

Targeting of Social Transfers: A review for DFID

Rachel Slater and John Farrington
(with inputs from Marcella Vigneri, Mike Samson, and Shaheen Akter)

ODI
September 2009

FINAL REPORT

Acknowledgments

The authors would like to thank:

Ella Carpenter and Claire Turgis for their contributions to the annotated database on targeted social transfer programmes, and Marcella Vigneri, Mike Samson and Shaheen Akter for their roles in testing the targeting tool.

Staff in statistics offices in Malawi, Bangladesh and Ghana are thanked for providing access to the latest survey data sets. Thanks also go to officers of LEAP in Ghana for their inputs in the process.

Thanks to Katie Fawkner-Corbett, Rahul Malhotra, Catherine Arnold, Sonya Sultan, Joanne Bosworth, Rebecca Calder and Dennis Pain who have helped identify countries where the targeting tool can (or cannot) best support existing policy discussions in targeting and for their comments on earlier drafts.

The analysis and arguments in the report are the responsibility of the authors alone.

Glossary

Annapurna Scheme	Non-contributory pension programme (India)
BBS	Bangladesh Bureau of Statistics
Bolsa familia	Conditional Cash Transfer programme (Brazil)
Bono de Desarrollo Humano	Conditional Cash Transfer programme (Ecuador)
BRAC	Bangladesh Rural Advancement Committee
CBN	Cost of Basic Needs approach to poverty thresholds
CFE	Cash for Education programme (Bangladesh)
CCT	Conditional Cash Transfers
CMP	Child Money Programme (Mongolia)
DFID	UK Department for International Development
EGS	Employment Guarantee Scheme
GDP	Gross Domestic Product
GLSS-5	Ghana Living Standards Survey, Round 5
GSS	Ghana Statistical Service
HIS-2	Integrated Household Survey, Round 2 (Malawi)
HSNP	Hunger Safety Net Programme (Kenya)
Jefes Y Jefas	Cash for Work Programme (Argentina)
MDGs	Millennium Development Goals
MEGS	Maharashtra Employment Guarantee Scheme (India)
MLSGS	Minimum Living Standard Guarantee Scheme (China)
MoF	Ministry of Finance
NFBS	National Family Benefit Scheme (India)
NFFWP	National Food for Work Programme (India)
NGOs	Non-Governmental Organisations
NOAPS	National Old Age Pension Scheme (India)
NREGA	National Rural Employment Guarantee Act (India)
ODA	Overseas Development Assistance
ODI	Overseas Development Institute, London
OVCs	Orphans and Vulnerable Children
Padat karya	employment generation programme (Indonesia)
PPP	Pro-poor policy (index)
Progresa/Oportunidades	Conditional Cash Transfer programme (Mexico)
PSNP	Productive Safety Net Programme (Ethiopia)
Red Solidario	Conditional Cash Transfer programme (El Salvador)
RSPR	World Bank Rapid Social Response Programme
SGRY	Sampoorna Grameen Rozgar Yojana: Additional wage employment scheme (India)
SPG	Squared Poverty Gap
SAF	Social Action Funds
SSA	Sub-Saharan Africa
TORs	Terms of Reference
Trabajar	Public Work Programme (Argentina)
UNICEF	United Nations Children's Fund
Woreda	district (Ethiopia)

Executive Summary

This paper assesses the costs, effectiveness and efficiency of social transfers which aim to reduce material poverty, assessed in terms of e.g. income, expenditure, or food security. Whilst acknowledging the importance of other dimensions of poverty, such as social exclusion, and the contribution that social transfers might make to improvements in these dimensions, these concerns are not central to the paper. The paper differs from earlier studies by focusing specifically on very poor countries where the capacity for implementation is likely to be limited. The commitments to increase social transfers in the UK's Department for International Development (DFID)'s Third White Paper, plus other international commitments to increase social transfers make a study of targeting options for such countries particularly opportune.

Some confusion in earlier studies has resulted from the lack of a clear distinction between whom an intervention is **designed** to reach (termed here, the **eligible**), and those whom it actually reaches when **implemented** (once errors of **inclusion** and **exclusion** are taken into account). Design is concerned with **who** is to be reached and **why**, and includes approaches which rely on poverty assessment, and social categorisation. Implementation is concerned with questions of **how** they are identified and reached, and includes mechanisms for self-targeting, means-testing, proxy means testing and community-based selection. Geographical criteria are widely used in both design and implementation, often in combination with other approaches.

