

TO TARGET OR NOT TO TARGET?

...THAT IS NOT THE QUESTION

**EXPERT GROUP MEETING ON SOCIAL SECURITY IN WESTERN
ASIA:
ACCESSIBILITY AND SUSTAINABILITY
UN-ESCWA**

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- ❑ Most governments have mixture of both universal and targeted social policies.
- ❑ Targeting can be viewed as a means/tool for making universalism effective - "targeting within universalism", in which extra benefits are directed to low-income groups within the context of a universal policy design.
- ❑ To achieve **equality of outcomes**, in some cases will need to provide differentiated inputs (targeting) – not uniform inputs to all (universalism).

“To fight poverty...generally what is needed is a combination of universalism in certain spending categories (such as basic services) and finer targeting in others (such as safety nets).”
World Bank, 1995

Support to social protection and labor programs central to World Bank mission of poverty reduction...

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- World Bank strategies focus on providing **universal access** to basic services, while prioritizing measures that ensure that the poorest and most vulnerable can effectively benefit from the social services provided with public funding.

*Although the current crisis has proved to be [hard] to remedy, it has taught us that ... while the policy mix will vary according to each country's particular circumstances, **social protection needs to be at its centre.**" Joseph Stiglitz, World Bank Chief Economist, 1998*

World Bank supports...

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- ❑ Broad-based programs – Brazil Bolsa Familia
- ❑ Targeted Conditional Cash Transfers - ECA/LAC
- ❑ (Quasi) universal public works programs - South Asia
- ❑ Universal health coverage, with targeted CCTs – Turkey

Fundamental Policy Questions (before discussing targeting)

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- Who should be helped with public resources (chronic poor, transient poor, vulnerable groups)?
 - Against what risks should help be directed? (poverty, old age, unemployment, etc.)
 - What form should help take? (choice of instruments -- cash, in-kind, access to services, assistance vs. insurance)
 - How much help should be available? (Size and duration of benefits, sustainability)
 - How to identify the intended population (targeting method)
- **Targeting as a *tool* policy makers sometimes employ to make a program efficient.**

Basic case for targeting

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- Country with 100 million people; 20 million poor
- Budget for transfer = \$200 million
- No targeting = everyone gets \$2

- Targeting only to the poor = every poor person gets \$10
- ***maximizing impact using given budget***

- Alternatively, give each poor person \$2 for budget of \$40m
- ***minimizing costs for a given impact***

Methods of Targeting

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- ❑ Individual Assessment Targeting
 - ❑ Means test (3rd party verification; in-office, none)
 - ❑ Proxy means test
- ❑ Categorical/Group Targeting
 - ❑ Geographic
 - ❑ Demographic (kids, elderly, women)
 - ❑ Other
- ❑ Self-Selection Targeting
 - ❑ By purchase of commodity
 - ❑ Work requirement
 - ❑ Community Bidding
- ❑ Community Based Targeting
 - ❑ Use existing local actor (teacher, nurse, clergyman) or new civic committee to decide who qualifies

