Targeting the Poor and Vulnerable in Indonesia

25 September 2010
Importance of targeting in Indonesia

- Poverty reduction has been slower than hoped
- Targeted social assistance programs are a critical component of Indonesia’s social safety net
- Targeting in Indonesia faces a number of challenges

Effectiveness of current targeting

- Programs use different methods
- Program coverage rates vary
- Targeting outcomes are pro-poor but with significant errors

Towards a National Targeting System (NTS)

- An integrated NTS is planned for use in targeting all programs
- The NTS aims for better accuracy and popular support...
- ...while being feasible and cost-effective
- Current research will assist the NTS design
Poverty in Indonesia has not fallen as quickly in recent years as the Government of Indonesia had planned; poverty reduction efforts remain a key focus.

**IMPORTANCE OF TARGETING IN INDONESIA**

- Despite strong economic growth, government poverty targets have not been met
  - GDP p.c. grew at 3.8 percent p.a. (2004-09)
  - Poverty fell from 16.7 percent to 14.2 percent (2004-2009)
  - Government target was 8.2 percent (2009)
  - Other indicators have also been slow to improve
    - Senior high enrolment, malnutrition and infant and maternal mortality

**EFFECTIVENESS OF CURRENT TARGETING**

- Poverty reduction and social protection thus remains a central policy issue for Indonesia
  - Core pillar of the national medium term development plan
  - Poverty target of 8-10 percent by 2014
  - An establishment of a National Team for the Acceleration of Poverty Reduction (TNP2K)

**A NATIONAL TARGETING SYSTEM**
Effectively targeting Indonesia’s major social programs is key to supporting the poor and vulnerable...

- Indonesia’s major household social assistance programs are a critical contribution to providing a social safety net for the poor and vulnerable
  - Significant budget has been targeted to the poor:
    - Rice for the Poor
    - Health Insurance for the Poor
    - Unconditional Cash Transfer
    - Conditional Cash Transfer

- To be effective, they must be well-designed and implemented, including targeting
  - Limited budgets
  - Effective targeting maximises benefits to target households...
  - ...while minimising cost of delivery
1. Indonesia is a complex targeting environment
   - World’s largest archipelago and fourth most populous country
   - Decentralised budgetary and operational control
   - Relatively low inequality makes distinguishing the poor, near-poor and non-poor more difficult
   - Indonesian poverty is very fluid, with high rates of entry and exit
   - Multiple targeted programs with different objectives

2. Low buy-in of existing targeting due to poor socialisation and effectiveness

3. Reforming targeting must be done considering existing methods and what is feasible
   - Each program already uses different methods
   - Considerable resources have already been earmarked for a 2011 survey of the poor
Currently, programs use different methods leading to different coverage despite the same targets, with most poor not receiving all programs and many rich receiving at least one...

**Importance of Targeting in Indonesia**

**Current Targeting Effectiveness**

<table>
<thead>
<tr>
<th>Program Coverage Levels Relative to Target Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-poor</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Population</td>
</tr>
<tr>
<td>UCT</td>
</tr>
<tr>
<td>Rice for Poor</td>
</tr>
<tr>
<td>Health for Poor</td>
</tr>
</tbody>
</table>

- Only 31 percent of all poor receive all three programs
- 44 percent of all poor receive zero or one program
- 51 percent of non-poor receive at least one program
- 12 percent of non-poor receive all three programs

Source: Susenas 2009
...meaning that targeting outcomes, while pro-poor, have substantial undercoverage of the poor and leakage to the non-poor.

**Importance of Targeting in Indonesia**

**Current Targeting Effectiveness**

**A National Targeting System**

- **Inclusion error:** Proportion of beneficiaries who are non-poor
  - UCT: 56 percent
  - Rice for Poor: 67 percent
  - Health for Poor: 64 percent

- **Exclusion error:** Proportion of poor who are not beneficiaries
  - UCT: 52 percent
  - Rice for Poor: 23 percent
  - Health for Poor: 55 percent
  - Does not account for reduced Raskin benefit levels

---

**Distribution of Program Benefits in 2009**

- **Source:** Susenas, various years

---
With no single targeting alternative being preferred in all situations...

