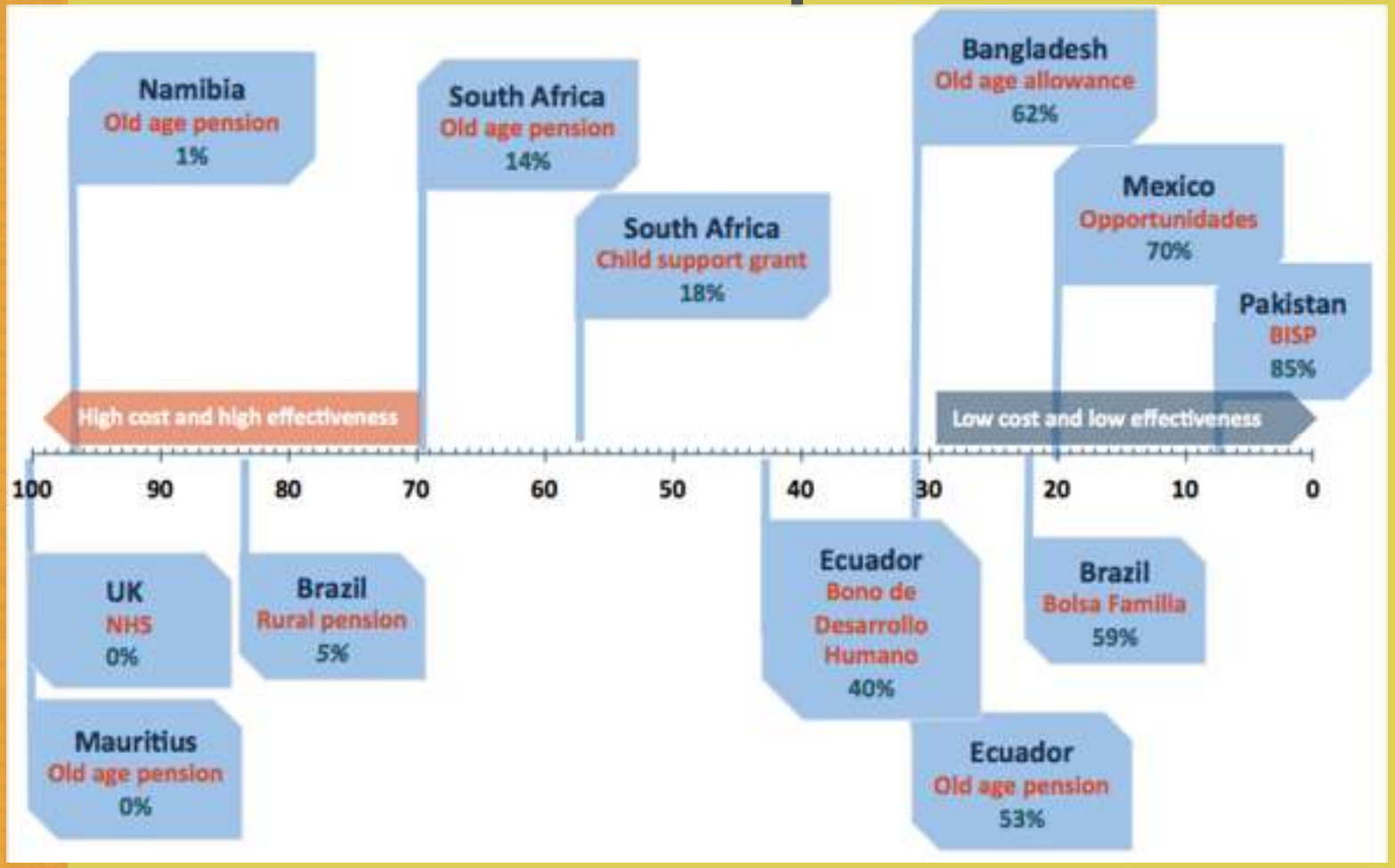
Neoliberal approach (aim to identify poorest at lowest cost)

- Typical neoliberal classification of types of targeting:
  - Means-testing (verified or unverified)
  - Proxy means testing
  - Community based targeting
  - Self-targeting
  - Geographical targeting
  - Categorical targeting (single proxy)
- In reality no country uses old age pensions or child grants as a means of reaching poor households
- Rationale for these programs is more complex

