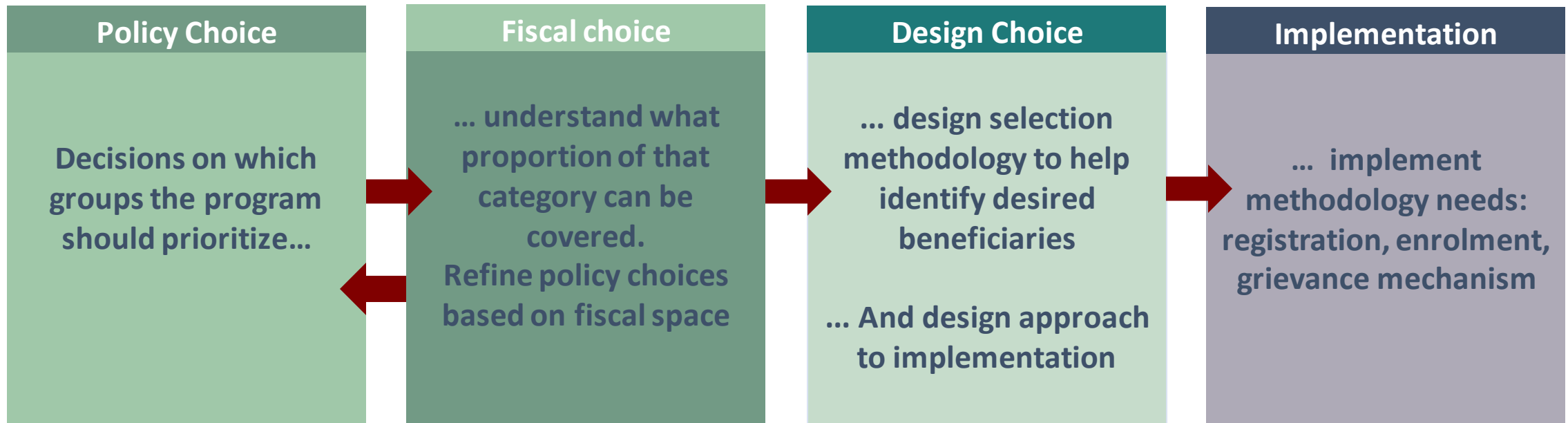

An Inclusive ASP System for the Poor and Vulnerable

Aline Coudouel – May 2024

1. WHY TARGET?

Targeting is one of the keys to inclusion and impact



WHY CONSIDER FOCUSING SSN ON THE POOR?



ECONOMIC

Focus resources where most needed

Maximize impact within a given budget (minimize cost to reach given impact)



HISTORICAL

Poor often receive less public spending allocation.

