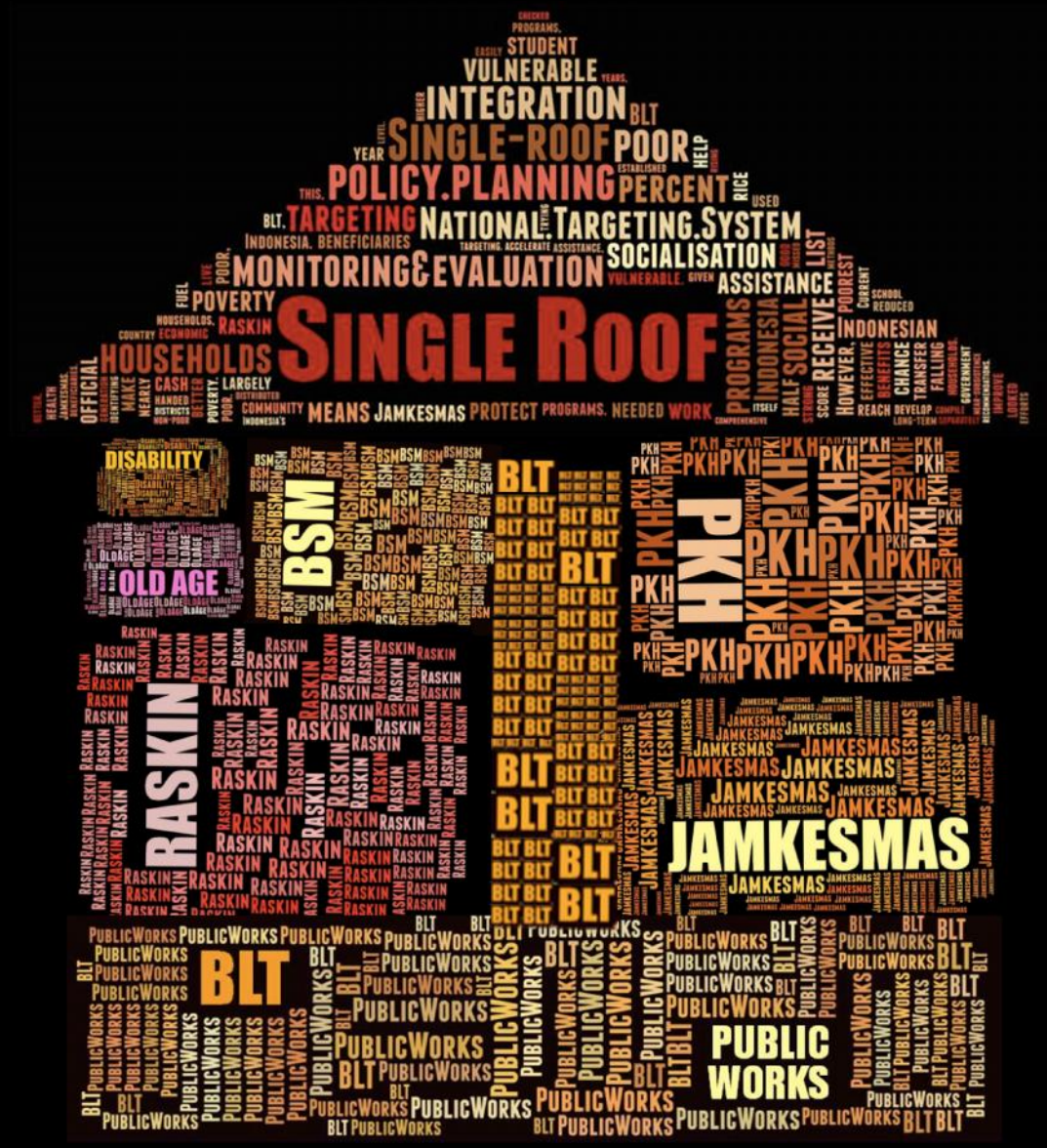
Targeting the Poor and Choosing the Right Instruments:

Indonesian Case Study

Indonesia is trying to move from a collection of social assistance programs to an integrated safety net



Accurately targeting the poor is vital. However, Indonesia faces a difficult targeting environment

Indonesia is a complex targeting environment

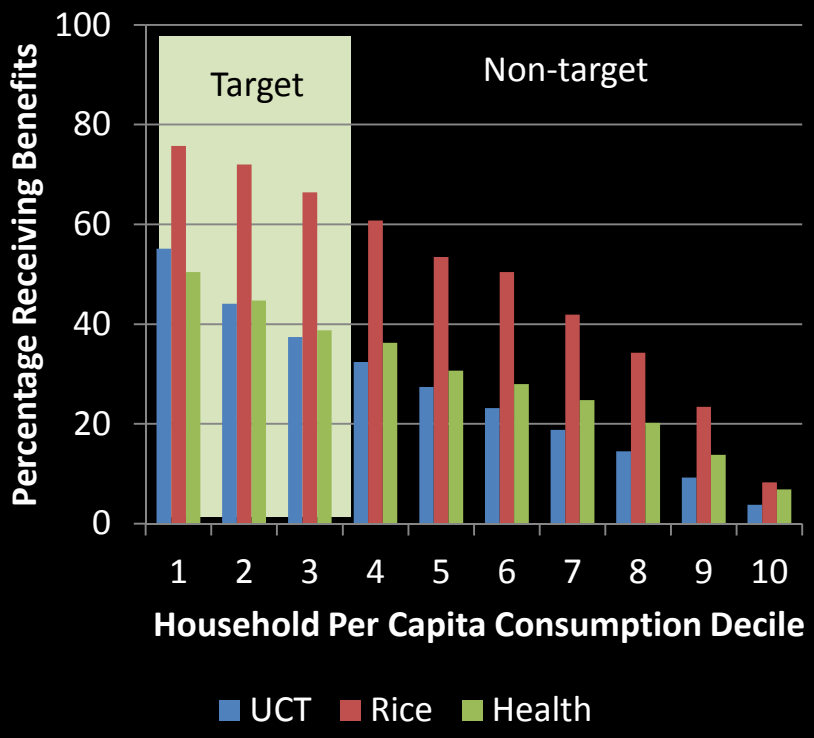
- **Largest archipelago**
- **Fourth largest population**
- **Decentralised**
- **Low inequality**
- **Fluid poverty**
- **Multiple targeting objectives**