Targeting

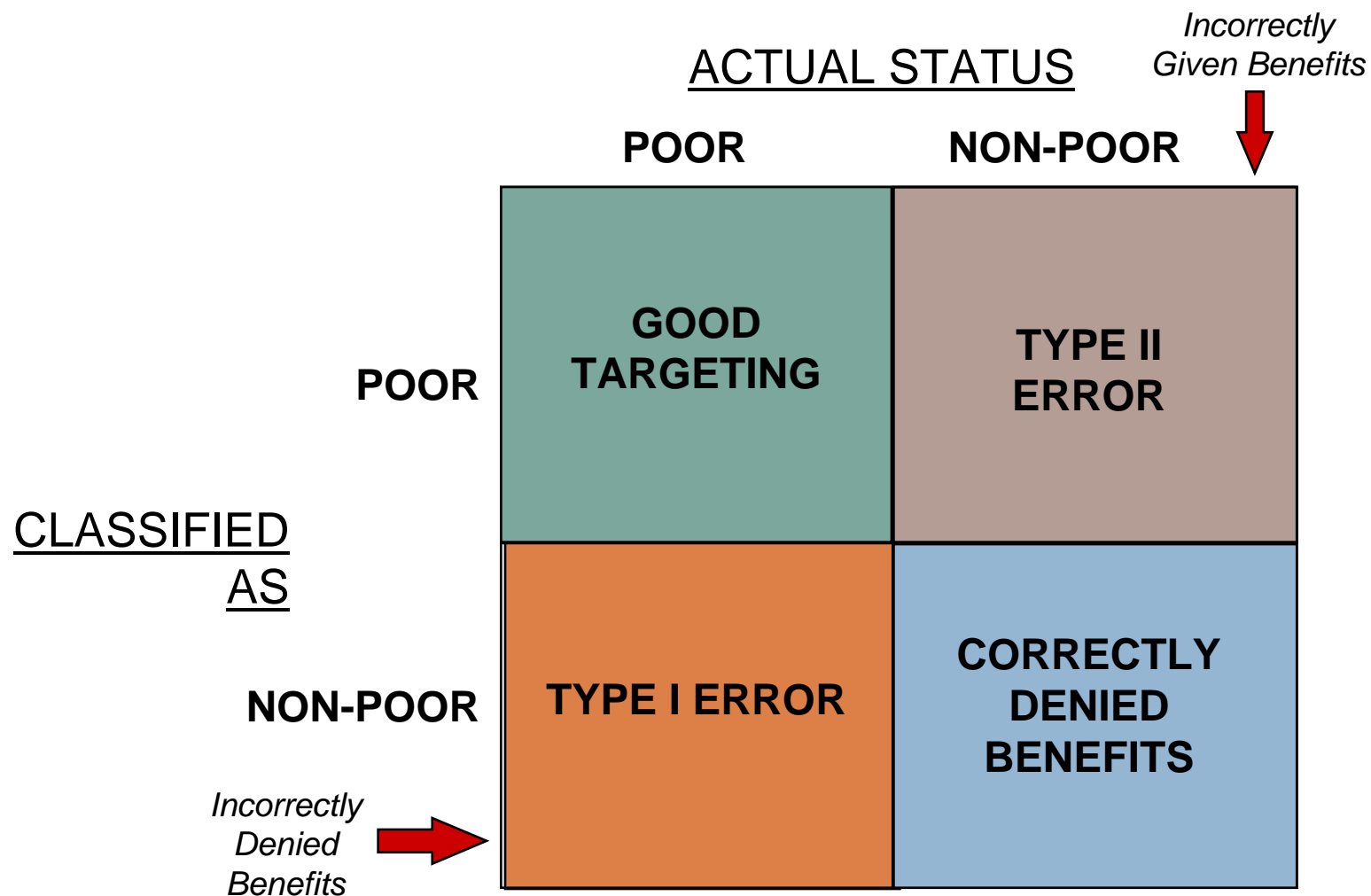
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- Targeting is never accurate..
 - Errors of inclusion
 - Errors of exclusion

- Targeting has costs..
 - Administrative costs
 - Private costs
 - Incentive (indirect) costs
 - Social costs
 - Political costs

Targeting Errors And Accuracy

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Administrative Costs

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- ❑ Costs to program of gathering information to help make decision about who should be admitted or not
- ❑ Total costs of well-run cash transfer programs are typically between 5-10% of benefits. Regarding targeting costs:
 - ❑ Proxy means test involves interview costs ranging from US \$2 – US \$8 depending on data collection method and country context (Latin America)
 - ❑ Geographic targeting is not much less expensive than PMT in many cases, because households must still register and some verification must occur. In Latin America, it has been found that PMT is about 30% more expensive than geographic targeting alone, on average.

Administrative Costs of Targeting for Selected Means-Tested and Proxy Means-Tested Programs

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Country, program, and year	Targeting costs as share of total program costs	US\$/beneficiary
Albania: Ndihme Ekonomika, 2004	6.3	7
Armenia: Family Poverty Benefits Program, 2005	0.6	3
Bulgaria: Guaranteed Minimum Income Program, 2004	6.3	7
Kyrgyz Republic: Unified Monthly Benefit Program, 2005	2.3	1
Lithuania: Social Benefit Program, 2004	2.7	8
Romania: Guaranteed Minimum Income Program, 2005	5.5	25
Colombia: Familias en Acción, 2004	3.6	--

Political Economy

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- ❑ Can and usually does affect support and budget for programs, and details of the design
- ❑ Targeting methods must be perceived to be “fair” by stakeholders
 - ❑ Stakeholders include both beneficiaries and authorizing general population
 - ❑ Fair may mean different things (Do the needy benefit? Do I benefit?)
 - ❑ “A program for the poor is a poor program?”
 - ❑ Tradeoffs are involved

Incentive Effects

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- ❑ Do not want targeting method and program eligibility criteria to change the behavior of beneficiaries adversely
 - ❑ Work disincentives of direct means test and benefit structure (OECD/US literature)
 - ❑ Categorical targeting of cash may not encourage work

- ❑ Becomes more of a concern in middle and high-income countries
 - ❑ Less hard core poverty
 - ❑ Society can afford greater benefits, work incentives more relevant

Targeting Evidence

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Study of 122 programs in 48 countries covering 1985-2003

(Cody, Grosh, Hoddinott)

- ❑ Targeting works well
 - ❑ Mean targeted program gives a quarter more benefits to poor than their population share
 - ❑ However one quarter of programs are regressive
- ❑ Context and implementation matter
 - ❑ No clearly preferred approach, as 80% of variation within method
- ❑ A weak ranking emerges:
 - ❑ Means, proxy means, work requirement – generally good performance
 - ❑ Community based, demographic targeting to kids – potentially good, but variable performance
 - ❑ Demographic targeting to elderly, community bidding, self-selection

