

Paying for itself: Fiscal Savings from Robust Identification Systems

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Three overarching pillars of ID4D activity



Analytics & Thought Leadership on the impact of ID systems on individual and institutional development, and on best practices to guide design and roll-out of ID systems.



Country & Regional Engagement to interested governments and regions in the form of technical assistance and lending.



Global Convening & Advocacy of the various public, private, non-profit, and multilateral stakeholders working on this agenda, including the enablement of a platform for South-South learning.

Analytics and Thought Leadership Achievements to date

Why is ID Important?

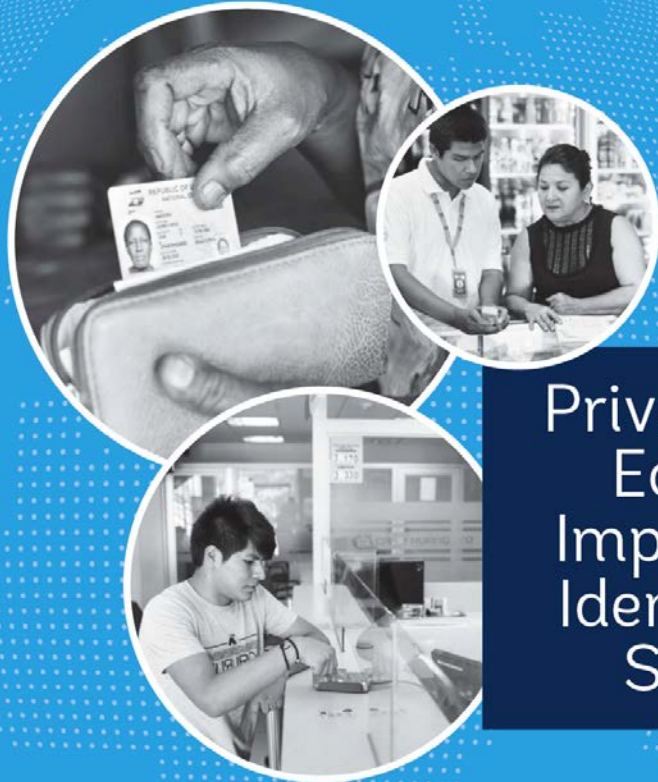
- ✓ Analyses on the role of ID in **gender equality, ending child marriage, and addressing forced displacement, fiscal savings**

How to build ID systems

- ✓ **Synthesis of Africa IMSAs** and **Compilation of Country Briefs** outlining country recommendations
- ✓ Draft **Case Studies on India and Thailand** that share lessons and best practices
- ✓ Draft **Literature Review on Incentives for Birth Registration** through education and CCTs;
- ✓ Draft **Guidance Notes on Digitalization of Civil Registration** and **Integration with National ID systems**
- ✓ **Technical standards** for digital identification systems
- ✓ Legal and Regulatory **Due Diligence Framework**

Generating Data and evidence

- ✓ 2017 **Update of the ID4D Dataset** & Methodology Note, estimating 1.1 billion globally lacking proof of official identification
- ✓ Inclusion of **ID related questions in the Global Findex Survey** to gather data on coverage, usage, and barriers
- ✓ Launch **Impact Evaluations** of identification & civil registration systems (Pakistan, Bangladesh, Morocco, Rwanda, and DRC)



Private Sector Economic Impacts from Identification Systems



Public Sector Savings and Revenue from Identification Systems: Opportunities and Constraints

Benefits of good identification systems

- *Social returns* by enabling access to private and public sector services, reducing transaction costs and facilitating the protection of vulnerable groups and humanitarian responses,
- *Economic benefits* through lower costs of authentication and identity management for firms ranging from telecoms to credit rating agencies
- *Security* and border management
- *Fiscal savings* through various channels

Sources of positive fiscal impact

	A. Decreasing Expenditures		B. Increasing Revenue	
Mechanism	1. Reducing Fraud in G2P transfers	2. Reducing Administrative Costs	3. Increasing Tax Collection	4. Charging Fees
Description	reducing ghosts, duplicates, ineligible beneficiaries, and impersonation	eliminating redundant systems and reducing transaction costs	identifying tax evaders and widening the tax base	to individuals for ID services and to third parties for verification/authentication
Location	<ul style="list-style-type: none"> • Payroll • Pensions • Safety nets • Targeted subsidies • Education • Health insurance, etc. 	<ul style="list-style-type: none"> • Identity providers • Agencies or programs that require identity proofing, verification, authentication, or credentials 	<ul style="list-style-type: none"> • Tax administration 	<ul style="list-style-type: none"> • Identity provider

Reducing fraud

	Type	Description	Source of Problem	Detection
Inclusion error	Ineligible recipients	A person who collects benefits but does not meet program eligibility requirements	Insufficient information to determine eligibility	Cross-checking identity against eligibility-related records via a unique ID or some other method
	Double-dippers	A person—eligible or ineligible—who has enrolled multiple times and collects multiple benefits	Lack of unique ID	Creating or integrating a unique ID that uses biometrics or algorithms to detect multiple enrollments
	Ghosts	A fictitious, deceased, or unwitting person under whose name someone collects benefits	Lack of unique ID, no proof of life, insufficient information to determine eligibility	Creating or integrating a unique ID that uses biometrics or algorithms to detect multiple enrollments and deceased identities; cross-checking other identity records
Authentication error	Impersonation	A person who impersonates a genuine beneficiary at the time a benefit is collected	Insecure authentication at the point of service	Increasing the level of assurance for transfers (e.g., using multi-factor digital authentication)

Source: Author's elaboration based on Atick (2016a), DFID (2009) and Muralidharan et al. (2016). Note that in the context of NREGS in India, Muralidharan et al. (2016) distinguish between "ghosts" (workers who do not exist), and "quasi-ghosts" (workers who exist but for whom someone is claiming work and payments against their names, unbeknownst to them).