Optimising targeting is also subject to a degree of path dependency

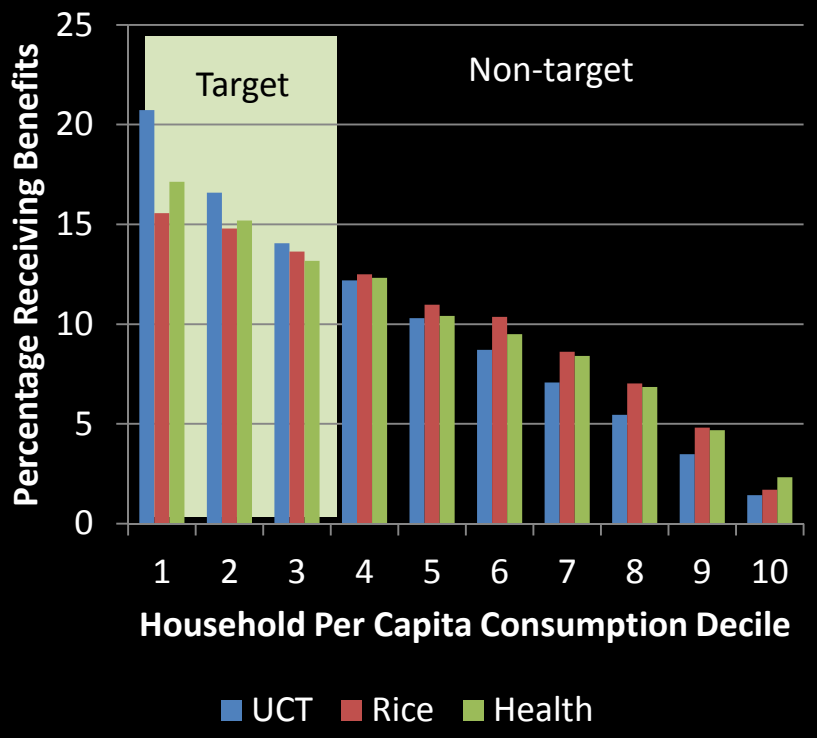
- **Each program historically used a separate approach to targeting and maintained a separate database**

Currently, half of all poor are excluded, and half of all benefits are received by non-target households

Benefit Coverage by Decile



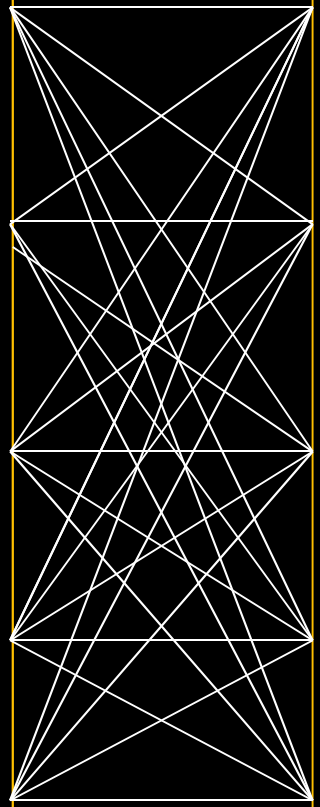
Share of Benefits Received by Decile



Targeting can be done with a range of methods

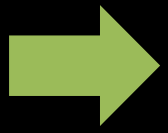
Collection Options:
Which Households to Assess?

- Geographical Targeting
  - Target poor areas
- Survey Sweep
  - Visit all households
- Community refers
- Revisit existing lists
- Self-assessment
  - Any household can apply



Selection Options:
How to Assess Households?

- Means Test
  - Verify income with records
- Proxy Means Test
  - Use household assets to make statistical score
- Categorical
  - Young, old, pregnant, etc
- Community chooses
- Self-Selection
  - Anyone who applies



A mix of methods can be applied in different areas or contexts: there is no best method for all situations

The Government of Indonesia, J-PAL and the World Bank conducted two field experiments to test targeting methods

- **The government, J-PAL of MIT and the World Bank conducted two randomised control trial (RCT) to test three different targeting methods**
  - Second experiment in conjunction with expansion CCT program (PKH)
- **Method 1: Status Quo: PMT**
  - PMT scores used to select beneficiaries
  - Variant A: Revisit previous list of the poor and re-interview to update PMT data (current practice)
  - Variant B: Visit all households and interview for PMT data
- **Method 2: Community-based Targeting**
  - Variant A: Community selects beneficiaries from all households in village
  - Variant B: Half of beneficiaries selected from existing PMT list; community can add additional households, and swap out PMT households for new households
- **Method 3: Self-targeting**
  - Any household that wishes can apply to be interviewed with a PMT survey
  - Households passing interview are verified with home visit

A PMT interviewer asks a household member about their housing and other characteristics

Households with low quality roof, walls and floor are likely to score as poor with PMT

Households receiving benefits are announced publicly

Community ranking of households was done in a carefully designed and facilitated process

1a. Hamlet leader invites community elite to day/night meeting

1b. Hamlet leader invites full community to day/ night meeting

2. Facilitator holds broad discussion on concept of poverty

3. Stack of cards for each household

4. First two households are ranked

5. Facilitator announces next household to be ranked

6a. Elite decides whether household is more or less poor already ranked household

6b. Community decides whether household is more or less poor already ranked household

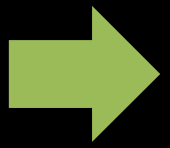
The community compares two households' relative well-being to each other

For self-targeting, a village meeting was held to explain the CCT program

After getting a scheduled day and time, households returned for a PMT interview

Policy question: which methods are most effective for updating targeting data?

1. How effective are community-based methods for updating?



IS THERE ELITE CAPURE?

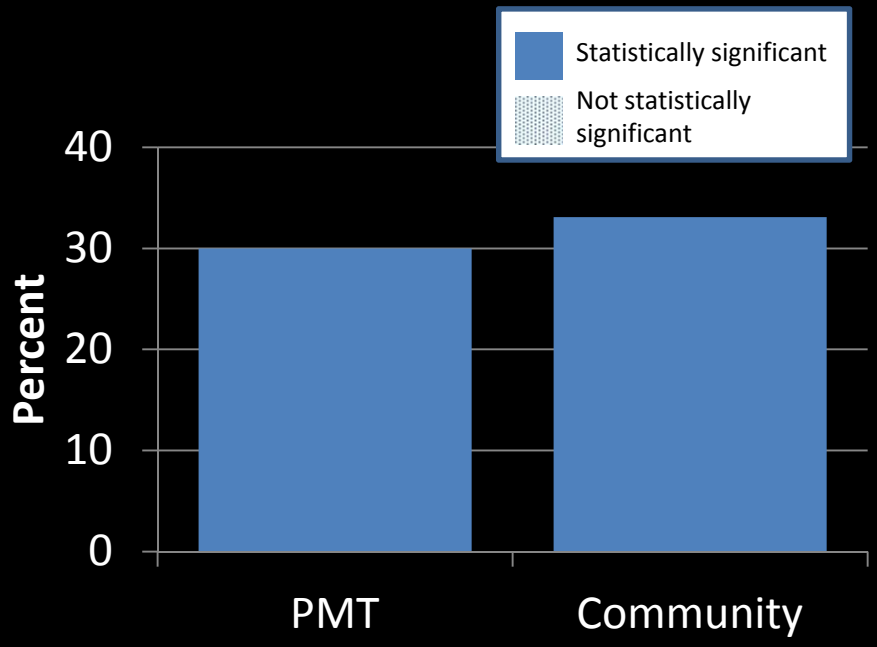
2. How effective is self-targeting for updating?

1

How effective are community-based methods for updating?