Without active outreach, even universal programs tend to miss them



HUMAN CAPITAL

Higher gaps in education, nutrition and health among the poor

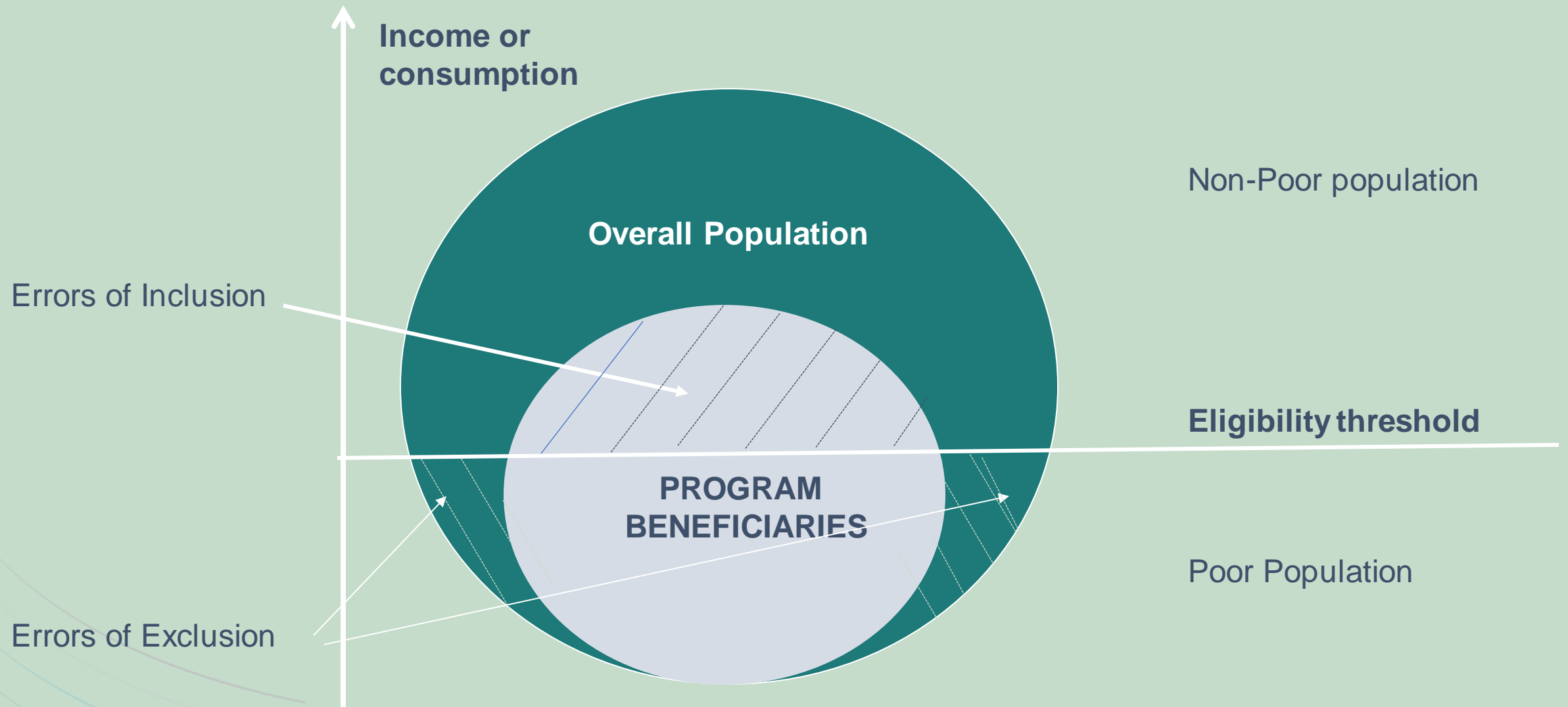


2. A BALANCING ACT: TARGETING IS NEVER PERFECT

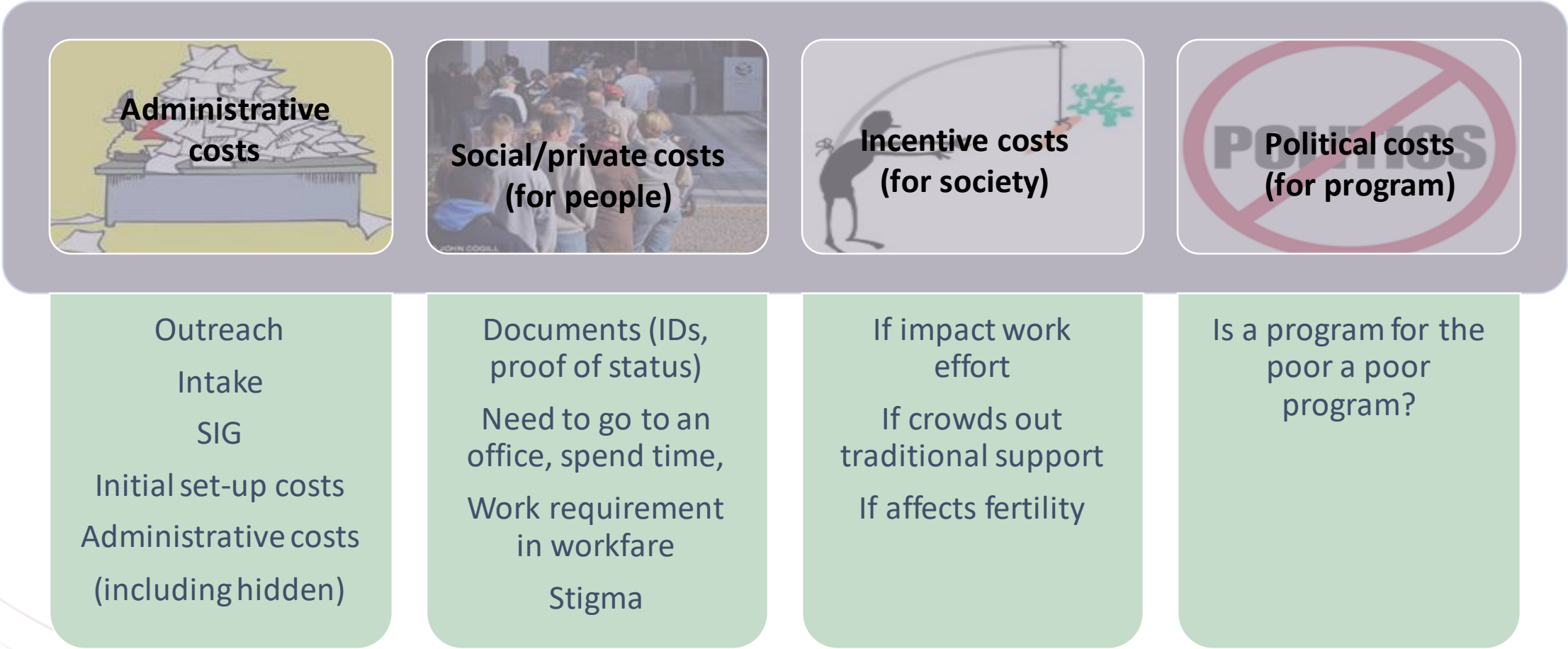


- Never 100% accurate
- What do these errors cost?
 - Efficiency and impact
 - Social and political capital
 - Inclusion: Media attention
 - Exclusion: disenfranchisement
- What does it take to address them?
- A fine balance between the costs of **accuracy and errors** and the goals of targeting

INCLUSION AND EXCLUSION ERRORS



COSTS VARY BY CONTEXT, METHOD, IMPLEMENTATION MECHANISMS



3. HOW TO TARGET?

Main approaches when incomes not observable

Programs defining broad categories of eligible households:

- Geographic targeting.
- Demographic/categorical targeting

Programs relying on self-selection

Programs distinguishing on basis of the welfare of specific households

- Community-based targeting
- Means testing
- Proxy means testing

CATEGORICAL: GEOGRAPHIC APPROACH

What?	<ul style="list-style-type: none"> • Select those in certain areas or • Allocate spots to different areas 	<ul style="list-style-type: none"> • When significant regional differences • When some areas concentrate many of the intended population 	When?
Pros?	<ul style="list-style-type: none"> • Administratively simple • Politically popular (or not!) • Strong inclusion (in selected areas) • Easy to combine (used to set quotas) 	<ul style="list-style-type: none"> • Works only with small geographic units: high resolution data (satellite, admin, big data) or small-area mapping technique • Less precise than household-level estimates • Potential political influence • Excludes all those in excluded areas • Effect on mobility? 	Cons?

CATEGORICAL: DEMOGRAPHIC GROUPS

What?

- **Use characteristics of intended group**
- **Or characteristics linked to poverty/vulnerability:**
 - Age: pre-school, old-age, etc.
 - Status: single, orphans, widows
 - Ethnicity: scheduled castes in India
 - Etc.

When?