The political context of design is important. For instance, perceptions that the poor must work for the benefits received, that "handouts" must be limited in amount and duration, and that benefits should not "leak" to those who do not need them can combine to influence what is feasible and what is prioritised at the policy level. Ministries of Finance (MoF), in particular, will be concerned with setting public expenditure priorities in ways which obtain the best value for public money. Poverty reduction will be one of their goals, and information on the effectiveness and efficiency of different transfer strategies, including different forms of targeting, will form part of the dataset they need in order to assess what kinds of poverty are best addressed by growth promotion, infrastructure development, social transfers or other aspects of social or economic policy. Whilst political recognition of an overall imperative to reduce the kinds of poverty which can be assessed in financial terms is widespread and important, it may deflect political attention from other dimensions of poverty reduction, such as the empowerment of women, or of socially marginalised groups.

There are major trade-offs among different dimensions of design and implementation. International pressures linked to the Millennium Development Goals (MDGs) have, for instance, been based on reducing the poverty head-count. This is most easily done by focusing resources on those just below the poverty threshold. However, this may reduce the resources available for those in deepest poverty. More people may therefore be lifted out of poverty, and the relevant MDGs more fully achieved, without much reduction in the **depth** of poverty. On the other hand, targeting depth brings its own dilemmas: to focus on the lowest decile of income distribution may give the poorest enough resources to "leapfrog"

the 9th or 8th deciles, especially in situations (prevalent in the poorest countries) where differences in income across the lower deciles are slight.

Of major concern where implementation capacity is limited is what levels of cost and sophistication of design and implementation can be allowed in the quest to include all intended beneficiaries. Approaches relying on means-testing or the use of a poverty threshold are expensive in terms of the need for frequent updating of detailed datasets, and pose complex problems of interpretation for enumerators. By contrast, approaches identifying the poor on geographical criteria or according to social category (such as older people, orphans and vulnerable children, and women-headed households etc) have strong potential appeal to the governments of poor countries, not least because their implementation is low-cost relative to that of means-tested approaches.

However, there are three major questions with these. The first is what proportion of the poor below a particular threshold (e.g. falling within the bottom two deciles) are eligible for each of the types of intervention (such as old-age pensions, widows' allowances etc) within an approach (such as targeting by social category) – this defines the scope of each intervention in relation to poverty reduction; the second is what proportion of the poor are eligible when several of these interventions are combined (e.g. an old age pension, plus a child allowance, plus disability allowance) – this describes the combined scope of the several interventions pursued within an approach; the third is what proportion of those eligible are actually poor – this defines how poverty-focused the approach is. Where one or more approaches are highly poverty focused but have limited scope in relation to the overall numbers in poverty, then the issue for policymakers is whether and how these can be complemented by approaches based on other social categories, or based on altogether different criteria, such as the availability of household labour for public works, so that the overall “patchwork” of measures becomes more comprehensive.

A **targeting tool** developed and piloted by the Overseas Development Institute (ODI) shows how the first and second questions can easily be addressed by reference to standard socio-economic survey data of the kind collected routinely by most governments. The third question requires more specific assessment related to the intervention in question. Although there are variations across the three countries (Bangladesh, Malawi and Ghana) examined, social categories such as female-headed households, the disabled and the over-65s capture only a small proportion of the poor, whereas those such as households containing children capture a higher proportion.

There are three overriding conclusions:

First, the costs and capacity requirements of designing and implementing approaches that rely on the formal means-testing of households or individuals, or embodies significant ‘conditionality’ is likely to be prohibitively costly for many countries in Sub-Saharan Africa (SSA). Approaches that rely on proxy and/or informal assessments (including community-based assessment) may offer an alternative. But social categorical targeting is likely to remain a popular policy option, partly because of the difficulty of means-testing, and partly for other reasons – for instance, the political and community-level acceptability of targeting

specific categories such as older people, more than that of simply targeting the poor, where “we are all poor”.

Second, contexts vary widely across and within countries, so that the patchwork of interventions will and should vary. However, in all cases, a pressing policy concern will be to identify what proportion of the poor have been reached through the patchwork, what the characteristics of those not eligible for the patchwork of measures are, and what complementary interventions are needed.

Third, and especially in relation to poor households having labour available, appropriate policy responses go beyond social transfers and must be couched in two wider sets of questions: first, how can social transfers and support to the productive sectors (which offer opportunities for employment and enterprise to the poor) be designed to complement each other? Second, how can new social transfers, tightly defined in terms of funding, duration and eligibility, be designed to support transitions by the poor into the productive economy – for instance, by supporting migration out of economically depressed areas and into areas of more rapid growth? Do existing social transfers require re-assessment to ensure that they do not provide disincentive to migration of this kind?

Questions of this kind lie beyond the immediate scope of this study. Nevertheless, given that poverty is increasingly associated with fragile states, and with disadvantaged areas within states, these questions will increasingly mould the context in which decisions on social protection in general, and social transfers in particular, will be taken in the future.