PMT was found to have the lowest rate of mistargeting overall, but communities better identify the very poor

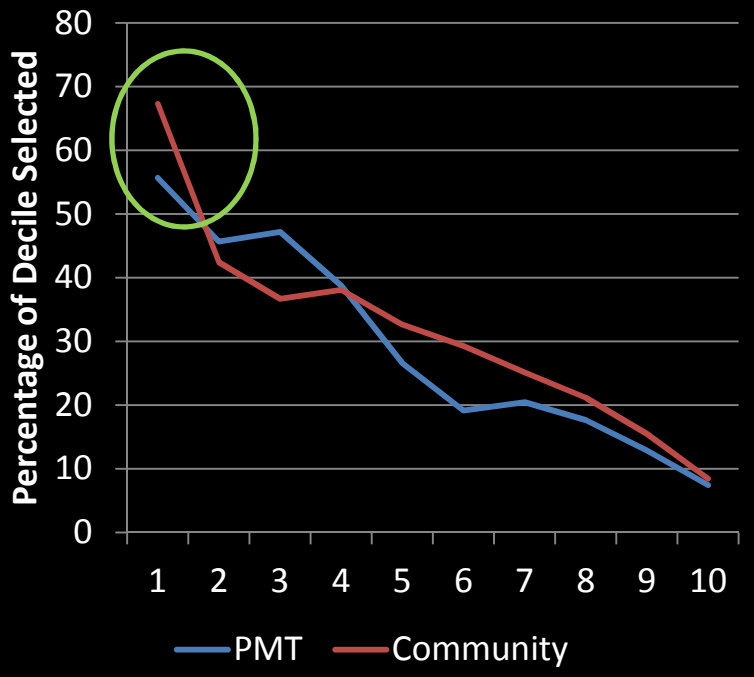
Mistargeting



Mistargeting: (1) Households ranked lower than the village quota cut-off who did not receive transfer; (2) Households ranked higher than the village quota cut-off who did receive transfer

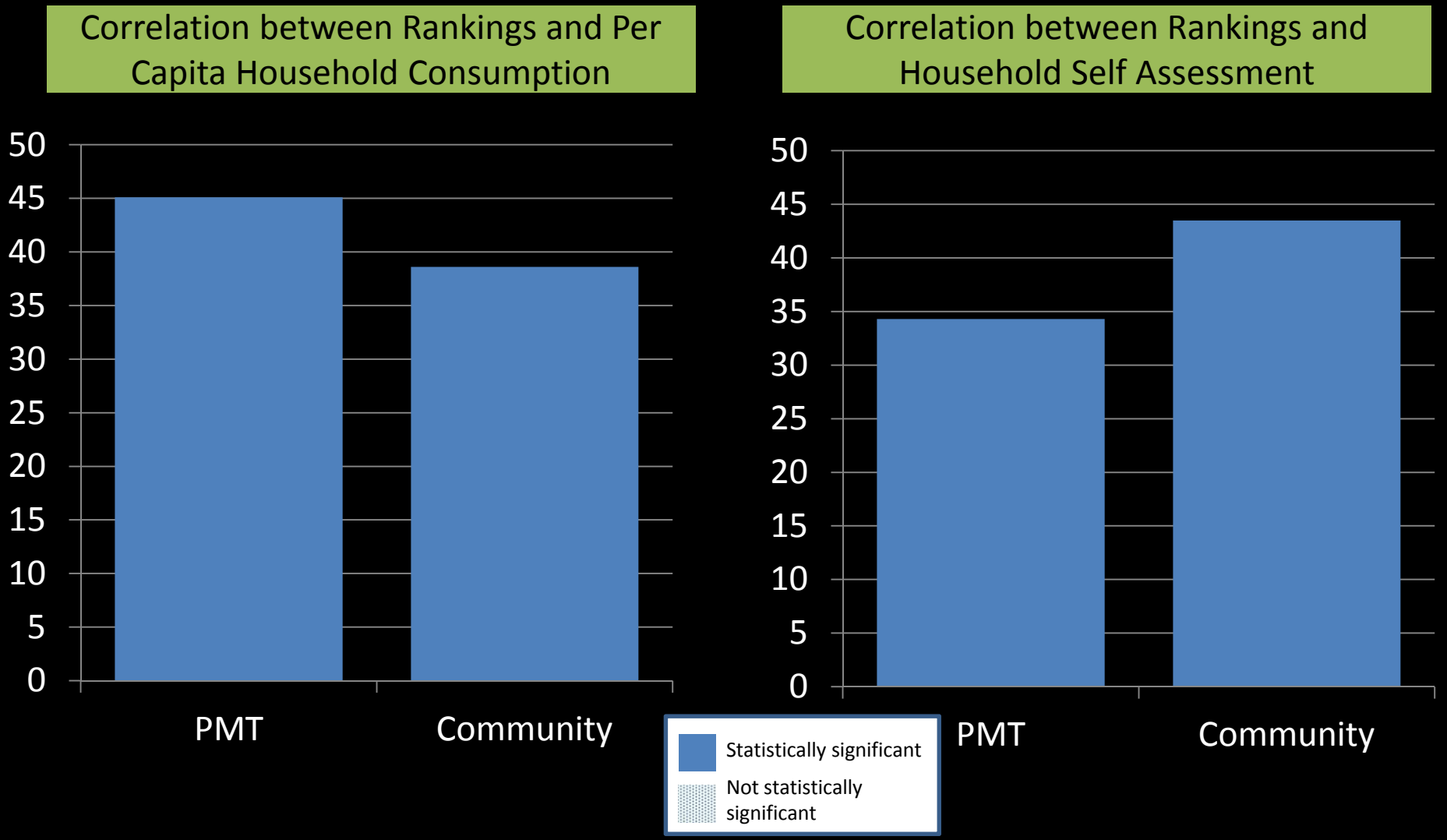
Using the PPP$2 per day per-capita expenditure cutoff, 3 percentage point (or 10 percent) increase in mistargeting in community and hybrid over the PMT