Targeting process



Relationship between coverage and exclusion of poor



Exclusion of the poor is a mix of insufficient budget and targeting errors

Poverty targeting methodologies to examine

- Unverified means test
- Proxy means test
- Community based targeting
- Self targeting

Unverified means test

- **Means test is when people are targeted by directly assessing their income**
- **Relatively easy to do when formal sector is large and people declare incomes for tax purposes**
- **South Africa and Brazil use an unverified means test**
  - Brazil: use a questionnaire to ask about income
    - Exclusion error is 59%
  - South Africa: people make a declaration and could, potentially, be accused of false declaration
    - Primary aim is to include people so coverage is high (58% of children and 70% of older people).
    - Exclusion error of 13% with elderly

Proxy means testing

- **Uses household survey to identify correlation between certain assets (or proxies) and consumption**
- **Regressions are run to find best correlation between multiple proxies – which are easily "observable," "objective" and "verifiable" – and poverty**
- **Proxies tend to be:**

  Demographic characteristics (not disability)

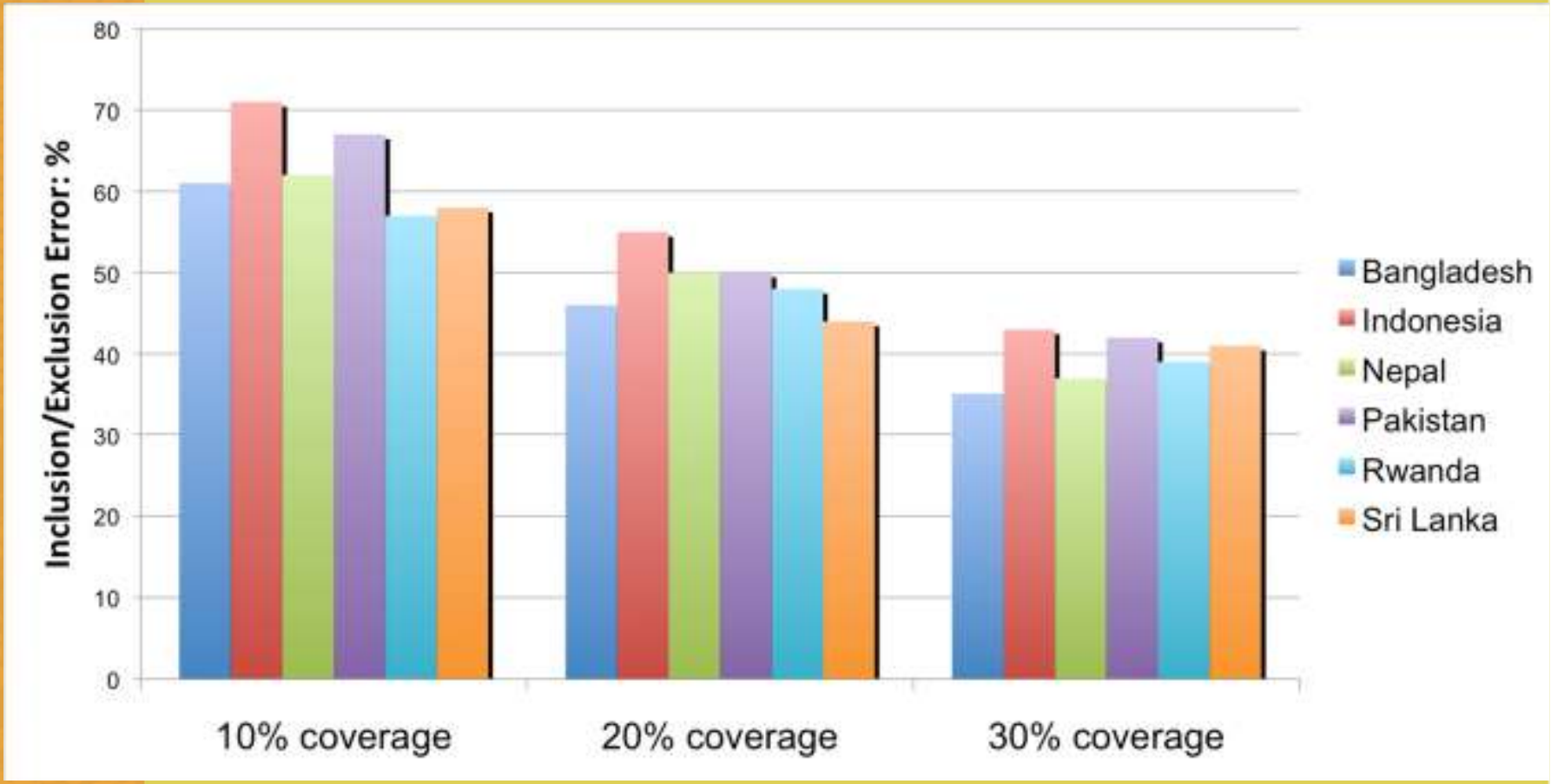
  House characteristics

  Durable goods

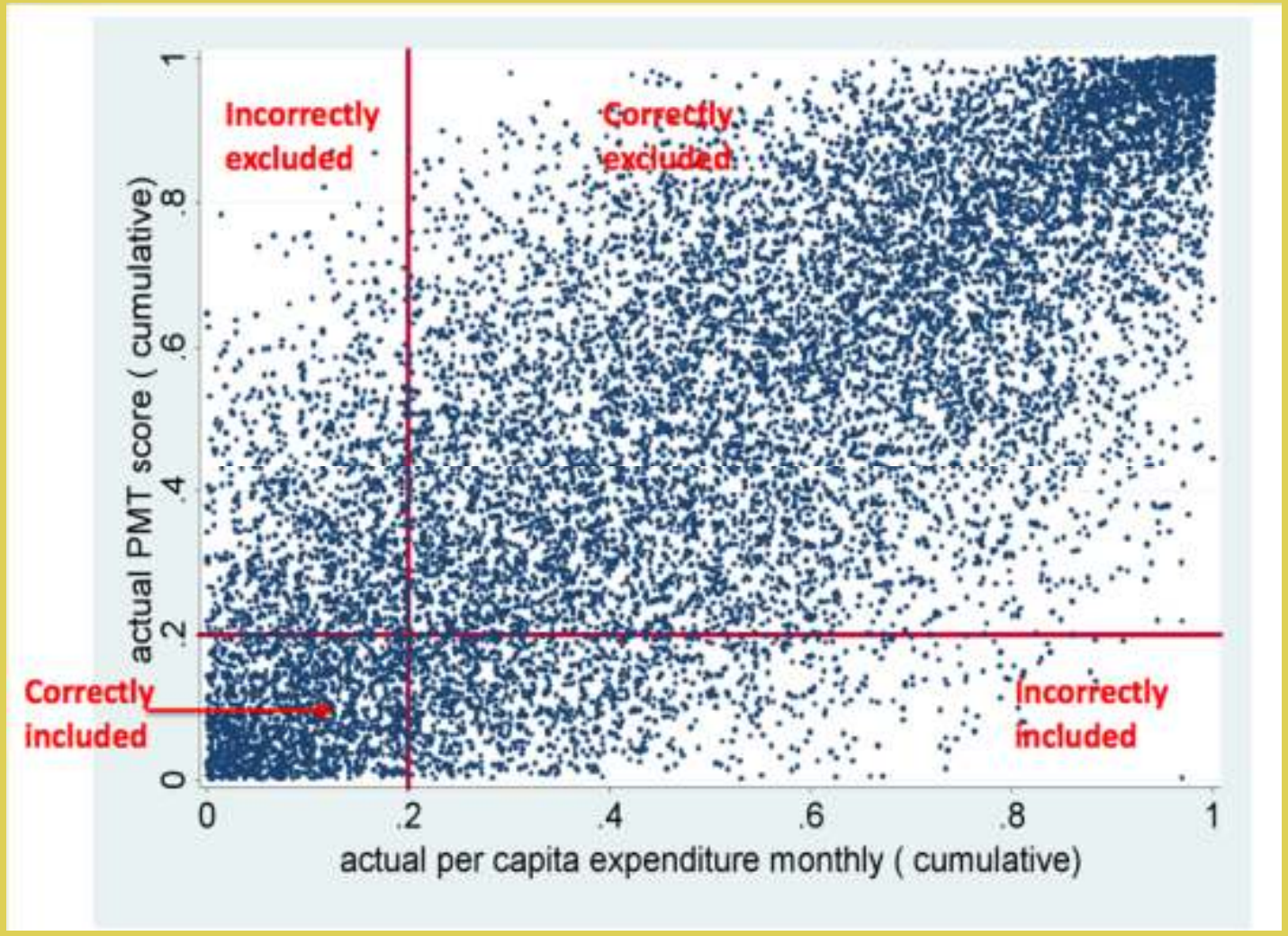
  Productive assets

- **Need to find balance between a small number of proxies – to reduce cost in survey – and correlation with consumption**