Targeting Performance by Method

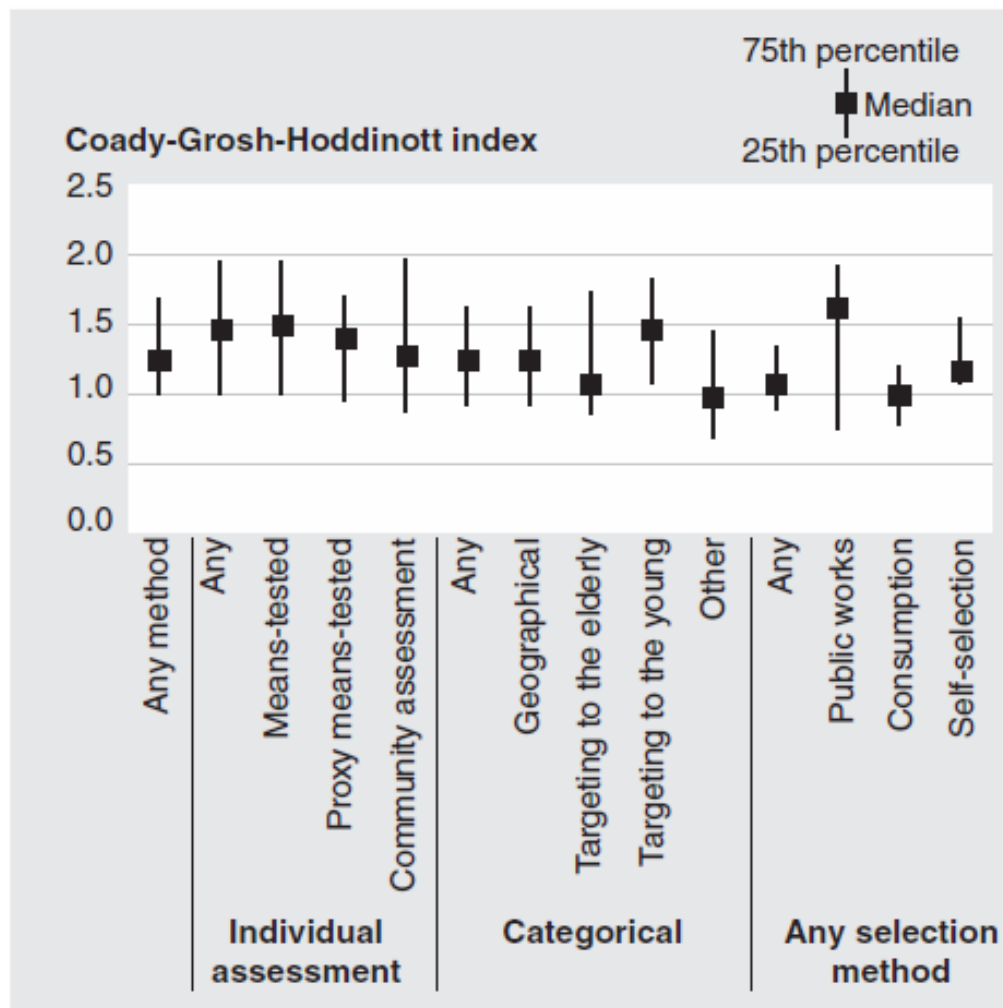
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Targeting method	Sample size	Median targeting performance	Interquartile range	Interquartile range as percentage of median
All methods	85	1.25	0.68	54.4
Any form of individual assessment	37	1.50	0.75	50.0
Means testing	26	1.55	0.90	58.1
Proxy means testing	7	1.50	0.58	38.7
Community assessment	6	1.40	0.78	55.7
Any categorical method	58	1.32	0.64	48.5
Geographic	33	1.33	0.51	36.9
Age – elderly	12	1.16	0.81	69.8
Age – young	26	1.53	0.65	42.5
Other categorical	17	1.35	0.48	35.6
Any selection method	38	1.10	0.41	37.2
Work	6	1.89	0.30	15.9
Consumption	25	1.00	0.35	35.0

Cody, G. and H. Hoddinott, 2004, Targeting of Transfers in Developing Countries: Review of Lessons and Experience