<table>
<thead>
<tr>
<th>METHOD</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
</table>
| Proxy-means testing (PMT)  
Household score constructed from various survey variables | Easy to verify  
Difficult to manipulate | Not as useful for transitory poor  
Built-in statistical error |
| Community-based methods  
Community determines poor and vulnerable themselves | Local knowledge of household economic status  
Useful for transient poor  
Better buy-in | Risk of elite capture  
May use different criteria than programs intend  
Concept of community difficult in urban areas |
| Geographic targeting  
Poor areas determined from household socio-economic surveys | Ensures area quotas are fair  
Accurate if underlying data good | Less accurate at very local levels  
Second targeting method generally required |
| Self-targeting  
Application open to all  
Opportunity costs mean adoption much higher by the poor than non-poor | Lower costs  
Has had good results internationally | Historically effective only for public work schemes  
Stigma or time costs may discourage the poor |
Main Objectives for a National Targeting System

1. Improved methodology
   - Which methods are most appropriate for specific targeting objectives?
   - Which methods are most appropriate for different settings?

2. Improved buy-in
   - How can local communities be more involved?
   - How can all stakeholders be more informed?

3. Feasible and cost-effective
   - What are the relative costs of different methods?
   - What are the implementational and institutional considerations in establishing an effective system?
All of these methods can be used in the 2011 survey of the poor. There are four areas of focus to ensure its usefulness.

### 3 Aspects of Targeting to be Improved

1. Improved Inclusion and exclusion errors
2. Better buy-in from line ministries and community
3. District level quota more consistent with poverty levels

### 4 Ways to Improve 2011 Survey of Poor

1. Improved questionnaire
2. The use of macro poverty data
3. Involvement of community
4. Mixing methods to match the needs of different areas

**Subject to feasibility and cost-effectiveness**
The 2011 questionnaire can be improved by additional indicators and the use of macro poverty data in its collection

<table>
<thead>
<tr>
<th>IMPORTANCE OF TARGETING IN INDONESIA</th>
<th>EFFECTIVENESS OF CURRENT TARGETING</th>
<th>A NATIONAL TARGETING SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collecting Additional Information</td>
<td>Using Macro Data to Assist Collection</td>
<td></td>
</tr>
</tbody>
</table>

1. Adding four new asset indicators
   - Gives an increase of five percentage points in the consumption regression $R^2$ (0.35 to 0.40)

2. Additional indicators may also come from dialogue with line ministries
   - Indicators required to target programs, given program eligibility criteria
   - Enhancing buy-in

3. Additional indicators for targeting beyond poverty
   - Such as malnutrition

1. District-level poverty numbers can be used to determine the number of households to survey in each area

2. The 2010 Population Census can be used at the sub-district and village level
   - Negative lists
   - Sub-district and village level program quotas
The government, World Bank and JPAL MIT conducted a targeting pilot to better understand how the different targeting methods can be optimally applied in Indonesia.

First Pilot: Field Experiment with Rp.30,000

- **Proxy Means Testing + Geographic Targeting**
  - Village quota set with geographic targeting
  - Household indicators used to calculate PMT score
  - Households with lowest score up to village quota receive benefits

- **Community + Geographic Targeting**
  - Facilitator helps community ranks all households in village
    - All community versus elite only
    - Day versus night meetings
  - Households with lowest ranking up to village quota receive benefits

- **PMT-Community Hybrid + Geographic Targeting**
  - Community ranks households as above
  - Households with lowest ranking up to 1.5 x village quota are surveyed with PMT questionnaire
  - Households with lowest PMT score up to village quota receive benefits
<table>
<thead>
<tr>
<th>IMPORTANCE OF TARGETING IN INDONESIA</th>
<th>EFFECTIVENESS OF CURRENT TARGETING</th>
<th>A NATIONAL TARGETING SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>The pilot suggested that involving the community can improve buy-in and performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The main findings of the first targeting experiment conducted are:

i. PMT provided a more accurate estimate of households consumption overall, particularly those near the poverty line;

ii. Community was more accurate at identifying households with the lowest consumption level;

iii. Satisfaction in outcomes from community targeting was higher than that from PMT;

iv. Outcomes from community targeting correlated 10 percentage points higher than those of PMT to self-assessment of one’s poverty level (as surveyed before the research project).

**KEY LESSONS**

- Community satisfaction, and hence buy-in, is significantly higher when they are involved in the targeting process
- Community-led approaches better incorporate local knowledge and definition on poverty that may not be captured by PMT, and so might reduce exclusion error of the very poor
- Potential of on-demand application (self-targeting)
A second pilot is being conducted in conjunction with the CCT expansion to evaluate additional targeting methods.