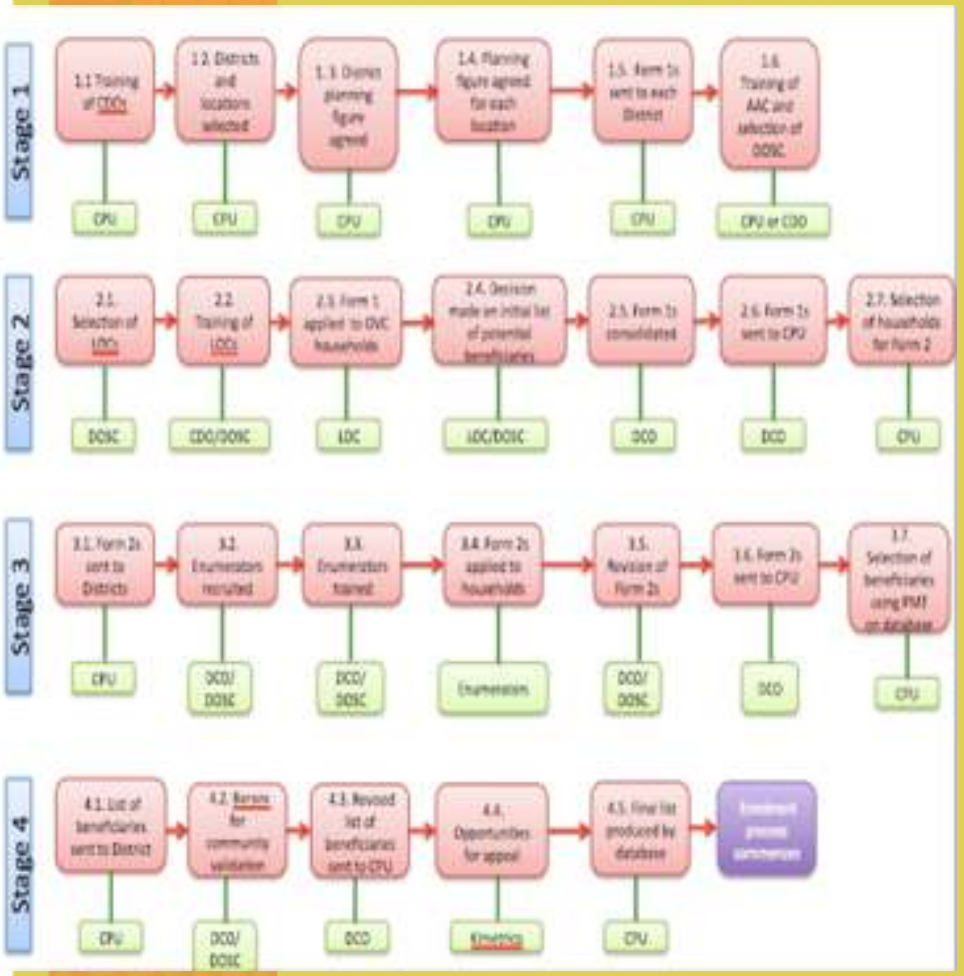
Theoretical errors with PMT

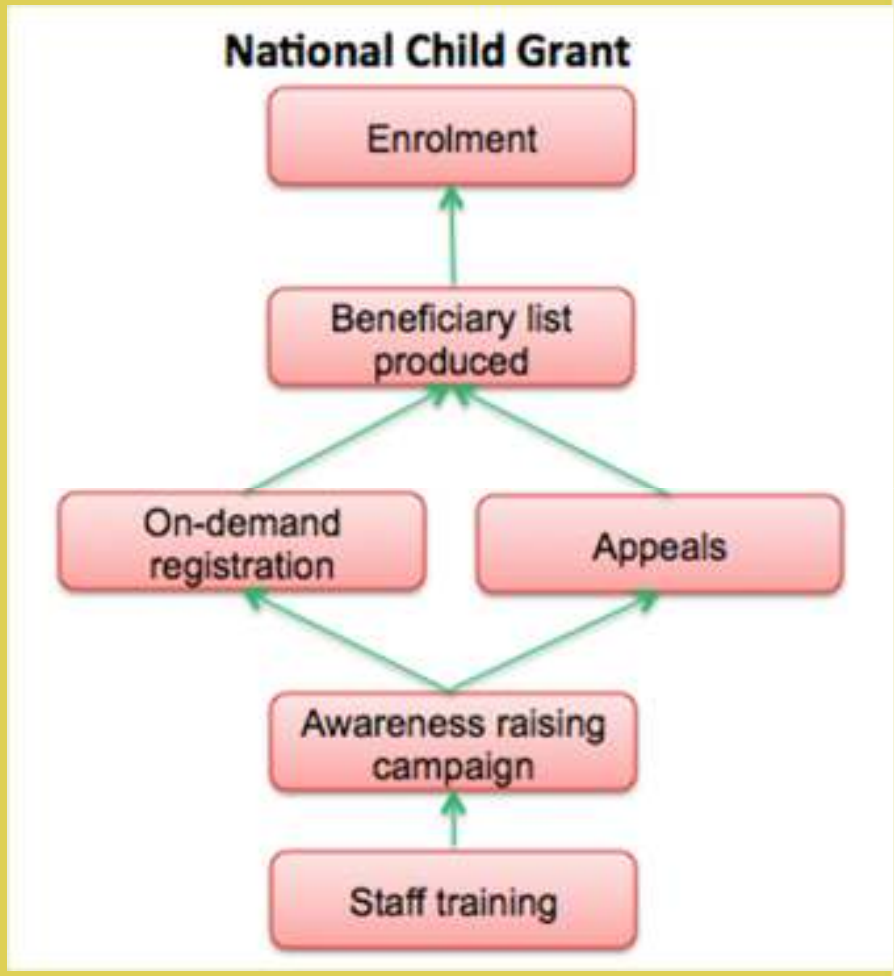


Scattergraph of errors in targeting with PMT



Complexity of PMT targeting

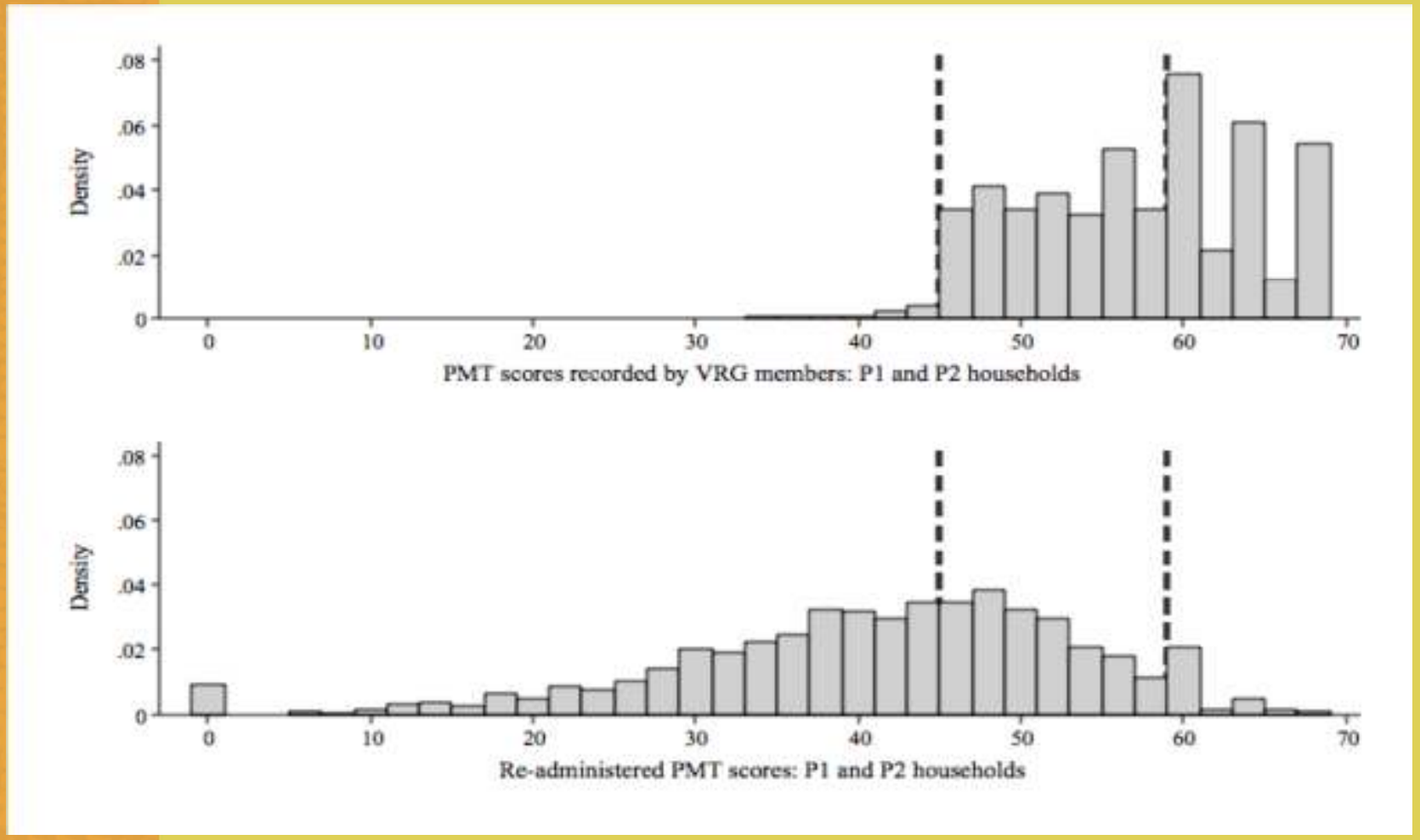




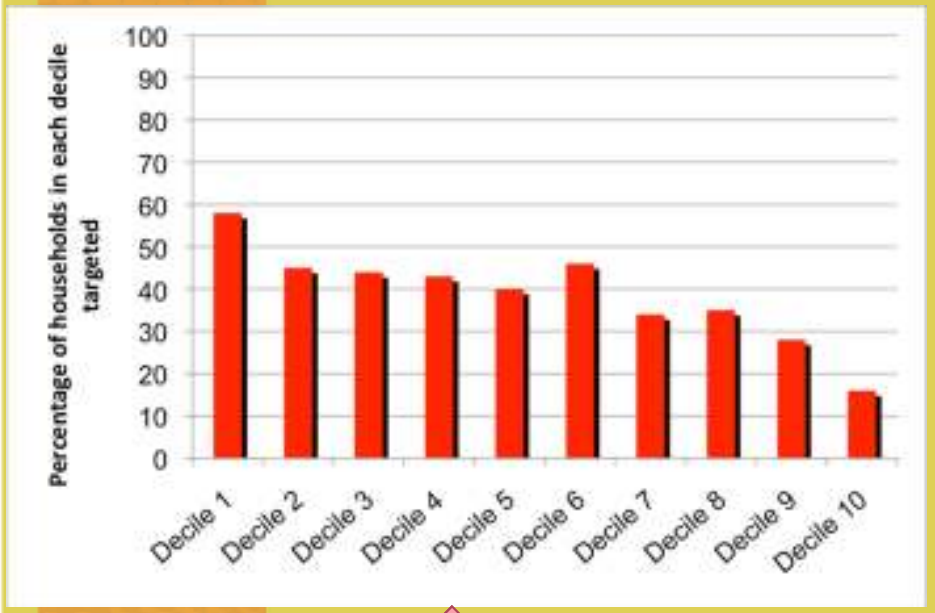
Challenges with surveys

- **Surveyors often do not visit houses. They meet people in public places because incentives to do many surveys**
  - Pakistan: most houses not entered because women were in the house
- **Different answers depending on whether is man or woman. At times interview children.**
- **Surveyors do not return to houses if people not in**
- **On-demand surveys: in Mexico 50% of eligible people did not apply because did not know or could not travel**
- **Surveyors from local communities can falsify results**