Beneficiaries

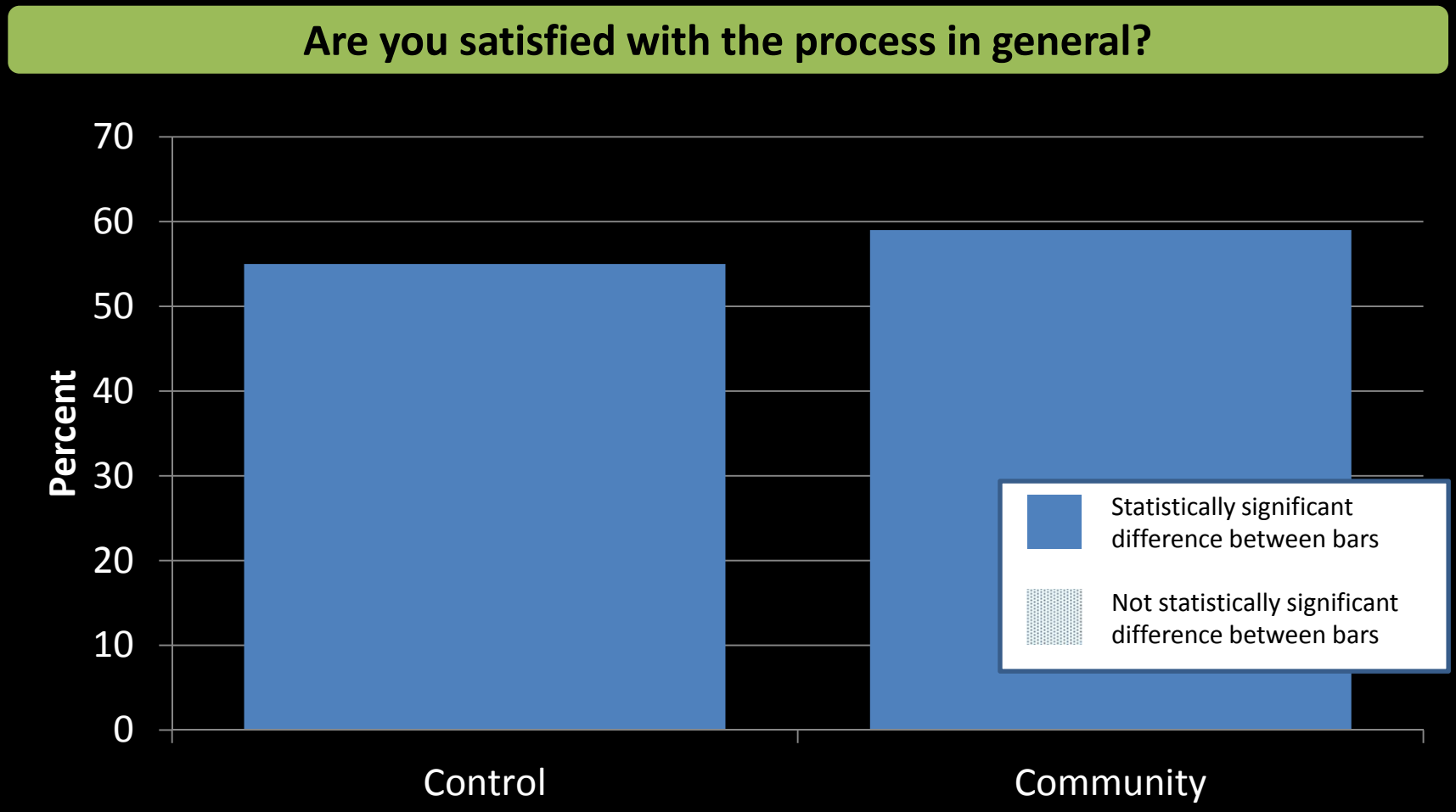


Community methods select more of the very poor (those below PPP$1 per day)

Communities may have a different concept of poverty: PMT correlates more highly to consumption, but community to household self-assessments



In general, households in community and hybrid areas were more satisfied with the process than in control areas



Control treatment revisited PPLS08 households rated as very poor (with some additional households from village officials and BPS sweeping), and conducted the same PMT interview as in self-targeting.

In the experiments, there was no evidence of elite capture

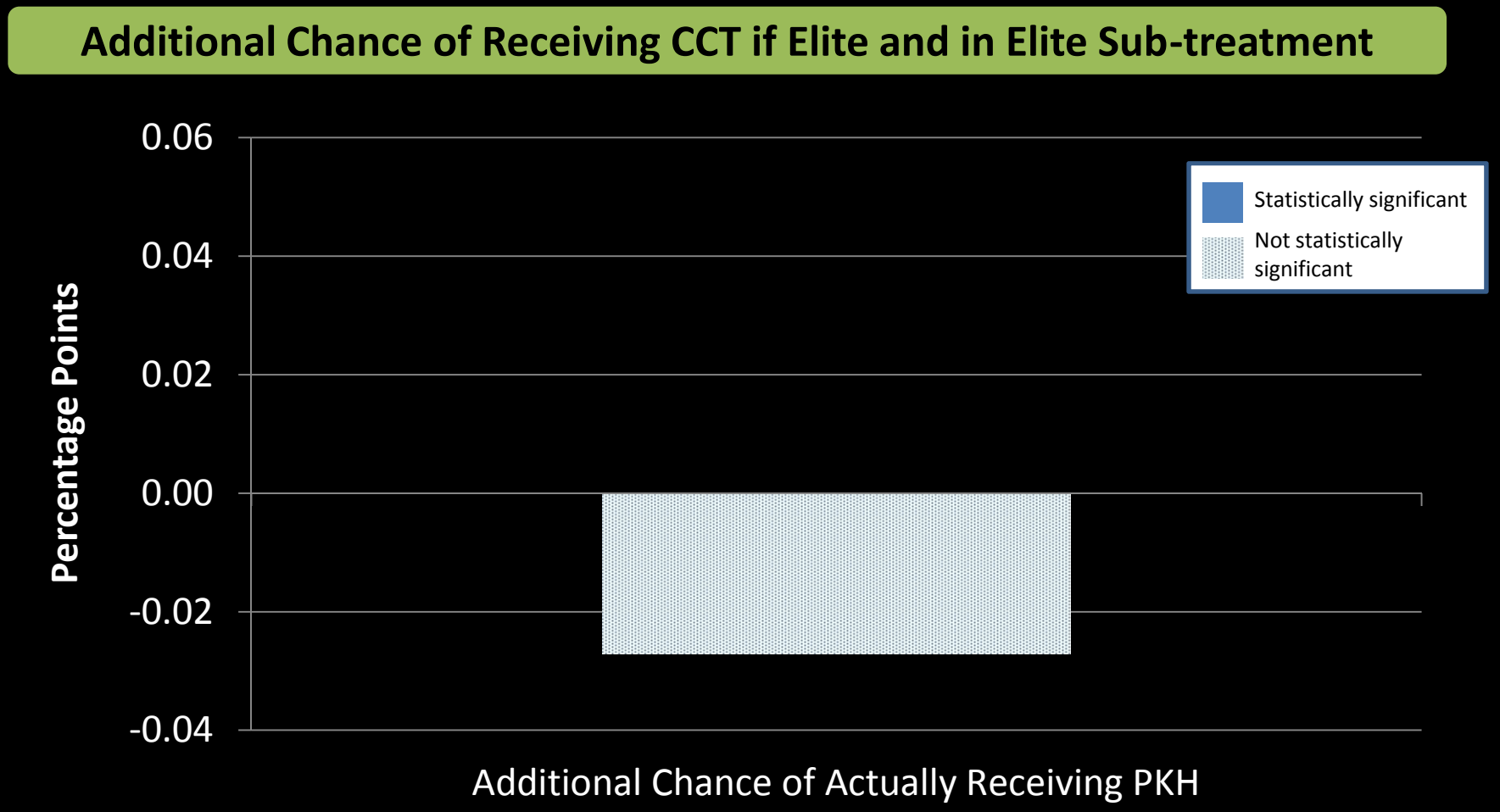
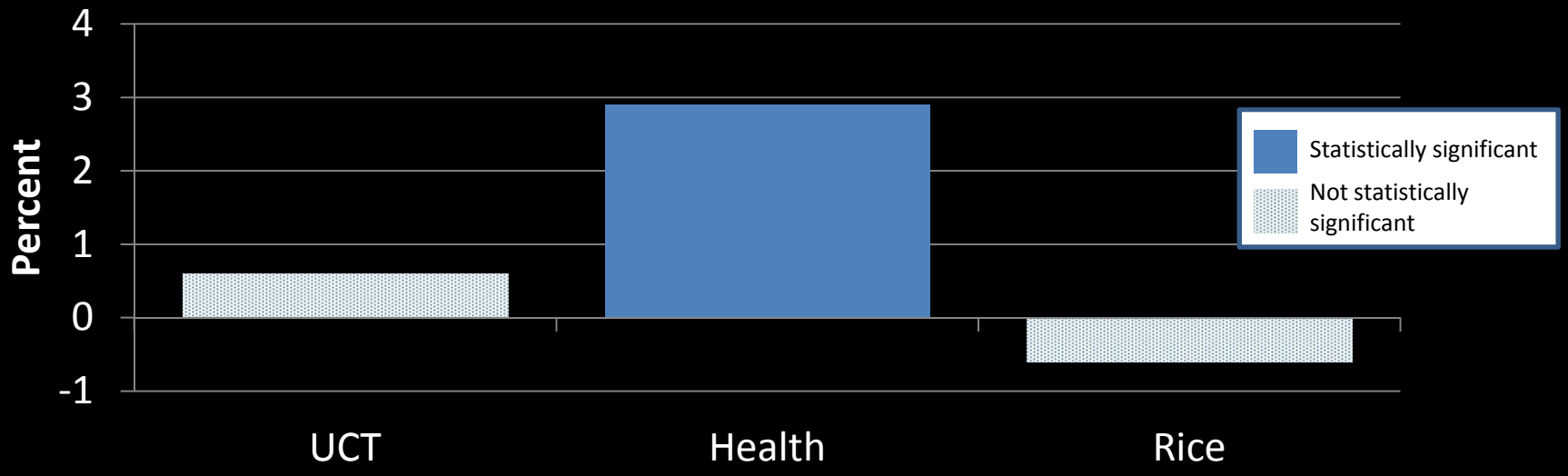