Targeting Performance by Targeting Method

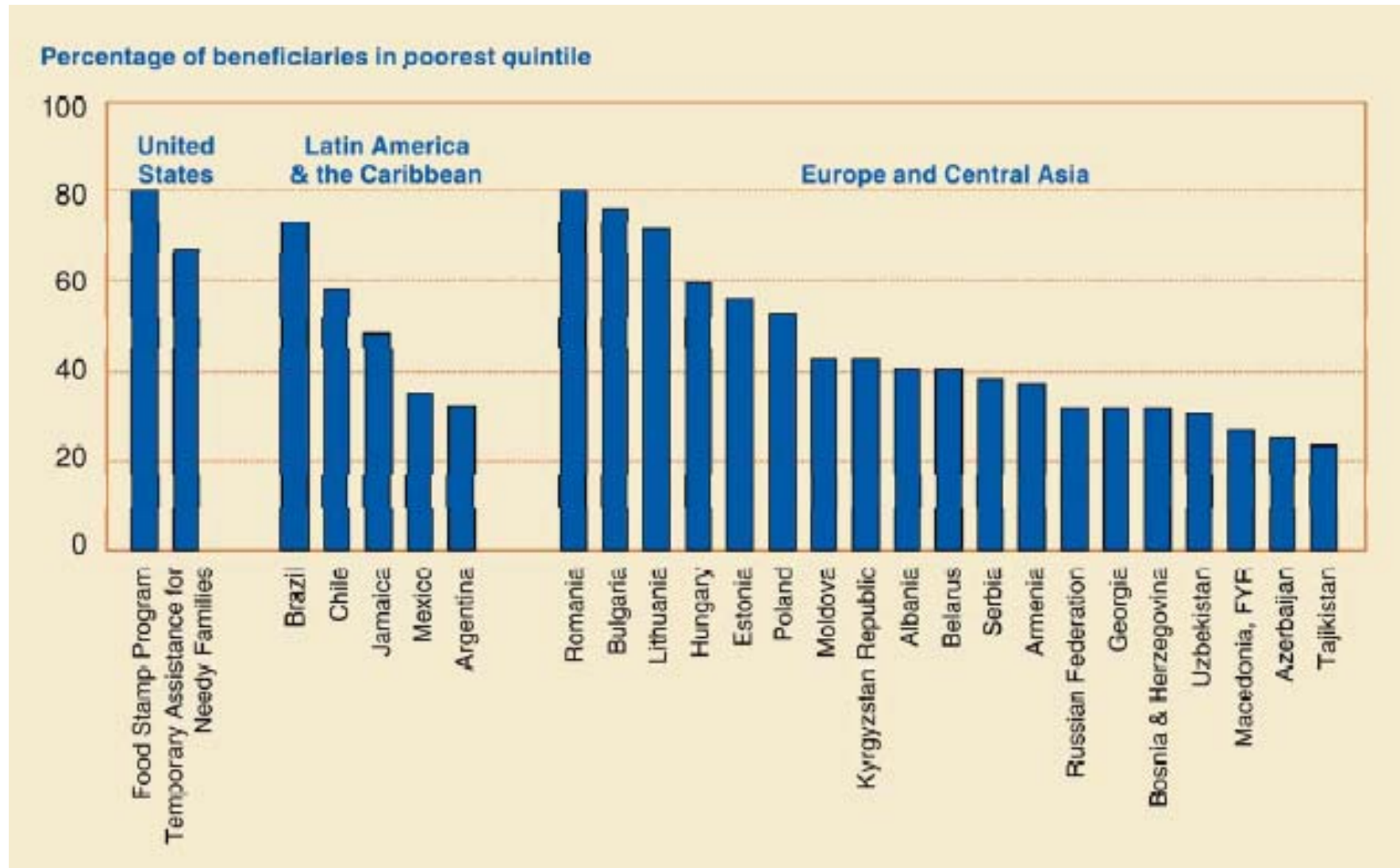
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Source: Coady, Grosh, Hoddinott, 2004, Targeting of Transfers in Developing Countries: Review of Lessons and Experience

Errors of Inclusion, Selected Programs and Countries

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Chile Solidario – a recently evaluated program

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- ❑ Program specifically aimed at HH living in extreme poverty.
- ❑ Rolled out in 2002 and fully phased in 2005, Solidario combines cash transfers and other assistance programs with regular visits by social workers
- ❑ Findings of an impact evaluation of the program:
 - ❑ An increase in take-up of government subsidy programs -- highest in municipalities with a good network of social services
 - ❑ Overall, families that benefited the most in terms of take up of services had been paired with social workers with low caseload
 - ❑ An increase in the use of housing programs and home ownership
 - ❑ An increase in the enrollment in employment training and other jobs programs
 - ❑ Not always an increase in employment or income – biggest impact was registered among spouses of head of HH
 - ❑ People more optimistic about their future, mild positive effect on self-esteem, negative impact on perceived social support and psychosocial distress

Implementation Matters for Targeting

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- ❑ Define benefits to offer: how much, under what condition, for how long, to whom (budget, policy coordination, administrative feasibility & accuracy, transparency & political feasibility)
- ❑ Design need to attract the poor (ensure adequate dissemination of info, low transaction costs for beneficiaries, have an open application)
- ❑ Have a mechanism for handling appeals and grievance
- ❑ Develop an administrative capacity to support targeting systems