Contents

1. Introduction.....	9
2. Definitions and Terminology associated with Targeting.....	13
3. Targeting Choices in the Context of High Poverty Levels.....	19
4. Making the Right Choices: Assessing targeting errors in design and implementation....	21
5. Political Acceptability and Drivers	32
6. Costs, Effectiveness, and Efficiency.....	39
7. Poverty and social impacts: Beyond inclusion and exclusion errors.....	45
8. Conclusions.....	50

Lists of Tables, Boxes and Figures

Table 1: Research Questions/ Approaches Matrix	12
Table 2: Poverty, Income and Overseas Development Assistance (ODA) indicators for selected low and middle-income countries.....	19
Table 3: Details of data sources	24
Table 4: Number and percentage of poor(est) households not eligible and non-poor(est) households eligible under different targeting criteria in Bangladesh.....	25
Table 5: Number and percentage of poor(est) households not eligible and non-poor(est) households eligible under different targeting criteria in Malawi.....	27
Table 6: Targeting errors in a notional programme	28
Box 1: Targeting of Transfers in Developing Countries: Five key messages from Coady <i>et al</i> (2004)	10
Box 2: Universalism and Poverty Targeting	14
Box 3: Targeting Approaches and Mechanisms in Selected Social Transfer Programmes.....	16
Box 4: A Tool for Supporting Targeting Choices	23
Box 5: 'We Are All Poor Here': Economic difference, social divisiveness, and targeting cash transfers in Sub-Saharan Africa	36
Box 6: Affordability of different targeting approaches to reduce poverty among OVCs in Sub-Saharan Africa	44
Box 7: Impacts of different targeting strategies on squared poverty gap (SPG).....	47
Figure 1: Errors of inclusion in selected programmes and countries.....	30
Figure 2: Share of benefits accruing to each quintile, selected safety net programmes, India 2004/5.....	31

1. Introduction

1. In April 2009, the G20 countries committed to providing US\$50 billion to supporting social protection, boosting trade and safeguarding development in low income countries in the context of the global financial crisis. In addition, DFID's White Paper of July 2009 stressed commitments to significantly increase spending on social protection in at least 10 countries in Africa and Asia, double the number of people moved from emergency relief to long term social protection programmes in Africa, and support partnerships between developing countries to share experience of expanding social protection. G20 resources are being made available for social protection for the poorest countries via a range of mechanisms, including (voluntary) contributions to the World Bank's Rapid Social Response Programme (RSRP). Inevitably, questions are arising about what combination of social protection instruments will work best, how programmes can be designed or scaled up quickly, and, above all, how programmes will be targeted.
2. Targeting seeks to ensure that the resources of social transfer programmes are directed only to intended beneficiaries, so as to minimise the coverage of those not intended to be beneficiaries (errors of inclusion) and the non-coverage of intended beneficiaries (errors of exclusion). It is therefore crucial to the efficient use of scarce resources in social transfer programmes. Given concerns about levels of capacity to implement social protection (McCord, 2009), particularly in low-income countries where poverty levels are high, the increased commitments make this a particularly good moment to take stock of current knowledge on the targeting of social transfers.
3. In terms of problem definition – i.e. what aspect(s) of social or economic development do we seek to improve in targeted programmes – the focus of this paper is on the material aspects of poverty, such as low incomes and expenditures, and food insecurity. The authors recognise that poverty has other dimensions, such as social exclusion, and that social transfers may contribute to improvement in these. However, they are not a focus of this report.
4. The aim of this paper is to review the effectiveness and efficiency of a range of alternative targeting approaches for social transfers in low-income and low-capacity contexts. Coady *et al* (2004) remains the seminal work on targeting social protection or social safety nets. The key messages from their work are shown in Box 1. The aim of this paper is not to replicate the analysis developed in Coady *et al* (2004). Rather we seek to build on that work by a) focusing specifically on countries where poverty levels are high – often more than half of the population¹ and b) by combining qualitative and quantitative evidence and analysis to generate lessons on targeting that are useful to the designers and implementers of social transfers in poor countries.

¹ It should be noted in this regard that many of the examples of successful targeting come from middle income countries such as Argentina, Brazil and Mexico.

Box 1: Targeting of transfers in developing countries: Five key messages from Coady *et al* (2004)

Targeting can work... Across all programs for which we could obtain information on targeting performance, we find that the median program provides approximately 25% more resources to the poor than would random allocations. The best programs were able to concentrate a high level of resources on poor individuals and households. Argentina's Trabajar public works program, the best program in this regard, was able to transfer 80 percent of program benefits to the poorest quintile. The best 10 performers deliver to the poor two to four times the share of benefits that they would get with random allocations. Progressive allocations were possible in all country settings, in countries at markedly different income levels, and in most types of programs.

