



HSNP Operations Manual Training
September 2014

HSNP2 Proxy Means Testing

Background

- HSNP Phase I trialed 3 forms of targeting;
 - (1) Community Based Targeting (CBT)
 - (2) Dependency Ratio
 - (3) Social Pension
- CBT evaluated as the most effective - beneficiaries found to be 50% more likely to be poor
- Could this be improved?

Strengths and Weaknesses of CBT

Strengths	Weaknesses
Current community view of distribution of well-being.	Relative measure of a household's well-being relative to the other households within the settlement. Middle income household in 1 location = poor in another.
Can be locally responsive to particular factors that differentiate well-being in a settlement.	Doesn't generate cut-off thresholds, unless use livelihood or survival thresholds from Household Economy Approach.
Can be a heuristic multivariate assessment of a households relative well-being	Can be open to elite capture.
Opportunity for other settlement members to scrutinise a household's wealth group classification.	Can be hard to determine what factors community are using to differentiate well-being.

Understanding PMT

- HSNP Phase I recommended:

“Complement CBT with a simple PMT-type mechanism which will screen out relatively better-off households and thereby reduce inclusion errors”

- The OPM and IDS Targeting Effectiveness Report ran a trial PMT exercise on HSNP I data and found that;

“The PMT approach significantly outperforms all other simulated targeting approaches [including] the actual targeting performance of CBT (and therefore also SP and DR targeting). Under PMT targeting, 76% of beneficiary households would be poor compared to just 26% of non-beneficiaries.

- What is PMT?
- Why use it?

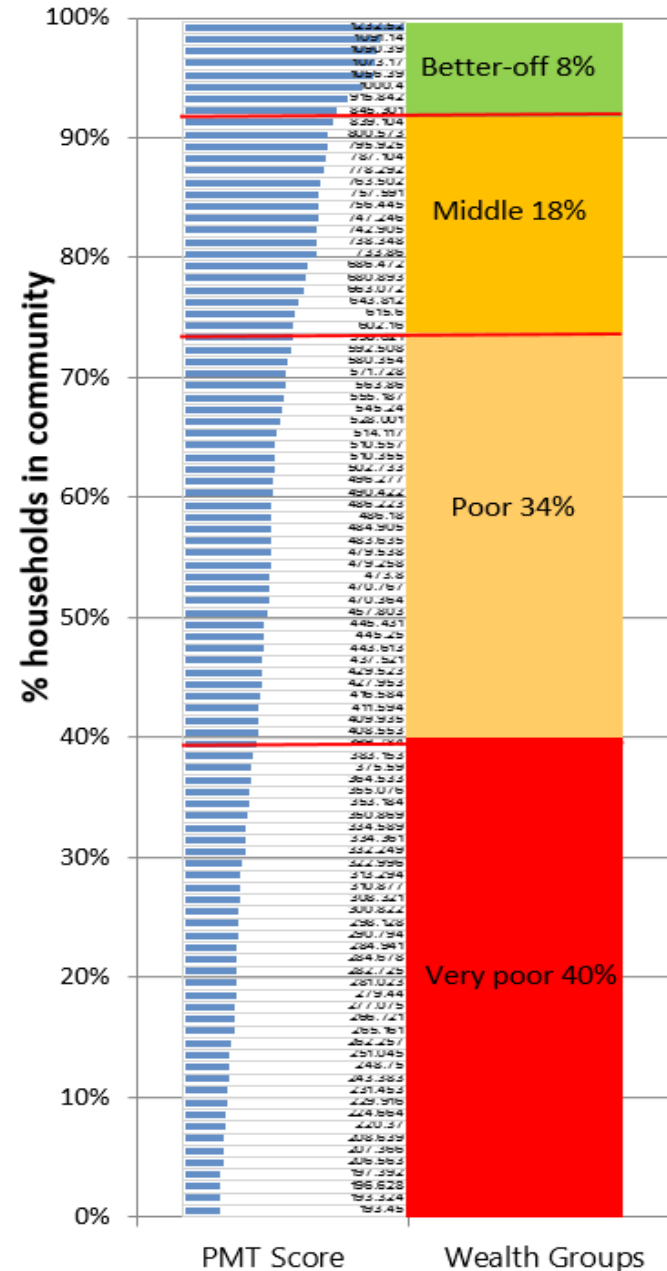
PMT - How does it work?

- Kenya Integrated Household Budget Surveys (KIHBS) collect full data on HH assets and income
- Very long and detailed
- PMT does the same by identifying a shorter list of factors that affect wealth
- These factors are selected statistically using regression analysis done using the KIHBS data
- Proxies are given weights based on their estimated impact on HH welfare

Categories	Indicator analysed
1. Geographic	<ul style="list-style-type: none"> Rural or urban location
2. Household demographic/health status	<ul style="list-style-type: none"> Age, gender and years of education of household head Disabilities, chronic illness and recent health status Dependency ratio
3. Education/ labour characteristics	<ul style="list-style-type: none"> Girls / boys in school Children working Employment / occupation of main provider
4. Housing quality and equipment	<ul style="list-style-type: none"> Type of housing -floor, roof, wall materials Type of toilet Source of water Source of lighting and cooking fuel
5. Consumer durables	<ul style="list-style-type: none"> Household goods owned e.g. fridge, bicycle, bed, mattress, radio, mosquito net etc.
6. Ownership of livestock and agricultural land	<ul style="list-style-type: none"> Land area owned /cultivated Livestock owned Fishing equipment owned

PMT - Cont.

- The data on the proxy indicators is weighted and used to calculate a consumption score
- This is converted into Ksh value reflecting total household expenditure per month per a adult equivalent



Strengths and Weaknesses of PMT

Strengths	Weaknesses
Provides an absolute measure of poverty - Therefore the PMT result for a household with the same characteristics is same regardless of rural location within the same district.	Respondent has to respond to all questions in the model otherwise can't generate estimate consumption in KShs.
Uses many proxy indicators; 54 explanatory variables.	There is 31% of variation in consumption that is not explained by PMT.
Single model modified by rural/urban and County location.	Relationship between proxies and consumption from 2005-06.
Generates comparable estimates of a household's well-being.	Greater data collection load, therefore requires data quality assurance procedures to ensure consistency of quality of data enumeration.

Evaluating PMT as applied in HSNP

- No targeting methodology is perfect
- Arguably PMT and CBT have not been combined as ideally as was envisaged
- The PMT model was developed by a very small group of technical experts and is recommended for review of technical basis of proxies and weightings
- Needs an evaluation to assess its accuracy at identifying the poorest