Technology

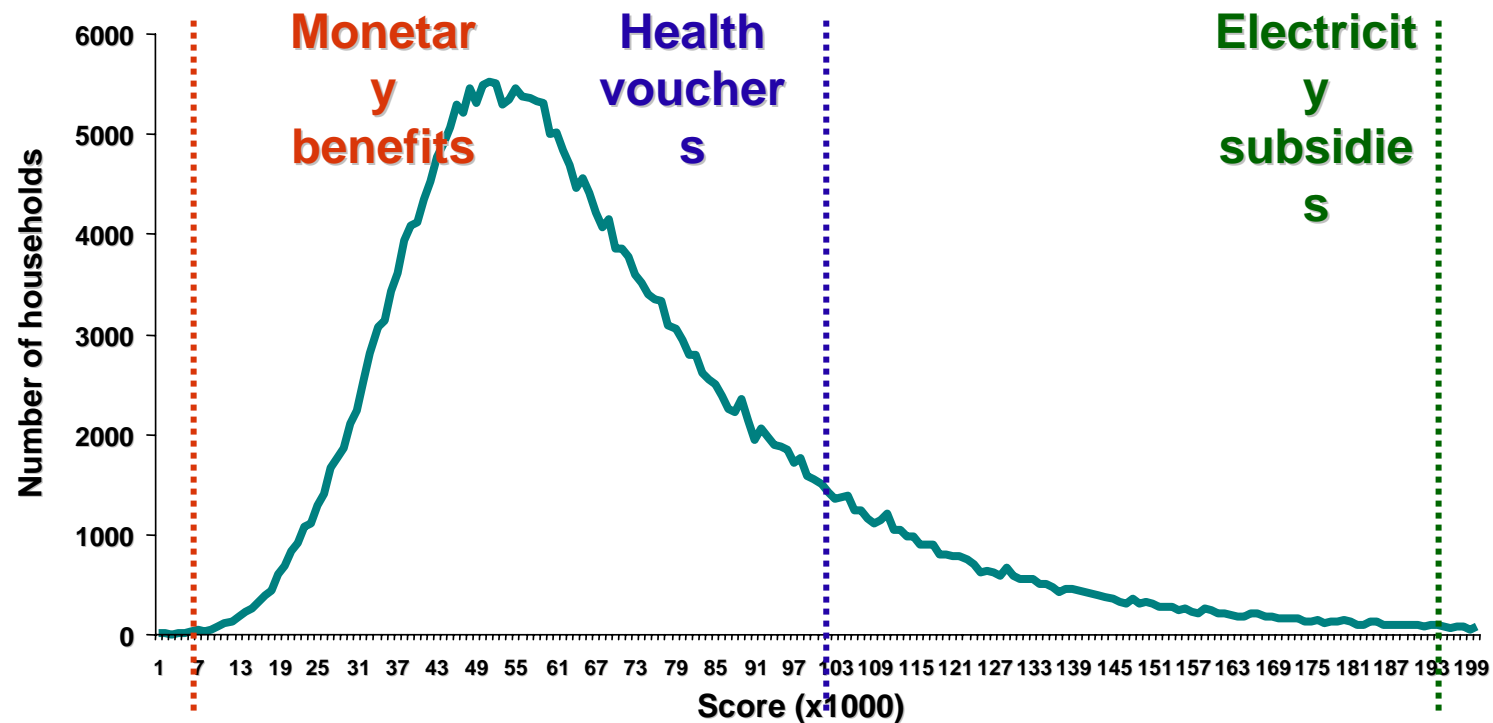
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- ❑ With the advancement of technology, countries can improve the implementation of targeting mechanisms (smart cards, electronic IDs, etc)
- ❑ For example, in India, the implementation of the new non-contributory health insurance scheme in 2008 needed to be paperless, portable, and independent of any employer-employee relationship as the target group was poor and informal workers. Members were provided with a unique smart card used for all transactions
- ❑ Therefore, the IT system was critical for the success of the program; it allowed effective operations and monitoring (enrollment, fraud minimization, etc)

Flexibility of the system

Once there is ranking, system can be modified to meet different needs:

- Move cut-off score up or down to change the number of beneficiaries
- Have different cut-off scores for different types of aid



Palestine - Social Safety Net Reform Project (SSNRP)

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- ❑ Provision of a onetime cash payment of US\$200 to approx. 25,000 poor households that have been negatively affected by the food crisis
- ❑ Evaluation Results:
 - ❑ The three most important expenditures were: food (32% of HH), clothes (17%) and payment of bills (17%)
 - ❑ 59.3% of households say their food consumption improved after receiving the grant (40.0% of HH reporting quality improvement 39.4% reporting quantity and quality improvement)
 - ❑ The limited size of the grant will only be sufficient to meet the needs of poor households for a very short period of time: on average, the grant lasted 10.46 days
 - ❑ More than 2/3 of HH distributed (rationed) the grant to cover a number of days. And about 1/3 used the grant immediately
 - ❑ The grant has not contributed to better satisfaction of the targeted HH, because of the grant's limited size and its extraordinary (one-time) nature.