Manipulation of scores by community enumerators (in a SE Asian country)

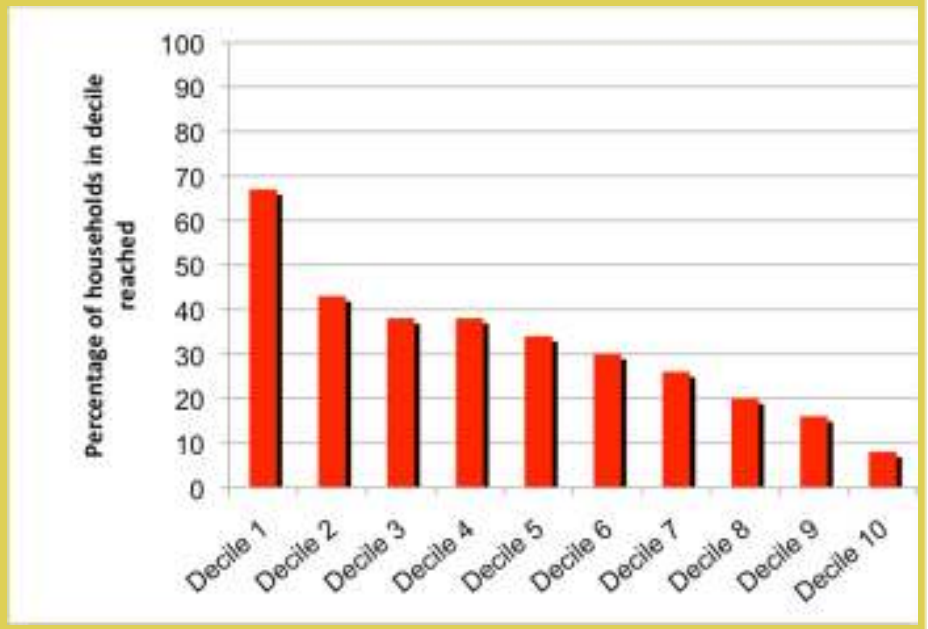


Community based targeting



Bangladesh:
Cash for Education Programme
50% targeted

Indonesia:
Community targeting pilot
30% targeted



Challenge of Community Based Targeting in Kenya

- Targeting by WFP used "Great and Good"
  - Not popular with community members
- HSNP try to involve the entire community
- Heavy facilitation: 10 facilitators surround community
  - Would need to employ 70 facilitators full time for 4 Districts
- Individuals selected arbitrarily to make proposal
- Relatively simple to identify the most vulnerable (5-10% of population)
- Difficult to identify poor from rest of poor: choice is arbitrary
- However, community more willing to accept selection
- No audit trail; no proper accountability to tax-payers

Self-targeting

- With some **workfare** programs, the wage is set at a level that is low enough only to attract the poor
- It can work in limiting most of participants to poor families
  - India (Andhra Pradesh) only 3% of those on NREGA are above poverty line
- However, often very poor families with limited labour capacity cannot afford to participate; participants can come from households with spare labour capacity
- Nepal **pension**: wealthier people do not apply for scheme because the benefit – at $7 month per year – is regarded as too low to bother

