

Poverty Targeting in Asia: Lessons for Pakistan

John Weiss

Research Director,
ADB Institute, Tokyo

Pakistan's 'Social Deficit'

- Rising poverty in 1990's despite modest growth (ie rising inequality)
- Headcount index over 30%
- Poor education indicators (net primary enrolment rate 67% compared with 70% in Nepal, 83% in India and 87% in Bangladesh)
- Social indicators (eg on infant mortality and female illiteracy higher than predicted for country's income level)

Pakistan's Poverty Reduction Program

- Improved governance, including devolution
- Broad-based growth (SMEs, agriculture)
- Asset creation for poor (particularly women)
- Improve human development (education, health)
- Targeted programs and social safety nets

Main Targeting Measures

- Public works / employment creation (Kushal Pakistan Program)
- Microfinance (Kushhali bank)
- Food support program
- Cash transfers to needy (Zakat)

Cost Effectiveness Framework

- Rationing problem
- $PV(B \text{ poor}) / PV(C)$
- Cost effectiveness related to ...
- Administrative costs per applicant
- Demand and leakage
- Under-coverage

Concepts of Targeting

- Targeting by activity/ 'broad targeting' (eg primary health care)
- Targeting by indicator
- Targeting by location (eg poor area programs)
- Self-targeting (eg workfare, subsidies on inferior goods)

Identification of the Poor

- Poverty mapping new approach
- ‘Administrative identification’ (India) non-income measures (eg land access, ownership of livestock)
- Access to food, alternative clothing, non-earth floor for home (Indonesia)
- Poor counties, based on income, presence of minority communities, old Revolutionary areas; more recently poor villages, based on indicators on infrastructure, housing , grains (PRC)
- Unmet basic needs, shelter, health, education (Philippines)

Misappropriation

- Particularly re food and credit subsidy schemes and employment creation
- Payment of bribes to receive benefits
- Indian case well documented; eg for Employment Assurance Scheme, nationally only 15% of expenditure as benefits to workers against target of 60%
- Logic of local officials, in PRC diversion of funds to revenue generating projects

Under-coverage and Leakage

- Technical errors in targeting
- Location targeting eg in PRC 38% of poor in non-poor counties in 2001; roughly 20% of counties miss-classified
- In Philippines ranking of provinces by poverty status not match priority status; of 26 priority provinces only 11 in the 'most depressed' group by income

Under-coverage and Leakage

- Indonesia under-coverage serious; subsidized rice reached 50% of target group but for all other measures proportion reached well below 20%
- In Indonesia for most measures normally beneficiaries from non-poor over 70%
- Self-targeting largely ineffective via employment creation; level of wage 'crowding –out' poor; in Indonesia in employment creation scheme 70% of beneficiaries 'non-poor'

Effectiveness of Targeting

- Growth dominates; elasticity estimates for headcount –0.7 Philippines, -0.9 India, -2.0 Thailand
- But income poverty elasticity also below 1.0; 0.54 Indonesia, 0.71 Philippines
- High leakage and under-coverage lead to high costs per unit of benefit for targeting

Cost Effectiveness Estimates

- Employment creation Maharashtra 1.85; food subsidies 6.7;
- Rice subsidy in Philippines 2.5 to 4.2;
- But some positive growth effects for poor counties in PRC
- Some benefits in 'Crisis support' in Indonesia, particularly re education and health

Lessons

- Identification criteria critical
- Targeting needs good governance as well as good design; potential for NGOs
- Administratively simple, modest schemes work best
- Employment creation, food and credit subsidies scope for high leakage
- Self-targeting only limited success, but microfinance has potential – ADBI Kushalli Bank appraisal

For more information

- ADB Institute Discussion Papers by Srivastava (no 5) and Weiss (no 9)
- Available on our webpage at www.adbi.org

Thank you