Figure presents additional probability of actually receiving PKH if in an elite-only community selection area, relative to a full-community selection area, conditional on household consumption.

Amongst the non-experimentally targeted programs, there is some evidence of capture under Health for the Poor

Additional Likelihood of Elite Receiving Benefits
(Conditional on Per Capita Household Consumption



- No evidence of capture in UCT or Rice for the Poor
- Conditional on log per capita expenditure, elites are 2.9 percentage points (6.8 percent) more likely to receive Health for the Poor
- Robust to definitions of elite, robust to only leaders (not relatives), robust to control for whether one belongs to similar social groups as elite

This is driven by formal elites, who are more likely to benefit, while informal elites are less so

Additional Likelihood of Elite Receiving Benefits
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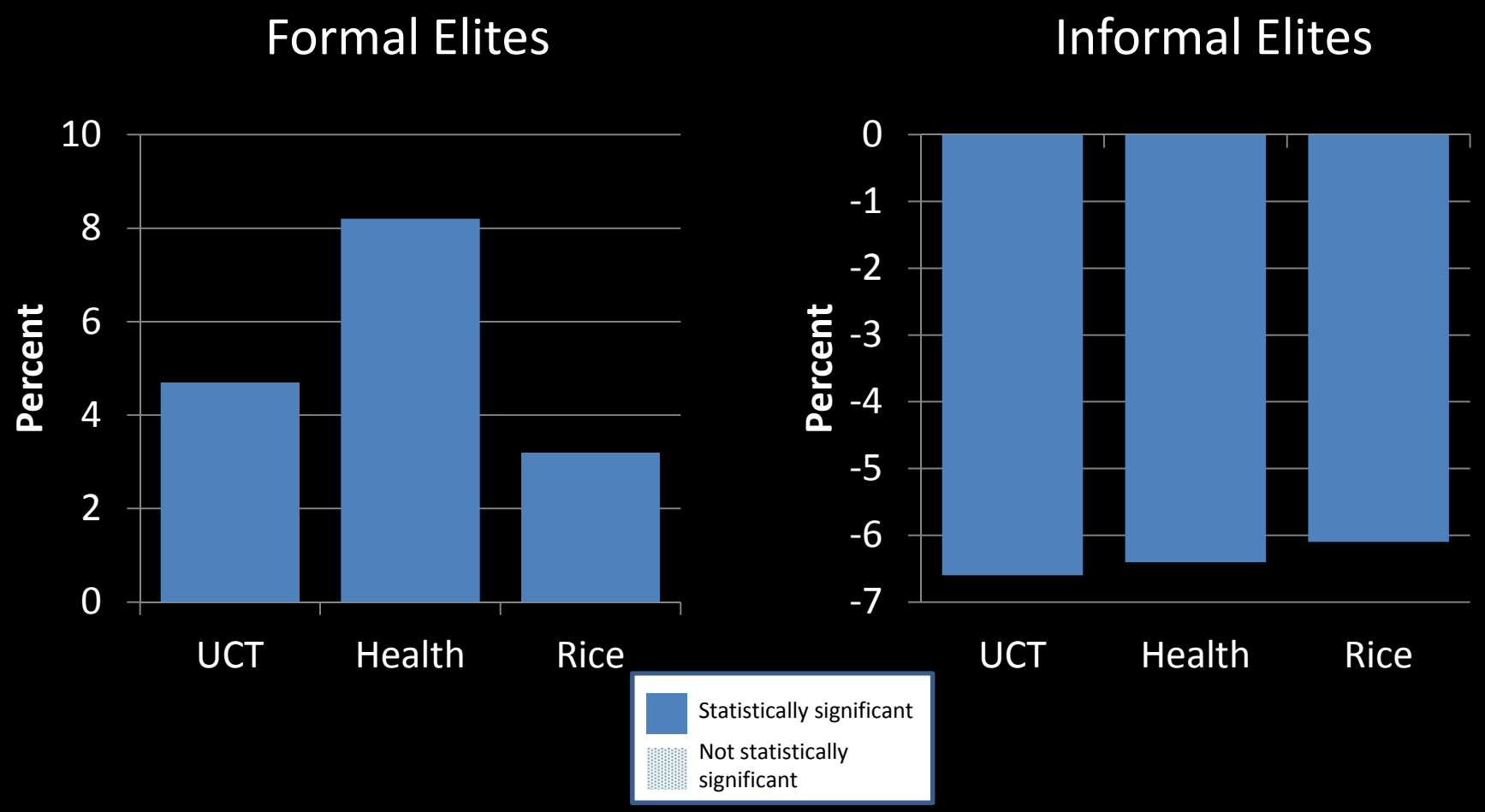
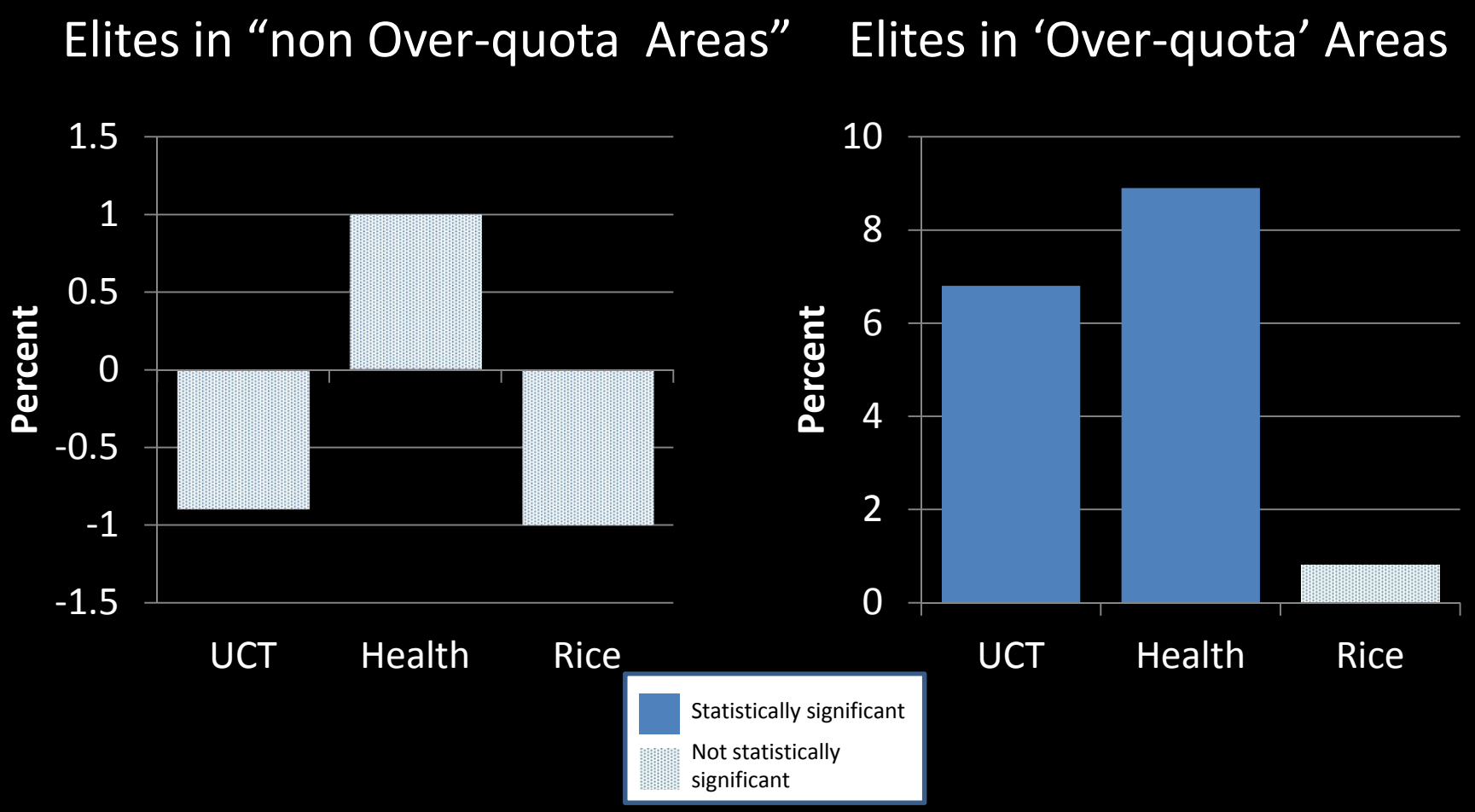