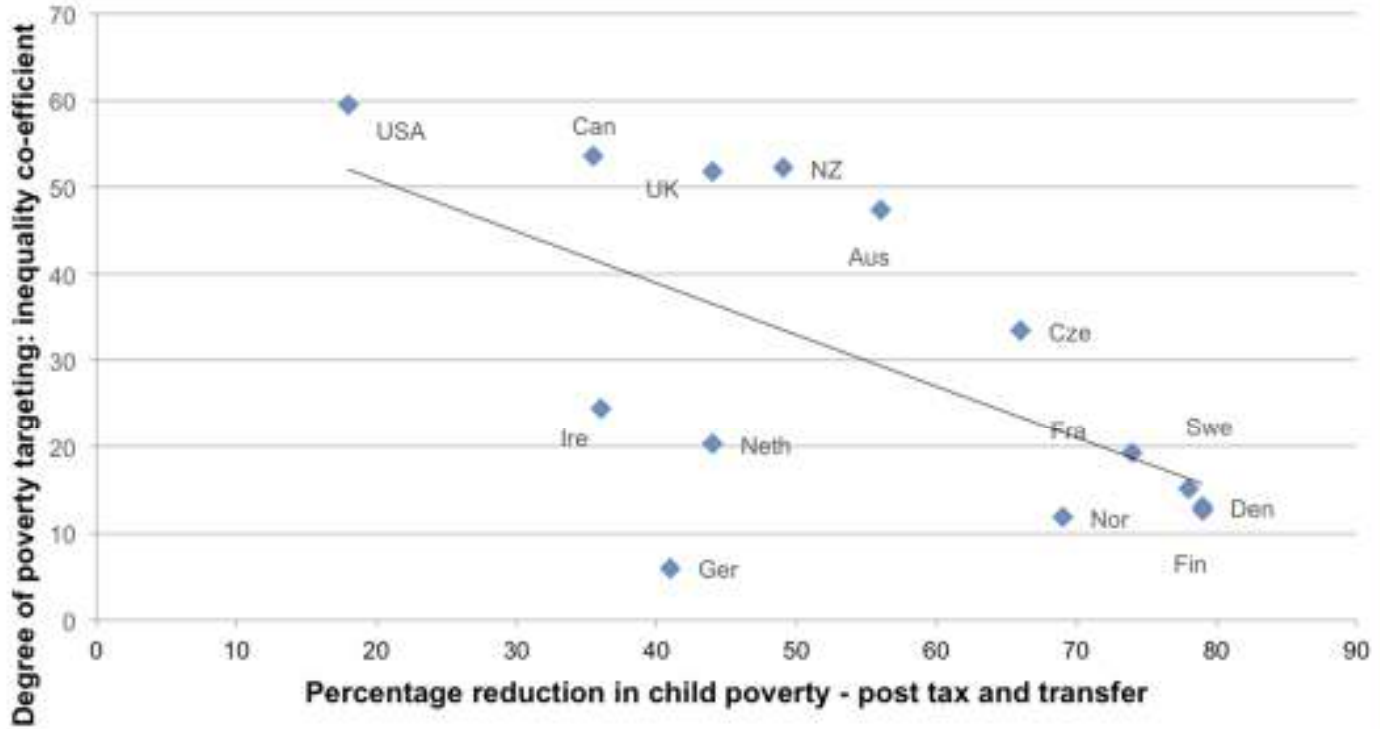
Social costs of poverty targeting

- Potential stigmatisation of beneficiaries of poverty targeting
- Poverty targeting creates divisions in communities
  - Nicaragua and Mexico: new division created between beneficiaries and non-beneficiaries, both with similar composition
- Non-beneficiaries refused to help in community work
- But, examples of beneficiaries providing financial support to non-beneficiaries
- Common cry of “we are all poor”: Indonesia, Malawi, Mexico
- Universal categorical programmes are popular in communities, often because criteria – eg. age – are clear and easily understood
- In reality, much of so-called corruption is communities subverting poverty targeted programmes
  - Malawi and Indonesia: share benefits among everyone

Moral costs

- Targeting can reward dishonesty and punish honesty
- Mauritius pension: many complaints from those who had filled in tax returns and were denied pension
- Proxy means test tries to minimise opportunities to lie, but evidence that it happens
  - Lack of transparency in PMT is because do not want people to know the proxies
- Possible in programmes using simple identification – such as age - though more difficult:
  - Lesotho pension resulted in many people falsifying age but addressed over time
  - Need effective means of identifying age

Links between targeting and child poverty in developed countries



Conclusion

- **Approaches to targeting are underpinned by ideology**
- **Inclusion of the poor is closely related to how much countries are willing to spend (and tax) on social protection**
- **If countries are unwilling to spend sufficient to reduce exclusion errors, then will have to accept that many people miss out**
- **Many countries do, however, adopt a universal approach, especially with pensions**
  - However, it is also adopted in many other areas of social policy such as education and health