Second Pilot: CCT Expansion

- PMT-Community Hybrid + Geographic Targeting
  - Village quotas set with geographic targeting
  - 2008 PMT listing of poor households sets 50 percent of quota
  - Community can add the other 50 percent from the poorest households not currently included

- Self-targeting + PMT + Geographic Targeting
  - Program and targeting process are heavily socialised
  - Anyone can apply, but must be interviewed with a PMT questionnaire
    • One spouse required versus both spouses
  - Households with lowest PMT scores up to village quota will be visited for verification
In addition, while the 2008 questionnaire is already effective, making sure the right households are surveyed in 2011 is critical...

- 2008 questionnaire results in low targeting error as long as poor households are surveyed
- Do not know which households are poor, so could ask all
  - But surveying all households will not be affordable and feasible
- Surveying just the households from the 2008 list of the poor would result in a much higher targeting error
  - Data collection of right households is critical
  - Need nearly all poor households to be surveyed...
  - ...but with a collection process that is cost effective

---

**Estimated Targeting Error* using 2008 Questionnaire for Different Data Collection**

<table>
<thead>
<tr>
<th>Percentage of Households Mistargeted</th>
<th>Survey All Households</th>
<th>Survey 2008 Households Only</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>20%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>40%</td>
<td>20%</td>
<td>40%</td>
</tr>
<tr>
<td>60%</td>
<td>20%</td>
<td>40%</td>
</tr>
</tbody>
</table>

*Proportion of non-poor included and proportion of poor excluded
...so a possible data collection strategy is to use methods matched to district characteristics

<table>
<thead>
<tr>
<th>How to collect</th>
<th>Where to collect</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Survey sweep</strong></td>
<td>Areas with high poverty rate and high mistargeting in 2008</td>
</tr>
<tr>
<td>Visit all households in area</td>
<td></td>
</tr>
<tr>
<td><strong>On-demand application</strong></td>
<td>Areas with low poverty rates and low poverty density,* possibly with high</td>
</tr>
<tr>
<td>Anyone can be interviewed, and those with scores</td>
<td>mistargeting in 2008</td>
</tr>
<tr>
<td>under the local quota are home-visited for</td>
<td></td>
</tr>
<tr>
<td>verification</td>
<td></td>
</tr>
<tr>
<td><strong>2008 update with community validation</strong></td>
<td>Priority areas: high 2008</td>
</tr>
<tr>
<td>Begin with 2008 list and use community-based</td>
<td>mistargeting, possibly with high</td>
</tr>
<tr>
<td>methods to modify it, conduct new interview with</td>
<td>poverty density</td>
</tr>
<tr>
<td>finalised list</td>
<td></td>
</tr>
<tr>
<td><strong>2008 update with referrals or Census 2010 list</strong></td>
<td>Priority areas: those under-quota in</td>
</tr>
<tr>
<td>Resurvey 2008 households, use peer referrals or</td>
<td>2008</td>
</tr>
<tr>
<td>census data to identify new households to contact</td>
<td></td>
</tr>
</tbody>
</table>

Note: Poverty rate is the poverty headcount rate (proportion of poor in the population). Poverty density is the absolute number of poor (absolute number of poor in the population).
If carefully designed and implemented, a national targeting system can be used to improve the effectiveness of all targeted social assistance programs

**A NATIONAL TARGETING SYSTEM**

- A national targeting system (NTS) would mean effective targeting methods for different objectives
  - Such a system will take time to establish but can be used for all current and future programs

- A dedicated technical unit would support the NTS
  - Coordinating agency on targeting issues
  - On-going evaluation of targeting effectiveness
  - Assistance in implementation and institutional design
    - Data: who collects it, who administers it, how is it shared, how is it verified and recertified?
    - Complaints and grievances mechanism
    - Oversight and control mechanism
    - Monitoring and evaluation

- Having a unified database of potential beneficiaries allows better coordination between programs
  - Lower costs of targeting through reduced duplication of targeting
  - Better fraud control

- Components for an NTS are already in place
  - A 2011 survey of the poor is planned which can incorporate recent work on targeting effectiveness
  - Census 2010 will allow an updating of the Indonesian Poverty Map