National Poverty Targeting Program (NPTP) - Lebanon

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- ❑ Current formal social safety net programs are weak, fragmented and their impact on poverty minimal
- ❑ Development of a credible, accurate and reliable NPTP Data Base on Poor and Vulnerable population enabling an objective assessment of the households' welfare and an establishment of their ranking using the PMT mechanism
- ❑ The NPTP could improve the poverty impact, efficiency, and effectiveness of social safety net programs in Lebanon and ensure that government assistance reaches the truly poorest and most vulnerable population and thus contribute to decreasing poverty in Lebanon

Lebanon NPTP...

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- ❑ The Government formally adopted the NPTP during its Cabinet meeting of June 18th, 2009:
 - ❑ “The program aims to provide social assistance to the poorest and most vulnerable Lebanese households based on transparent criteria that assess each household’s eligibility to receive assistance, given the available public resources.”
 - ❑ “This program gives the right to every Lebanese household to approach the Government for assistance.”
- ❑ Underlying Principles
 - ❑ **Equity:** Each household has the right to seek Government’s help and apply for social assistance
 - ❑ **Fairness:** Economic and social situation of each applicant household assessed using an objective and transparent methodology
 - ❑ **Helping the neediest:** Households in most difficult situation shall be awarded assistance
 - ❑ **Objectivity and transparency:** Eligibility testing process automated and objective

Lebanon NPTP...

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- ❑ 96 SDCs fully equipped and staffed with 335 Social workers and social inspectors across the country
- ❑ Program expected to be launched October 2011
- ❑ 2 stage application process:
 - ❑ *Phase 1: Submission of Applications. interested applicant present themselves to the nearest indicated SDC in their area of residence to fill in the Application form on site*
 - ❑ *Phase 2: Household Visit. Social workers and social inspectors visit the place of residence of the HH applicants, fill in the OMR questionnaire and assess the socio-economic conditions of the HH (general appearance, walls, furniture, assets, etc)*
- ❑ Program was piloted in 2009

Lebanon - Simulations of poverty alleviation impact of specific budgets (using PMT)

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Minimum required budget for given poverty reduction (Annual)

	Poverty rate	Amount per individual recipient (\$)	Beneficiaries (individuals)	Budget (\$)
Overall poverty	28.5			
-10%	25.7	961	133,433	128,268,528
-20%	22.8	651	449,059	292,335,817
-30%	19.9	957	376,403	360,277,700
-40%	17.1	636	789,820	502,358,527
-50%	14.2	814	747,811	608,770,319
Extreme poverty	8			
-10%	7.2	46	402,025	18,491,917
-20%	6.4	191	186,809	35,661,125
-30%	5.6	321	168,458	54,089,111
-40%	4.8	249	303,950	75,485,683
-50%	4	299	327,668	97,838,083