- When program focused on particular groups or vulnerabilities (e.g. malnutrition)

Pros?

- **Administratively simple**
- Easy to understand/transparent
- **Politically popular if “deserving” group**

Cons?

- **Requires good civil registry (excludes poorest)**
- **Often weak correlation with poverty**
- Arbitrary (age)

SELF-SELECTION

er

Subsidy:

- **Subsidy for inferior good/service (consumed more by the intended beneficiaries)**

Work:

- **Work in exchange of benefits (wages below going wage for hard/physical labor)**

Subsidy:

- When “Inferior” goods with suitable marketing chain (or services where amenities differ) are available

Work:

- In contexts of unemployment, crisis and/or chronic poverty

When?

Pros?

Subsidy:

- Administratively simple
- **Few errors of exclusion**
- Little stigmatization
- **Politically popular**

Work:

- Preserves work incentives
- **Eliminates concerns about ‘shirkers’**
- **Automatic exit criteria**

Subsidy:

- **Benefit reduced as good/service inferior**
- Large inclusion errors (few adequate goods)
- Often hard to transfer large amounts
- **Politically hard to reform**

Work:

- **Administratively complex**
- Applicable to few programs/groups
- **Foregone earnings from regular work (30-50%)**

Cons?



WELFARE LEVEL: COMMUNITY-BASED TARGETING

- What?**
- **Local communities (groups of community members or leaders not related to the program) identify beneficiaries**

- **Cohesive well-defined communities, with knowledge of members' living conditions**
- Limited administrative capacity
- Low benefit that must be finely targeted

When?

- Pros?**
- **Take advantage of local informal information**
 - **Account for local definition of needs/welfare**
 - Low (on the books) administrative cost
 - Local monitoring may reduce disincentives
 - Can be used to validate other methods

- Local definitions may vary – subjective
- **Issue of equity across communities: need for some quota to know when to stop**
- **Costly for community**
- **Social exclusion risks, when perpetuate power structures/exclusion patterns**
- May generate social tensions
- May not be quickly scalable

Cons?