...but it doesn't always. The state of the art as practised around the world is highly variable. While median performance was good, in approximately 25 percent of cases targeting was regressive so that a random allocation of resources would have provided a greater share of benefits to the poor. For every method considered, except targeting based on a work requirement, there was at least one example of a regressive program.

There is no clearly preferred method for all types of programs or all country contexts. In our sample of programs, 80 percent of the variability in targeting performance was due to differences within targeting methods and only 20 percent was due to differences across methods.

A weak ranking of outcomes achieved by different mechanisms was possible. Interventions that use means testing, geographic targeting, and self-selection based on a work requirement are all associated with an increased share of benefits going to the bottom two quintiles relative to targeting that uses self-selection based on consumption. Proxy means testing, community-based selection of individuals, and demographic targeting to children show good results on average, but with considerable variation. Demographic targeting to older people, community bidding, and self-selection based on consumption show limited potential for good targeting. This ranking cannot be taken as a blanket preference for one method over another. It does not consider cost or feasibility constraints. Furthermore, regression results should be considered as showing correlations rather than causal relations because targeting methods are themselves choices.

Implementation matters tremendously to outcomes. Some of the variability was explainable by country context. Targeting performance improved with country income levels (the proxy for implementation capacity), the extent to which governments are held accountable for their actions, and the degree of inequality. Generally, using more targeting methods in a given context produced better targeting. Unobserved factors, however, explained much of the difference in targeting success. Significant potential remains for improvements in the design and implementation of targeting methods. If programs with poor targeting success were brought up to median, the mean performance indicator would rise from 1.38 to 1.55

Source: Coady *et al* (2004:2-3)

5. We begin this report by defining a set of key terms and set the context by exploring the different circumstances in which targeting is commonly pursued, paying particular attention to countries with high levels of poverty. In many cases, countries with high levels of poverty also face combinations of other problems – many are fragile states, and/or highly susceptible to climate change, heavily dependent on aid, or prone to conflict within or between their borders. Differences between contexts suggest the need for case-by-case or country-by-country decisions regarding

appropriate, effective and efficient targeting, and one recurrent question throughout this paper is how far any of the findings are likely to be generalisable across contexts.

6. In the subsequent sections of the report we review evidence on four main targeting issues in order to answer the questions in the terms of reference for this work (see Table 1). The core analysis begins with a discussion of the errors associated with targeting that preoccupy many policy-makers and academics. Building on the notion of a targeting tool, we propose (i) a separation between errors that arise during implementation and those that are the result of design and limit the eligibility of households. We then explore (ii) the role of politics in driving targeting choices and how far different targeting can support or undermine the social contract between state and citizens. Next (iii) we unpick the evidence on the cost-effectiveness of targeting, highlighting the potential trade-offs between targeting and financial cost, and noting the importance of other social and political costs. In the penultimate section of the report we (iv) synthesise evidence on the poverty and social impacts of targeting, before drawing out two simple conclusions and suggesting what the implications of these conclusions are, and what they mean for next steps for those working on, designing and implementing social transfers.
7. Before moving to assess evidence on targeting, it is important to establish definitions for the set of approaches and actions that encompass 'targeting' and briefly describe the basic typology of targeting that has guided the research on which this report is based.

Table 1: Research Questions / Approaches Matrix

	1: Qualitative	2: Quantitative
<i>Choices and context</i>	The rationale for targeted or untargeted transfers; the key social and political indicators required to make decisions about whether and how to target; Targeting contexts and challenges – fragile state, different risks (e.g. climate change, drought, disaster, conflict, high/low HIV/AIDS prevalence);	The rationale for targeted or untargeted transfers; the key financial / income / survey data indicators required to make decisions about whether and how to target; Types and combinations of targeting mechanisms
<i>Political Acceptability and Drivers</i>	What are the key political economy issues that drove policy choices around different types of targeted or untargeted mechanisms? Which mechanisms attract the greatest political support and why? To what extent did the political objectives attached to social transfer programmes affect the choice of targeting mechanisms? How does this decision making process relate to issues around the social contract between state and citizen, to citizenship and to rights-based agendas?	Trade-offs between cost-effectiveness / leakage and coverage – calculations of size and costs of inclusion and exclusion errors under different targeting mechanisms.
<i>Cost Effectiveness</i>	Were financial cost savings from different targeting mechanisms worth the other costs (stigmatisation and social discrimination, and political costs)?	Evidence on costs (financial, administration, incentive effects, private costs borne by beneficiaries e.g. opportunity costs) associated with each targeting mechanism? Were financial cost savings from different targeting mechanisms worth the ongoing effort particularly where poverty, risk exposure and insecurity are generalised in the population?
<i>Implementation Issues</i>	What are the sources of inclusion and exclusion errors for different targeting mechanisms? How viable is it to scale up targeting mechanisms being used in small scale schemes? Roles of government, communities, civil society organisations, (including media) and private sector in different targeting mechanisms.	How high/ significant are the inclusion and exclusion errors for different targeting mechanisms in different contexts? What are the costs of verification, retesting and detailed monitoring? What are the preferred monitoring and evaluation indicators for measuring targeting performance? What are the minimum capacity requirements – human resources, infrastructure, statistical data, public information etc? What lessons exist around a) the sequencing of different targeting mechanisms and b) extension of targeting eligibility criteria for different social groups? (e.g. by age)
<i>Poverty and Social Impact</i>	What evidence exists on benefits (including on poverty reduction, growth, social cohesion, reaching the most vulnerable and excluded households and individuals, strengthening the social contract) associated with each targeting mechanism? What evidence exists as to the gender effects of various targeting mechanisms? Which instruments have the greatest empowerment benefits and stigmatisation costs?	What instruments have had the greatest impacts on income inequality?