Reducing fraud - examples



India – government estimates may be inflated but savings likely to be in the billions of dollars on social programs and fuel subsidies since Aadhaar was rolled out

Pakistan – analysis of humanitarian relief shows around 380 million dollars of savings due to the NADRA ID system

Thailand – saved between 30-60 million dollars per year on a cash transfer scheme for the poor by vetting eligibility with linked databases

Uganda - saved 7 million dollars per year by eliminating ghost civil servants from the payroll

Reducing administrative costs

2. Expenditures: Reducing Administrative Costs

<i>Pathways</i>	<i>Features</i>				<i>Conditions</i>
a. Reduce staff time and transaction costs	Digitization of foundational system	Unique ID in foundational system	Integration/ Interoperability of various registers	Digital authentication at point of service	<ul style="list-style-type: none"> • Coverage • Robustness • Level of inefficiency
b. Eliminate redundant systems	Digitization of foundational and functional registers	Unique ID in foundational system	Integration/ Interoperability of various registers		<ul style="list-style-type: none"> • Coverage • Robustness • Level of redundancy

Note: Digitization alone is unlikely to have large effects on allowing governments to eliminate or reduce the size of redundant systems. However, it does play a supporting role in facilitating the development of a unique ID which can be integrated into a variety of registers.

Reducing administrative costs: examples

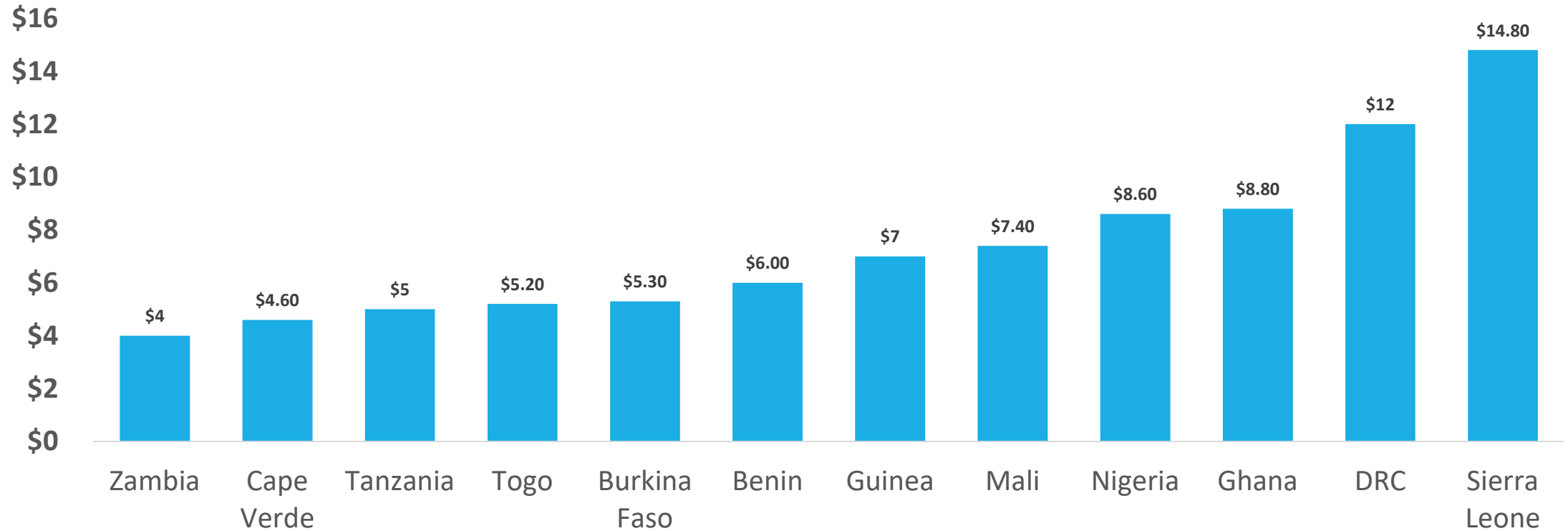


Mexico – hundreds of millions of dollars spent on multiple biometric IDs for various social programs

Malawi – voter ID savings as much as 90 percent of initial costs of setting up the system

South Africa – major reduction in cost of elections partly due to shift to national ID

Estimated cost of African elections in 2015 about US\$1 billion of which as much as half is related to identification



Measuring fiscal savings due to better identification

- Savings from reduced fraud, ghost workers etc. using ID system are recurrent as opposed to one time exercises
- A typical African country spends around 10 percent of GDP on the civil service wage and pension bill and cash transfer programs for the poor
- Recurrent costs of ID systems in steady state range from around 0.03 to 0.08 percent of GDP
- This means that if better identification reduces fraud in only these areas by 3-8 percent, the system will pay for itself

Cost-Benefit Assessment for Zambia's ID system

	Discount rates	3%	8%	12%	18%
Option 2	NPV	3,671	2,242	1,587	1,017
	IRR	544%			
Option 3	NPV	2,883	1,588	1,017	545
	IRR	67%			
Option 4	NPV	1,553	757	433	189
	IRR	38%			

For detailed guidance on how to estimate fiscal savings and revenue impact at the following address:

<http://pubdocs.worldbank.org/en/745871522848339938/PublicSectorSavingsandRevenueIDSystems-Web.pdf>

Thank you for your attention !