Moreover, elites are more likely to get benefits when there is 'extra' quota

Additional Likelihood of Elite Receiving Benefits
(Conditional on Per Capita Household Consumption



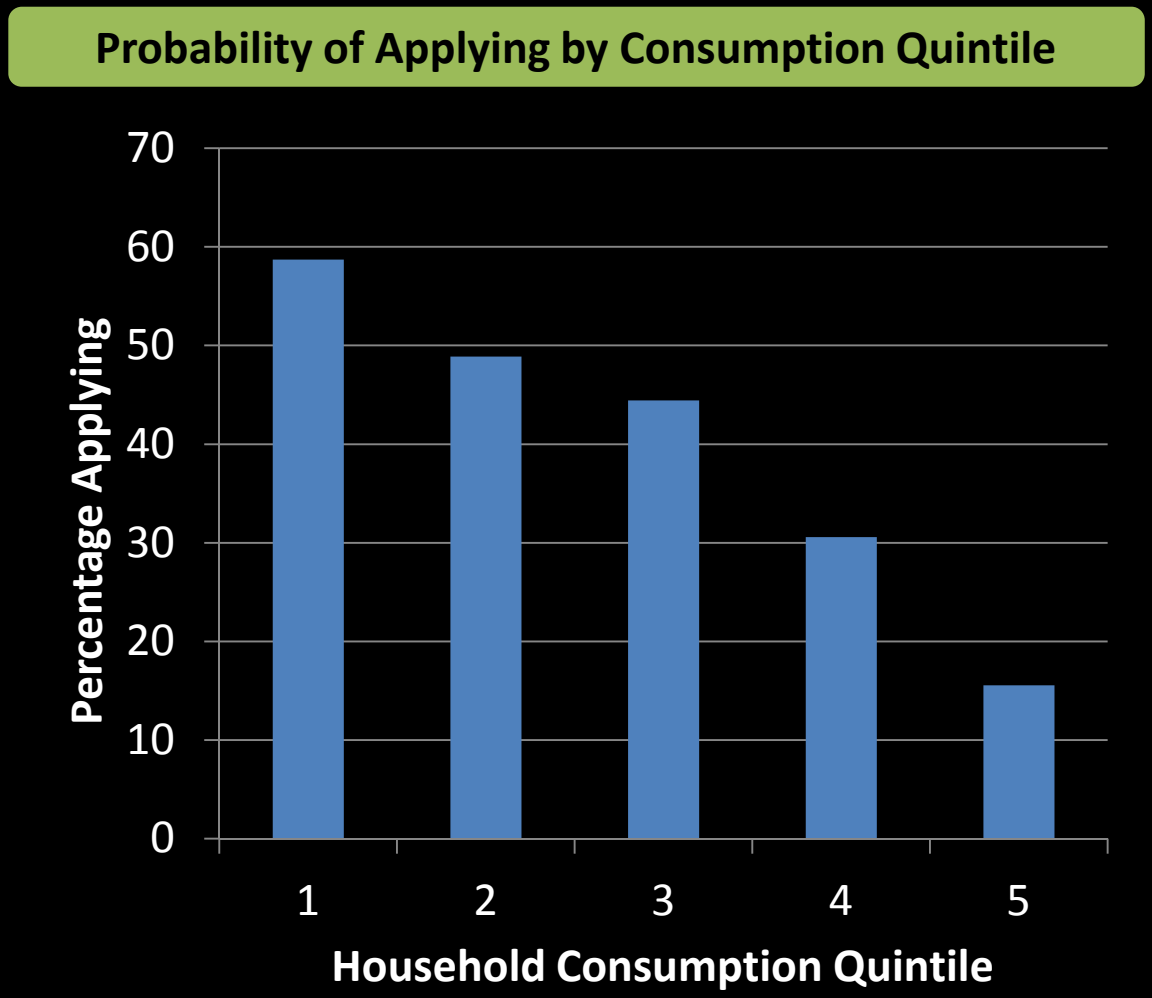
2

How effective is self-targeting for updating?