2. Definitions and Terminology associated with Targeting

8. A plethora of terms are used by different analysts, policy-makers and programmers, making comparative analysis of targeting difficult and leading to confusion in policy dialogues on effective and appropriate targeting. In this paper we used the following definition: Targeting is a tool that is meant to concentrate the benefits of transfer programmes to the poorest segments of the population. All targeting mechanisms have the same objective: to correctly identify which households are poor and which are not (Manasan and Cuenca, 2007). There are two particular features of this definition which are important. First, targeting focuses on poverty reduction. Whilst this may seem obvious, as we will see in the section on politics, it is often the case that targeting decisions are based on factors other than poverty. Second, by introducing the notion of targeting mechanisms, the definition reflects the idea that there is a difference between what targeting is and how it is done.
9. These points are crucial and throughout this paper we will distinguish between targeting approaches on the one hand and targeting mechanisms on the other. Frequently, these two concepts are confused in the literature and in policy debates and decision-making. The former is about who we decide to target and why, i.e. the policy decision and criteria therein regarding which people should or should not receive a particular benefit – in this case social transfers. The latter is about how we identify and reach them, i.e. the actions that enable targeted people or groups to be identified and enlisted onto a social transfer programme.²
10. Without this type of differentiation it is impossible to identify whether failures in social transfer programmes are design failures or implementation failures. Targeting approaches can be well-designed successful but targeting fails because it is poorly implemented. When targeting approaches are inappropriate or poorly conceived, targeting is likely to fail, no matter how thorough the implementation is. Two measures are helpful here: Targeting effectiveness is a measure of how far targeting approaches and mechanisms succeed in making transfers to intended beneficiaries. Targeting efficiency combines effectiveness with a measure of the costs of implementation. Two different mechanisms, for instance, can achieve the same level of effectiveness, but at widely differing cost. There can also be trade-offs between effectiveness and efficiency, for example when improved effectiveness comes only at a very high costs.
11. It is important to note the presence of an interest group that challenges the practice of targeting and, in particular, the explicit focus on poverty that has been used in the definition above. Grosh *et al* (2008) have found it useful to characterise this group as ‘universalists’ (Box 2). Universal programmes remain rare in the poorest countries, and the Terms of Reference (TORs) that guide this work suggest an approach to

² In other studies on targeting, this distinction is drawn slightly differently. For example, Watkins (2008) differentiates between levels (region, district, community, household, individual), and then between i) administrative targeting ii) community-based targeting and iii) self-targeting.

targeting that focuses on poverty. We will, however, assess whether there are circumstances where capacity and fiscal space are limited and where, therefore, the social categories that are frequently prescribed in ‘universal’ programmes (older people, child, disabled people), represent a ‘second best’ targeting mechanism given local circumstances and constraints.

Box 2: Universalism and poverty targeting

There are hugely divergent views on targeting across governments, academics, Non-governmental organisations (NGOs), donors and civil society. The two main positions are polarised: some promote targeting based on poverty indicators and believe that it is possible to identify and reach the poorest people, and others, universalists, argue that all citizens within a particular category should receive the same benefits.

Those who promote targeting argue that universal benefits are neither progressive nor affordable – especially in countries where poverty levels are highest. They suggest that poverty targeting is progressive because the share of benefits reaching the poor is greater than an allocation shared across the whole population.

Universalists argue that poverty is multi-dimensional, i.e. it is about more than addressing income poverty. Universal benefits will promote social unity which in itself is a major justification for governments to commit scarce financial resources to social transfers for all.