WELFARE LEVEL: MEANS TESTING

What?

- **Determine eligibility based on incomes and assets**
- Verification of information

When?

- When income/expenditure/wealth are formal, monetized and well documented
- Verification against independent sources provided:
 - by applicant: payroll statements, benefit letters, bank statements, vehicle reg., etc.
 - By third party: tax/social security records, unemployment listings, immigration, banking information, etc.

Pros?

- Very accurate, when documented (OECD and Central/Eastern Europe)
- **Sensible to quick changes**

Cons?

- Potential labor disincentives
- **Administratively demanding**
- **Not applicable where incomes/assets informal**

WELFARE LEVEL – PROXY MEANS TESTING

- What?**
- Socioeconomic condition estimated, using predictors of consumption/income
 - At times uses exclusion filters: car, rental income, financial assets, state pension, etc.

- When?**
- When conditions not observable or documented
 - Stable conditions
 - Program focused on chronic situations

- Pros?**
- Relatively strong at predicting permanent welfare
 - Multi-dimensional– politically palatable
 - **Possible with high informality**
 - **Verifiable/objective**

- Cons?**
- **Accuracy depends on underlying data/model**
 - Machine learning to improve, but black box
 - Unreliability when applicant info not verified
 - **Insensitive to quick changes**
 - Could be endogenous

HOW ABOUT SHOCKS OR NON-STRUCTURAL OBJECTIVES?



Reality!

HOW TO IDENTIFY THOSE AFFECTED BY SUDDEN CHANGE

Some methods more adapted...

- Geographic: useful, when shock localized
- Demographic: Not shock-responsive by nature
- Means test: Sensitive to quick changes in well-being
- Proxy means test: limited sensitivity to quick changes
- Community-based: local knowledge of vulnerability
- Self-targeting: People adjust (e.g. public works)

But main issues are around:

- Static lists (esp. if small)
- Old information

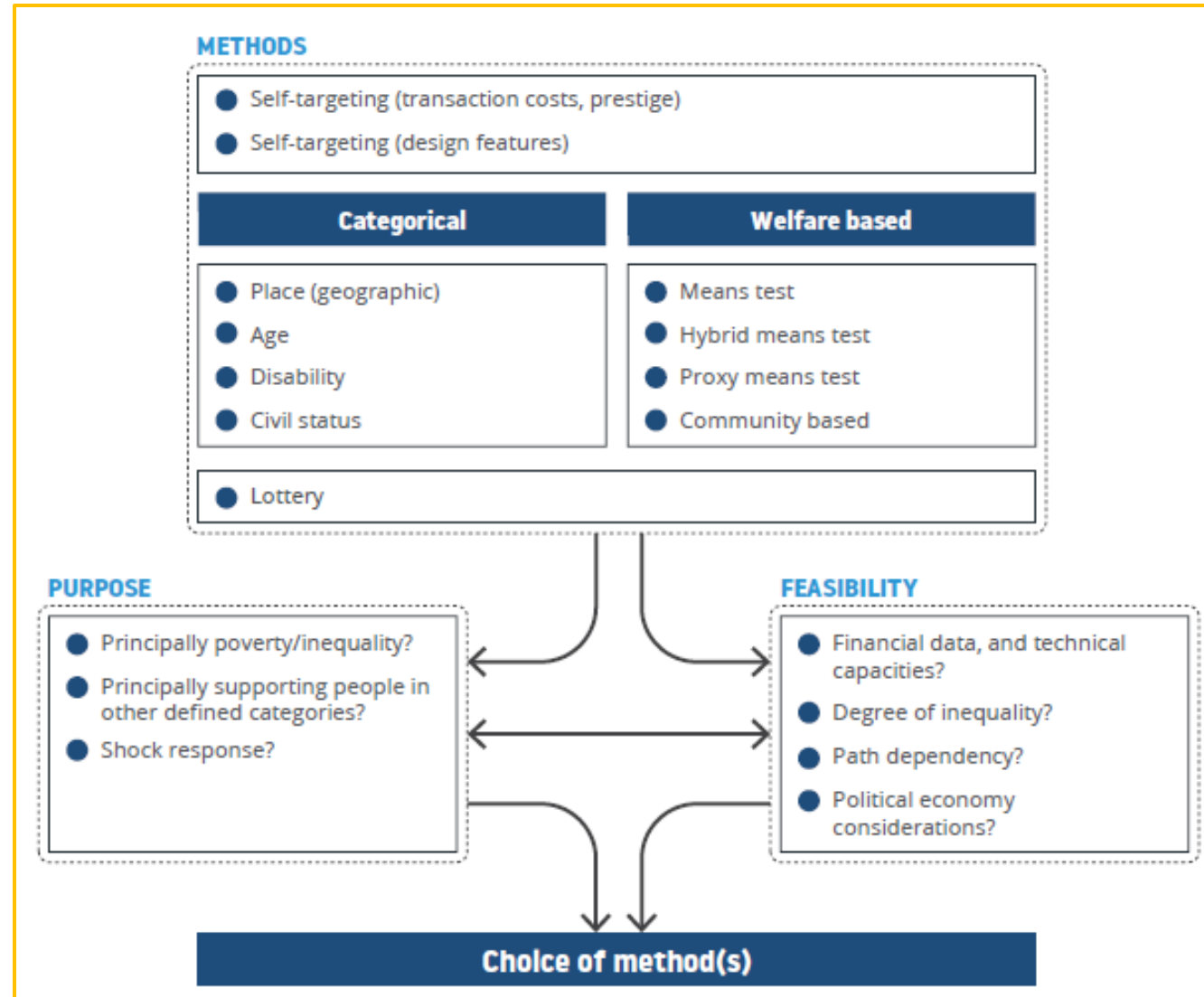
For more dynamic targeting, combine:

- Regular update of the lists (increased frequency of registration or on-demand/open process)
- More frequent update of information:
 - Modular approach to data updating to increase frequency
 - Use high-frequency data (e.g. mobile phone, electricity usage, remote sensing) to identify areas or households
- Community-driven methods to verify

IN PRACTICE: MOST COMBINE METHODS

Combining methods may improve accuracy

- Geographic often a first step (quotas/focus)
- Elements of self-selection when some action needed
- Then collect some information at household-level
- Triangulate from several sources:
 - Respondent
 - Community
 - Administrative records at local and central level
- Grievance and redress mechanisms



4. IMPLEMENTATION IS CRITICAL TO ACCURACY

Are dynamic processes sufficient to ensure inclusion?







Take up equally important to maximize inclusion!

Three aspects:

- Excessive focus on minimizing inclusion errors can increase exclusion
- Design failure
- Implementation failure

In Delhi, 2/3 of women eligible for social pension for life are not enrolled [2015]

Despite generous transfer (70% of median per capita consumption)

	Old age minimum	Minimum solidarity
% eligible not receiving	 50 % des personnes seules en 2016	 34 % income en 2018
Number of people	 320 000 personnes	 600 000 foyers chaque trimestre
Amounts not paid each year	 1 milliard €	 Environ 3 milliards €