Despite significant waiting times, the on-demand application process went smoothly

- **Waiting times were significant**
  - Households waited an average of 3.5 person-hours
  - 14 percent of households had to return the following day because the wait was too long
- **The application process generally went smoothly**
  - There were few cases of conflict, disruption or violence
  - When asked how smooth the process was, household responses were no different than the control treatment (PPLS08 households visited at home)

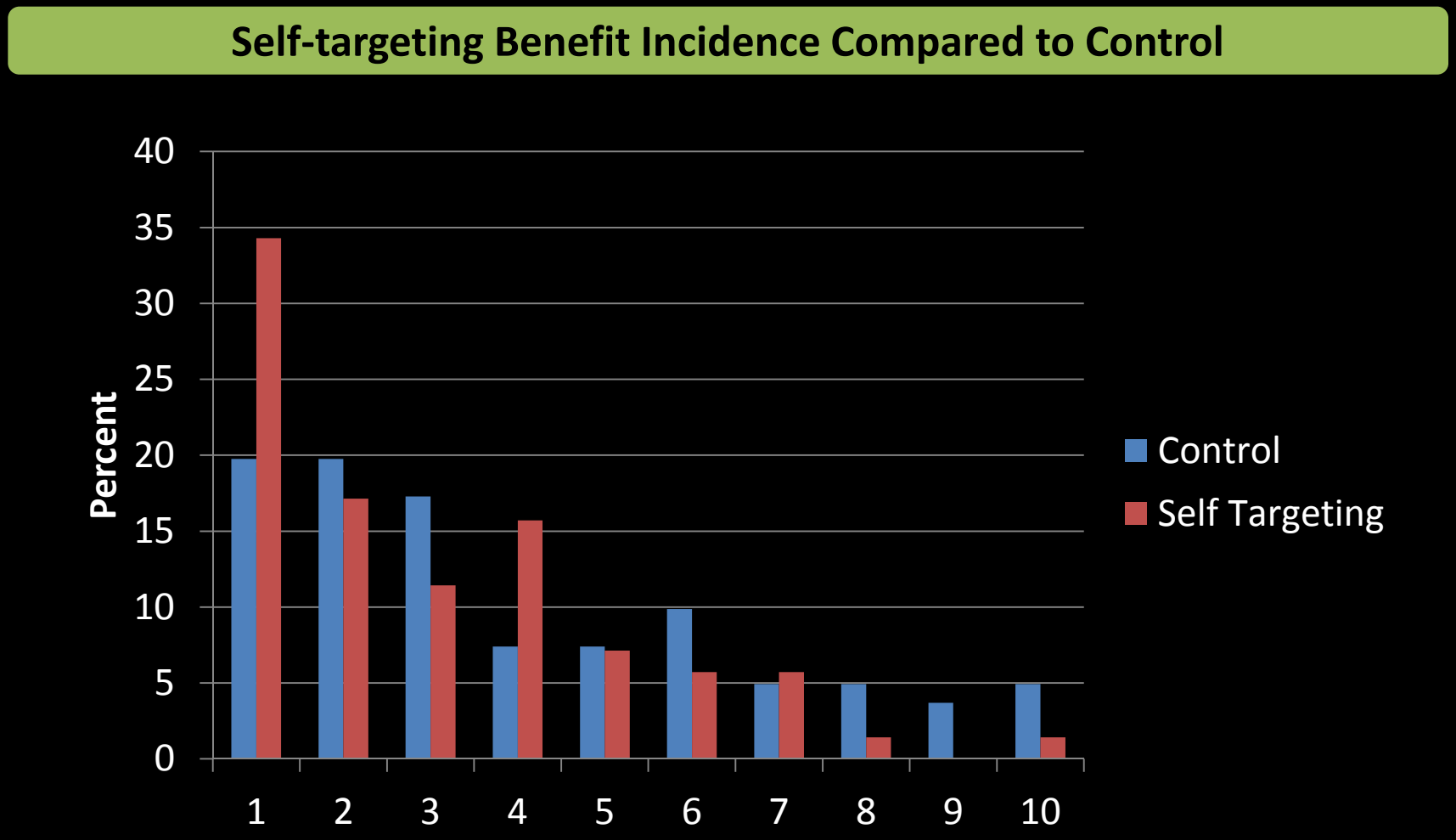
The poor were significantly more likely to apply than the non-poor, and were not dissuaded by the effort required



- The main reason for those who did not apply was that they were unaware of the process
- Of the households which would have received PKH and did not apply, none did not apply because of the effort involved

Household consumption quintiles are within the baseline survey, and do not represent national consumption quintiles

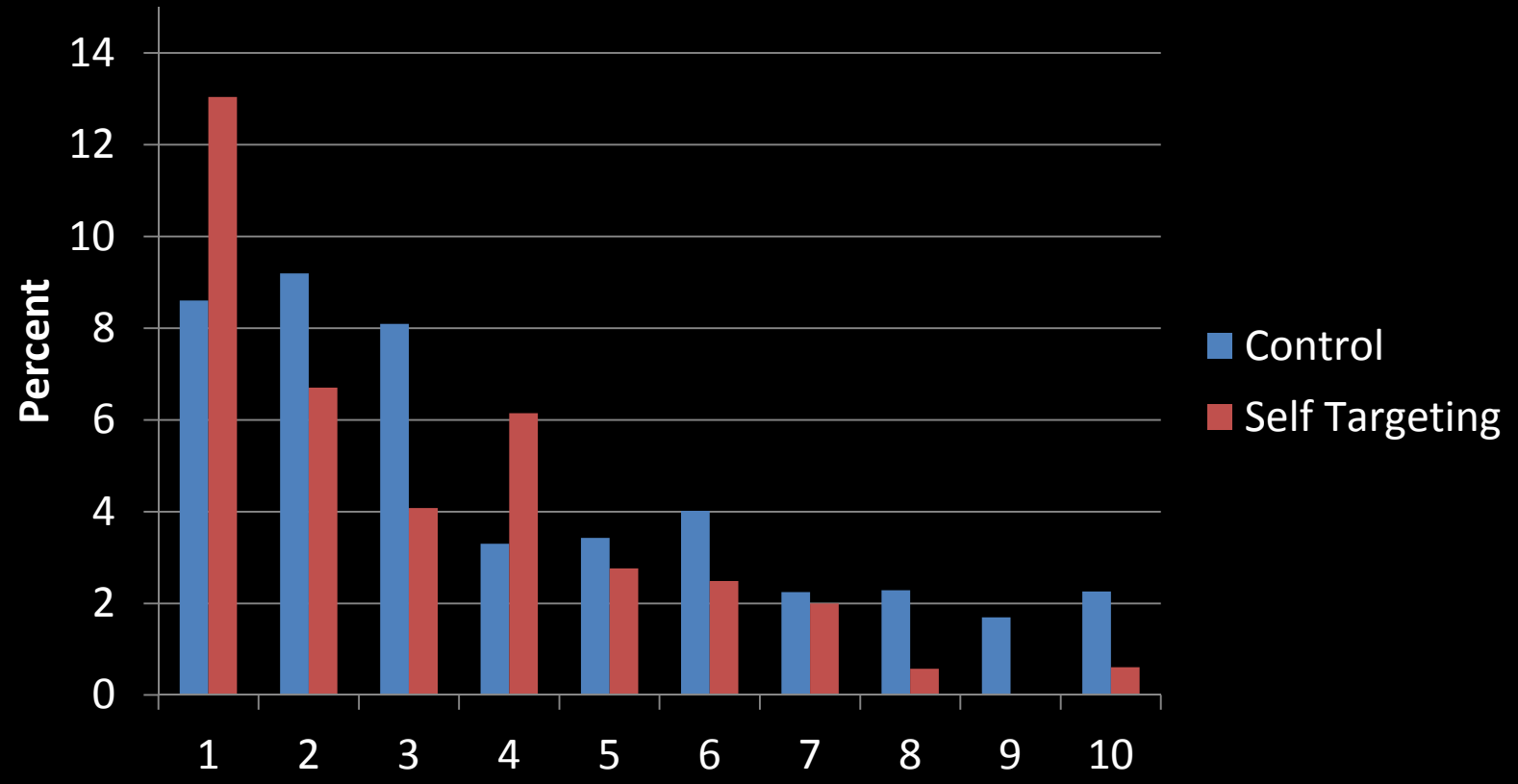
Non-poor selecting out meant lower inclusion errors in self-targeting areas than control…



Control treatment revisited PPLS08 households rated as very poor (with some additional households from village officials and BPS sweeping), and conducted the same PMT interview as in self-targeting.