Both groups recognise the flaws in current targeting practice but have different views of the solutions to these problems.

12. We will focus on three main targeting approaches – poverty, social categorical and geographical; and on a number of targeting mechanisms - community-based, proxy indicators, means-testing, self-targeting and geographical³. Although we will focus on this list, in the report we will refer to additional targeting approaches and targeting mechanisms as appropriate. In practice, targeting usually involves numerous layers of different approaches and mechanisms. Examples from existing social transfer programmes are shown in Box 3 but in general they can be described as follows:
13. Targeting approaches associated with poverty generally focus on households, and use criteria of (low) income, expenditure, consumption and assets; whilst social categorical targeting focuses on whether individuals belong to a specific social or demographic group (older people, disabled people, women, children, disadvantaged tribal or ethnic groups, etc). Typically, poverty targeting involves criteria that are continuous variables whilst social categorical involves more easily observable dichotomous indicators (i.e. people are either part of a social category – young, old, male, female, etc – or they are not). Geographical targeting selects different districts or villages or regions – often on the basis of poverty data where poverty is known to be chronic, or on the basis of other criteria (such as proneness to earthquakes,

³ Geographical targeting can be both an approach and a mechanism – governments may for instance want to provide support to those who do not have enough agricultural work, but only within certain districts, and reaches them via the relevant district administrations.

flooding etc where natural disasters are common and poverty may be more transitory.

Box 3: Targeting approaches and mechanisms in selected social transfer programmes

Ethiopia's Productive Safety Net Programme (PSNP) has a number of different targeting layers. The approach is based on poverty – and the primary target group is those who have a food gap of three months or more. However, the first step in targeting is the differentiation of food secure and food insecure regions, then woredas (districts) and then villages and sub-villages. A community targeting committee is asked to rank the poorest households in the sub-village on the basis of knowledge about household food gaps. There is some use of proxy indicators to guide this ranking. Categorical targeting (to identify older people, infirm and pregnant women) is used to differentiate between households who must complete public works activities in order to gain their entitlement and those who receive transfers without a work requirement. Food insecure households in food secure woredas are excluded. The setting of wage rates under public works is below prevailing agricultural wage rates, indicating some use of self-targeting.

Lesotho's non-contributory pension scheme is based on a social categorical approach – it is paid only to those over 70 years of age. It began in 2004 with the objective of reducing poverty among older people though there is no means testing to identify (and deselect) older people who are better-off. The programme / targeting choice is based on concerns about the growing number of children affected by HIV and AIDS orphans in Lesotho who are supported by grandparents and other older relatives or neighbours.

Mexico's Conditional Cash Transfer began in 1997 as *Progresa* and was subsequently renamed *Oportunidades*. It was initially focused only on rural areas but the change in name incorporated a shift to include urban areas. The conditions are focused on building human development outcomes and include attendance at clinics and enrolment and attendance at school. Targeting combines geographical, poverty and social criteria. Small rural communities are identified on the basis of marginality: i.e. limited access to / utilisation of education and health infrastructure. Given the conditions, targeting is also categorical – it focuses on families with children aged 7-14. A combination of community-based and proxy means testing mechanisms are then used: the poorest households are identified based on socio-economic data from census gathering and then a community feedback mechanism is used to re-classify households.

Bolsa Familia in Brazil is the consolidation of a number of anti-poverty and food security programmes. As a result it has numerous objectives: it aims both to reduce hunger, poverty and inequality through a cash transfer conditional on guaranteed access to education, health and nutrition services; and to reduce social exclusion by facilitating the empowerment of poor and vulnerable households. It is a combination of means-tested and categorical targeting: those eligible are households with children up to 15 yrs and / or pregnant women who, based on an unverified means test, have a per capita income of between R\$60-120, in order to receive additional benefits, income below R\$60 (approx US\$33) or a quarter of the minimum wage. This is a highly institutionalised targeting system compared to poorer countries: targeting policy is defined at the federal level, monitoring and implementation at the state and municipal level, including verification of conditionalities. Beneficiary identification takes place through means testing by municipal social workers who complete federal forms.