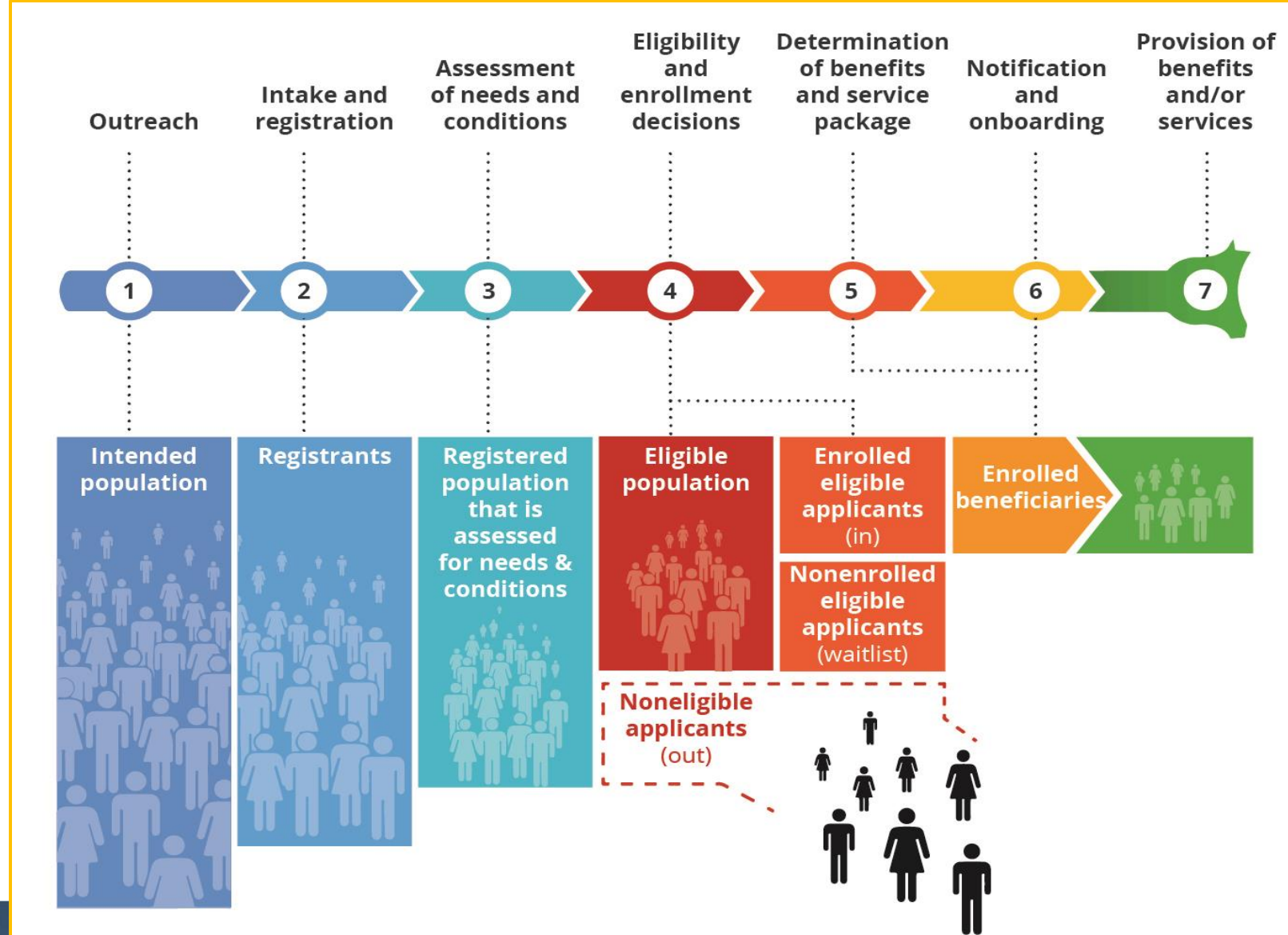
MOVING FROM POPULATION TO BENEFICIARY IS NOT SIMPLE

Methods are only a (small?) part of the process

Implementation arrangements have much in common:

- Outreach, certification, quality control, system design, staffing, etc.
- Verification strategies – home visit versus computerized cross-checks of databases

No matter which combination, implementation is key!



Source: Lindert et al. 2020.

Example: IMPROVING TAKE-UP BY LOWERING BARRIERS TO PARTICIPATION

- Effective dissemination of information on objectives rules, benefits
- Simplifying procedures and requirements/minimizing costs:
 - Simplify requirements
 - Minimizing visits and waiting
 - Pre-fill forms (e.g. highest take up for programs managed with tax/fiscal authority in Europe)
 - Harmonize (e.g. lowest take up for locally-administered programs with non-standardized procedures)
 - One-stop/one-window system – Single application for multiple benefits
- Assistance signing up: Can help but only closes part of the take-up gap
 - Chile: 1/3 of the take up gap through support from Chile solidario
 - India: take up increased from 15 to 22% among widow and divorcees, still leaves 78% out
- Proactive identification:
 - Automatic
 - Proactive outreach

A GOOD TARGETING SYSTEM PROVIDES...

Transparency and consistency

- Clear and consistent application of centralized criteria
- Low political interference and manipulation

Maximum inclusion of the intended group

- People who think they are eligible should be able to apply (on an on-going basis)
- Budget commensurate with objective
- Minimal transactions costs for participants

Minimum errors

- As technically possible to the intended population
- Errors rather than fraud
- Careful balance inclusion/exclusion
- Handling errors/fraud

Improving program administration

- Human centered design
- Under 10% of costs at scale

Targeting informed by policies:

→ Decision at system level

Multiple programs contribute to a policy:

→ Complementary roles

→ Different approaches to inclusion

Revisiting Targeting in Social Assistance

A New Look at Old Dilemmas

Editors

Margaret Grosh

Phillippe Leite

Matthew Wai-Poi

Emil Tesliuc



<https://www.worldbank.org/en/topic/socialprotection/publication/a-new-look-at-old-dilemmas-revisiting-targeting-in-social-assistance>