…while applications from poor from outside the pre-existing list of the poor reduced exclusion errors

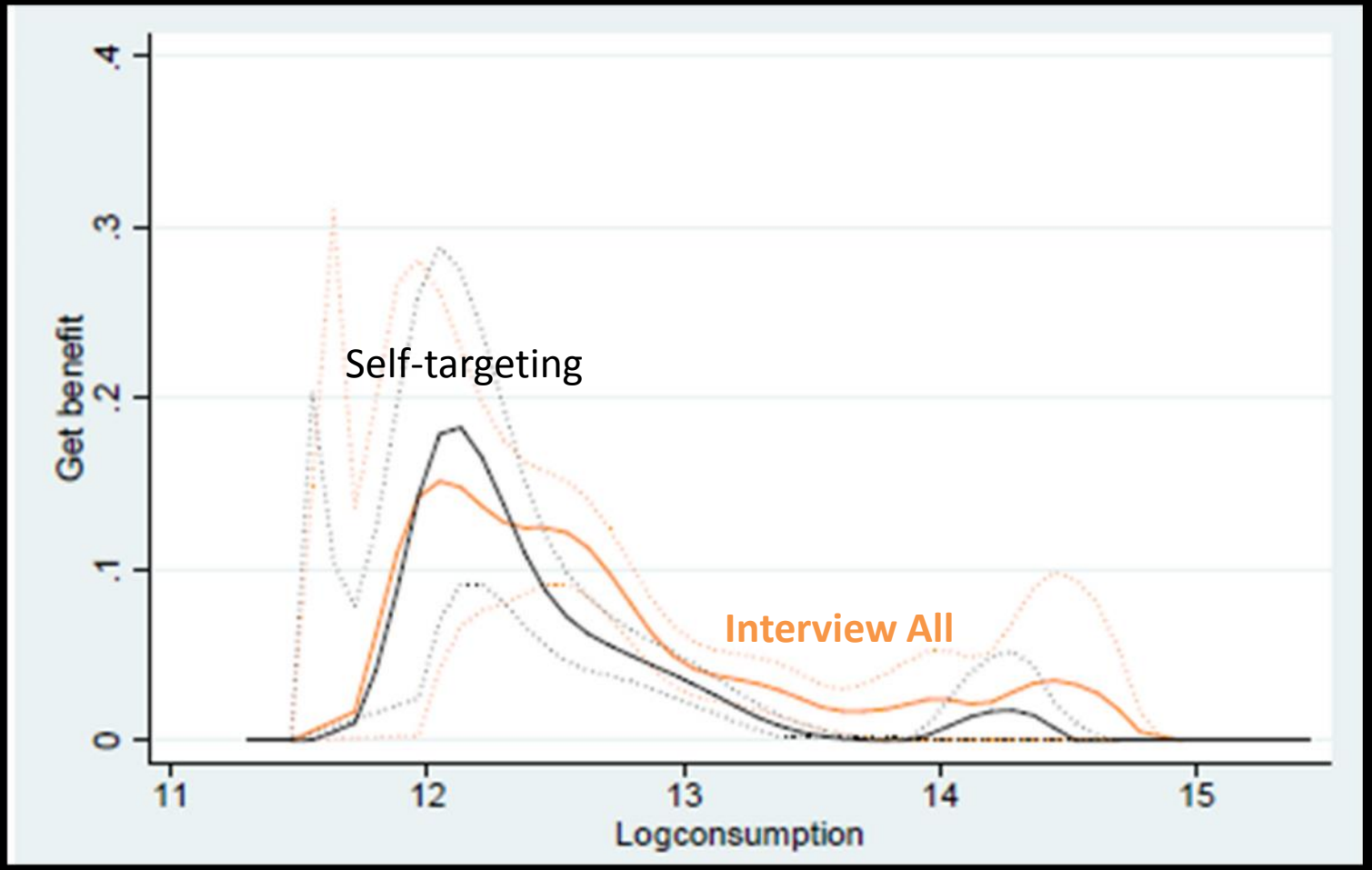
Self-targeting Coverage Compared to Control



Control treatment revisited PPLS08 households rated as very poor (with some additional households from village officials and BPS sweeping), and conducted the same PMT interview as in self-targeting.

The consumption of self-targeting beneficiaries is lower than if all households have a PMT interview, and there is some improvement in inclusion error

Probability of Receiving Benefit Conditional on Per Capita Household Consumption



- Self-targeting households have 13% lower average consumption
- Exclusion errors are similar
- Inclusion errors are smaller for self-targeting

3

What method should be used for updating the unify database system?

Different updating methods have different advantages. A mixed method approach may be best

Method	Advantages	Disadvantages	Possible 2014 Use
Survey Sweep (PMT)	▪ Assesses all poor ▪ Significantly increases coverage	▪ Costly	▪ In high poverty areas ▪ In under-quota areas
Self-targeting (PMT)	▪ Non-poor less likely to turn up ▪ Brings in new poor ▪ Less costly	▪ Not all eligible households apply	▪ In low poverty areas ▪ In at- or over-quota areas
Additions from Census Pre-listing (PMT)	▪ Census PMT still valid ▪ Allows expansion to desired quota ▪ Less costly	▪ Some households no longer there	▪ In medium poverty areas ▪ In at-/under-quota areas
Community additions (non-PMT)	▪ Better at identifying poorest ▪ Higher satisfaction ▪ No elite capture ▪ Less costly	▪ Less accurate beyond the poorest	▪ In areas with high very poor exclusion errors ▪ To capture transient shocks ▪ To verify program lists
Revisit PPLS11 + additions from Census (PMT)	▪ Captures change since last time ▪ Can collect new data	▪ Relatively costly	▪ If additional data required for existing households

SUMMARY

- **Self-targeting is an effective updating mechanism**
  - Poor much more likely to turn up than the non-poor
  - Many non-poor households selected out of applying: inclusion error down significantly
  - However, poor non-PPLS08 households did apply: exclusion error down significantly
  - Smooth process, despite long waiting times
  - Overall community satisfaction with process less than control, but considered as fair, and with less non-poor people selected
- **Community-PMT hybrid is an effective updating mechanism**
  - No evidence of elite capture, despite considerable benefit levels
  - Community added poor households not on PPLS08 list, reducing exclusion error
  - Community added some non-poor households, increasing inclusion error
  - Household satisfaction with process significantly higher than control (or self-targeting)
- **Each updating mechanism results in lower errors than no updating at all, but a mixed method approach might be most effective**
  - Revisiting the existing list in certain areas, or visiting all households in very poor areas can be effective updating methods