Source: Veras Soares, F *et al* (2007); International Poverty Centre (2007); Sharp *et al* (2006); Farrington *et al* (2007b); Devereux *et al* (2005); Pelham (2007); Coady and Parker (2002); Skoufias and McClafferty (2001); and Adato *et al* (2000)

14. Self-targeting can be designed in ways advantageous to the poor. For example, when combined with geographical targeting, such as locating subsidised food shops in low-income areas so that richer households would have to expend more time (and cost) travelling to buy cheap food than poor households, it can be a simple mechanism to reach poorer households. But where households have to queue for long periods to access cheap food, then questions of stigma and social justice arise.
15. The trade-off between self-targeting and undermining dignity will be discussed in Section 5, where cost-effectiveness issues are analysed in the context of stigma and social cohesion, and the objectives of social justice and rights.
16. Some approaches are frequently associated with particular mechanisms – for example income poverty with means-testing. Other associations are common but should be treated with caution: For example, it is important to note the difference between the use of social categories, such as older people or children, as proxies indicating poverty and vulnerability, and the mechanisms often associated with these categories (e.g. old-age pensions and child welfare grants). The two have different objectives (the former relates to social justice / long-term social security throughout individual lifecycles, whilst the latter is a functional mechanism for achieving a different objective – usually household poverty reduction). For example, when women-headed households are targeted in cash transfer programmes it is usually because being female is proved or assumed to be a good proxy for poverty and vulnerability. Such transfers can also contribute to the transformation of gender power relations but this is generally of secondary concern to social transfer programmes.
17. Community-based mechanisms are those implemented by elected or imposed committees at the local level, though it is rare in community-based targeting for communities or committees to identify policy (political) priorities and criteria themselves. Conning and Kevane (2001) capture the difference between using community-based targeting as an approach and a mechanism when they argue that ‘in many instances the best community-based targeting schemes will be hybrid mechanisms where the center defines and monitors targeting categories, rather than unconditional devolution to community groups with little basis for evaluation or control’ (p. 3). Thus, they argue, there is a difference between delegating and devolving the targeting process. Means-testing is a mechanism by which the criteria for inclusion in social transfer programmes are measured to establish eligibility. Where an easily identifiable variable (age, sex, state of housing, distance from school – sometimes called a ‘tag’) is either proved or assumed to correlate with poverty, then these variables are used to indicate poverty without the need for means-testing.
18. Specificities of programme design can enable ‘self-targeting’. In Indonesia, for example, the Padat karya employment creation programme (covering 12.7 million person-days and a US\$207 million budget) introduced following the 1998 crisis had no explicit eligibility criteria, but included implicit self-targeting as the wage rate was set lower than the prevailing local wage rate (Sumarto, 2005). Self-targeting can also

involve transfers of inferior goods which only the poorest will consume, for example yellow maize (which is viewed as animal food – white maize is seen as far superior) in SSA; or broken rice in South Asia.

3. Targeting Choices in the Context of High Poverty Levels

19. Whilst there is a wealth of (often contradictory) evidence on targeting in social assistance programmes globally, the focus of this paper is on low income countries where the choices available to policy makers and programme implementers are more limited. Decision-making about targeting in this constrained environment is difficult.
20. The need for social transfers in the poorest countries is acute. Countries in SSA in particular are characterised by high poverty headcounts and large poverty gaps, but governments have limited funds to pay for social transfers. Donors and NGOs remain reluctant to support long-term recurrent budget items so their funding of social transfers rarely extends beyond five years. Table 2 shows poverty and gross domestic product (GDP) indicators for a range of countries with targeted social transfer programmes that are analysed in this paper. This clearly demonstrates these key differences between middle-income countries – for which there is lots of evidence on the efficacy of different targeting approaches and mechanisms – and low income countries, for which there is far less experience or good practice to draw on.

Table 2: Poverty, income and overseas development assistance (ODA) indicators for selected low and middle-income countries

Country	Proportion of population below \$1/day	PPP GBI/capita (US\$)	ODA/capita (US\$)
Zambia	63.7	890	122
Malawi	41.7	620	49
Mozambique	37.9	1,169	77
Ethiopia	23	810	25
Ecuador	17.7	3,690	14
South Africa	10.7	3,630	15
Mexico	9.9	9,590	2
Brazil	8.2	8,020	0
Argentina	3.3	12,460	3

Source: World Development Reports (2006, 2009)

21. The most common targeting choices that low income countries face are constrained by both financial and technical capacity. Resources for social transfer programmes are limited and compete with other public expenditure requirements. There is an underlying trade-off between maximising coverage across a population where poverty is generalised, and providing social transfers at a meaningful level – i.e. a level at which they can have a real impact on the welfare of targeted individuals and households. This has significant implications for targeting.