Source: World Bank calculations based on 2004 HIES data

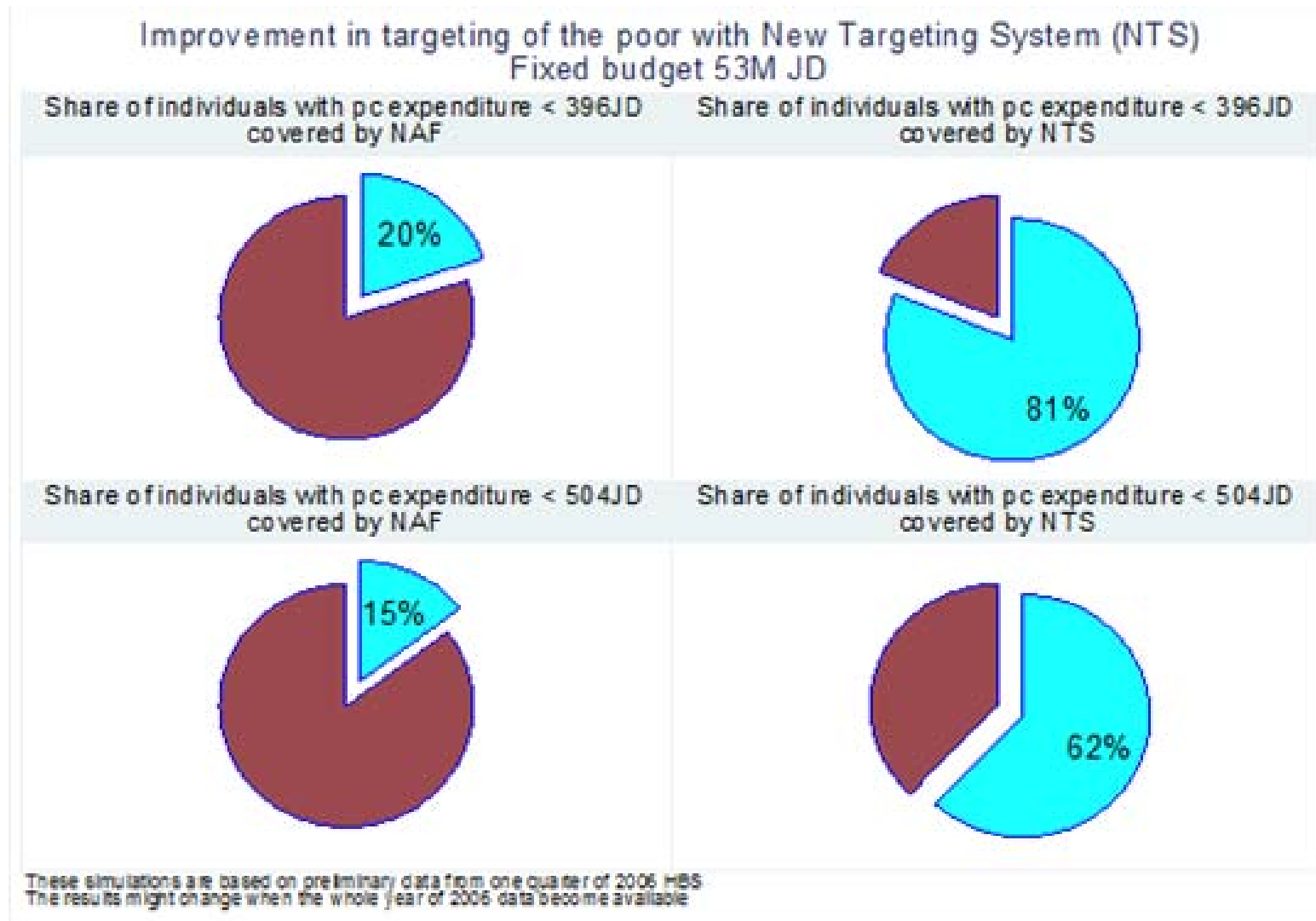
Jordan - Renewal of the National Aid Fund (NAF)

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- Poverty reduction impact of current cash transfers is modest at best:
 - ▣ coverage of the poor is low, and leakage of resources to the non-poor substantial, and
 - ▣ demand for social work, care and rehabilitation services remains unmet to a significant extent.
- Target of reducing poverty from 14.2% in 2002/03, to 12% in 2012, and 10% in 2017 → first step is to modernize the safety net to become efficient and effective and to work for all needy individuals and families
- Introduction of a new targeting mechanism based on proxy means testing method that ranks households according to observable indicators to maximize poverty impact by increasing coverage of the poor and reducing errors of inclusion
- Establishment of an automated, live, up-to-date database on poor and vulnerable population in Jordan

Jordan - Simulations of NAF Improved Targeting

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Jordan – Simulations of required budget for given poverty reduction

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	HC	Transfer, \$ per person	Beneficiaries	Budget, \$
Overall Poverty rate	13.3 %			
Reduction of poverty rate by:				
-10%	11.7	127	321,219	40,908,752
-20%	10.4	92	980,748	90,006,069
-30%	9.1	135	991,446	133,677,557
-40%	7.8	193	1,024,150	198,019,231

Coverage Extension in Social Insurance (beyond mandatory schemes)

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Figure V.18 Existing country conditions guiding indicators (score card)

Universal vs. Targeted Strategy		
	Universal	Targeting
1. Level of income and poverty in the country		
A. GDP per capita		+
B. Share of rural population	+	
C. Share of 'no' and 'low' savings capacity population	+	
D. Incidence of poverty among elderly	+	
2. Effectiveness of existing social assistance programs and systems		
E. Existence and effectiveness of social assistance programs		+
F. Existence and quality of means or proxy means testing		+
3. Government's ability to reach different population groups		
G. Mobile/internet penetration		+
H. Local government presence/strength		+
Noncontributory vs. Contributory Scheme		
	Noncontributory	Contributory
4. Level of income and poverty in the country/target population		
A. GDP per capita		+
B. Coverage rate		+
C. Ratio of 'no' to 'low' savings capacity population	+	
5. Transaction costs (bureaucratic transaction costs)	+	
6. Trust in government (government accountability)		+
7. Financial literacy		+

Lebanon – Achieving universal coverage

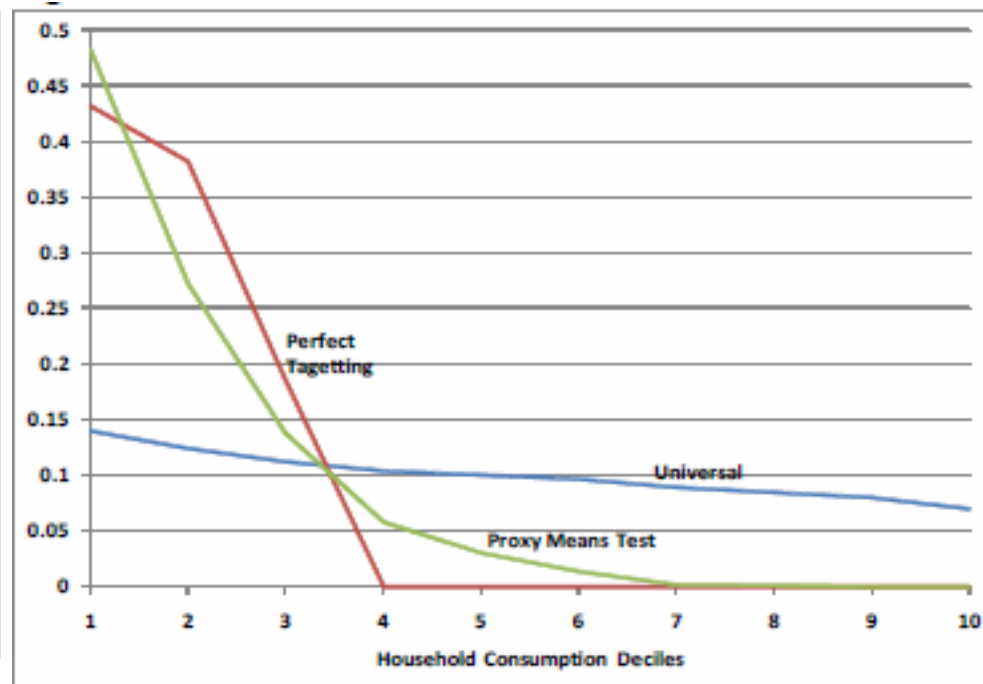
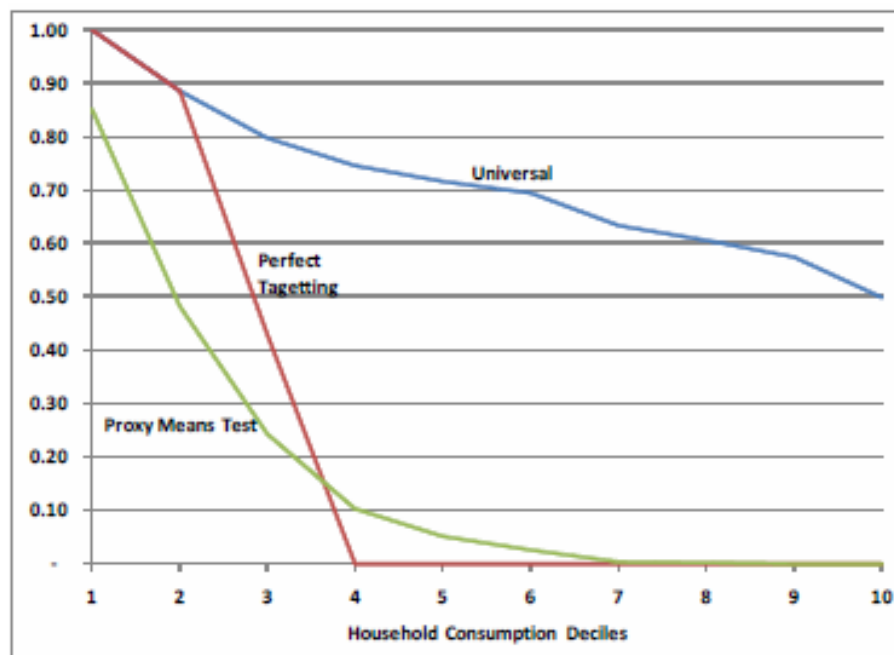
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- ❑ Universal coverage of the health insurance system can only be achieved if enough subsidies are allocated. Two alternatives to finance the subsidy: (i) dedicated pay-roll taxes and earnings related contributions; and (ii) general revenues.
- ❑ A sustainable strategy to expand coverage requires adapting health insurance systems to labor market realities. It is necessary to: (i) review and harmonizing the mandates of health insurance systems (adequate and efficient package, affordable and sustainable cost and subsidies, equitable access); (ii) delink access to social health insurance from the labor contract (independent of individual's work); and (iii) design transparent, integrated, and incentive compatible redistributive arrangements.

Lebanon - Simulations

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Cost of Universal and Targeted Health Plans Incidence of Health Insurance Subsidies



Conclusions

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- ❑ Targeting is a tool
- ❑ Implementation matters: no targeting is perfect, a lot of variation in targeting results observed within a single type of method
- ❑ Consider costs of methods (administrative, incentives, political economy)
- ❑ In many country contexts proxy means testing performs almost as well as the “ideal” means testing and better than other usual categorical approaches
- ❑ Targeting can be used to help build SP systems that can subsequently be used for more universal programs once resources (or other constraints) permit – the “progressive realization of rights”.