22. Whilst poverty levels are high, poverty (and therefore the demand for social transfers) can be both chronic or episodic. Some people will require transfers throughout their lives (e.g. disabled people who are unable to work and live in poor households); others require support at certain times during their lifecycles (the young, older people). A very large number of households require ex post support in the face of shocks (for example unpredicted weather-based events such as droughts or floods) whilst the needs of others are predictable as they are based on seasonal cycles (for example those who experience annual food gaps in the hunger months leading to harvest time). Responding to cyclical or seasonal needs presents different challenges to targeting, and these needs are much more common in the poorest countries (especially in SSA and South Asia) where poor households are often more dependent on unreliably rainfed agriculture than in middle income countries. Other effects, such as climate change, conflict and pandemics such as HIV and AIDS impact disproportionately more on poor households and raise another set of targeting challenges⁴.
23. The contexts of targeting choices may change: some programmes represent a conceptual shift from providing ad hoc relief to poor people with specific constraints, to more regular entitlements on a multi-annual basis. Examples include Ethiopia's PSNP and China's Minimum Living Standards programme (MLSGS). Others attempt to mitigate macro-level economic change. In many parts of the world, social safety nets were initially introduced to alleviate some of the worst impacts of structural adjustment on poor people, particular through Social Action Funds (SAFs). In middle income countries, recent macro-economic restructuring has been accompanied by targeted social transfers, for example in Ecuador, Indonesia and Iraq compensation was paid to poor households when fuel subsidies were reduced. These programmes sought to achieve broad coverage (in order to maintain political stability) but this may present a significant barrier for low income countries where such broad coverage is likely to be unaffordable. Where corruption has been a problem, replacement programmes tend to be more stringent in applying proxies or means-testing.
24. Negotiating through difficult decisions about targeting choices in these challenging contexts requires two key sets of indicators. The first are those that will enable policy makers and programme implementers to understand the fiscal implications of different targeting approaches within a range of different budget parameters, and to quantify the potential trade-offs between coverage and levels of transfers to individuals. However, financial and poverty indicators are not sufficient. As the next section will show, decisions about targeting are often as much about public acceptability, ideology and political economy considerations as they are about economic logic, so a range of social and political indicators are also required. These will be discussed in the next section.

⁴ Although beyond the scope of this paper, it is worth noting the distinction that has been made between the *protecting* and *promoting* roles that social transfers can play in relation to livelihoods (see Farrington *et al*, 2007a)

4. Making the Right Choices: Assessing targeting errors in design and implementation

25. Policymakers rarely have good access to evidence on what targeting approaches have worked well elsewhere, and under what conditions. In addition, adequate data on the nature and distribution of poverty are rarely available. Unsurprisingly, therefore, targeting is always an imperfect process and errors occur in both the design process and during implementation. During the targeting design process, when choices about targeting approaches are made, policy-makers may make decisions about how far geographical or social categorical targeting is likely to reach poor / poorest households. Or they may decide in favour of a means-tested approach, which is likely to be more complex to implement. Whatever the approach, during implementation, there is the possibility that people who should not be in the programme are included, and people who should be in the programme are not included. Reviews of experiences with targeting rarely distinguish clearly enough between the factors related to design and those related to implementation, so that debates between, for example, those who advocate that all within a particular social category (the “universalists”) should benefit, versus those arguing that some form of means testing should always be applied (either independently, or superimposed on social or geographical categories) are often at cross purposes (see Box 2). In what follows, this distinction is essential to our assessment of targeting effectiveness.
26. A note about language is important here: We have already stressed that it is important to differentiate between sub-optimal outcomes that happen because policy-makers make poor choices about targeting approaches, and sub-optimal outcomes that result from errors that happen during implementation. Frequently, the terms inclusion and exclusion errors are used to refer to both situations. We do not think it is helpful to use these terms in a blanket way across both design and implementation issues. We also think that it is not helpful to criticise programmes for not reaching the poorest households if a) that is not their only, or main aim and b) they explicitly aim to reach a particular social group (e.g. older people, via pensions). But it is useful to assess the implications for poverty of social categorical targeting approaches and to quantify the potential trade-offs between different objectives. For this reason we introduce and use the terms inclusion and exclusion errors with reference only to targeting implementation, whilst in the next section on targeting approaches, we refer instead to eligibility, i.e. we assess how far different targeting approaches or criteria result in the poor not being eligible, and the non-poor being eligible.

Targeting design errors

27. If social transfers are to achieve their objectives, getting the targeting approach right is crucial. Where reducing income poverty and enabling households to meet their basic needs is the main objective, it follows that the targeting approach used should

be that which has the greatest impact on poverty, within a given resource budget. Where other objectives are also important – for example addressing the exclusion of social groups – female-headed households, orphans and vulnerable children, or scheduled tribes in India, it follows that a different approach may be required that can capture these wider objectives.

28. A principal challenge in making good choices about an income poverty targeting approach is the lack of data available about the characteristics of the poorest households and how these differ from other households across the poverty and vulnerability distribution. There are many examples where targeting decisions are based on assumptions or dubious evidence about the characteristics of poor households.
29. For example, in southern and eastern Africa, there is a frequent assumption that the extent to which households are labour-constrained will allow the poorest – in particular, the bottom 10% of the income-distribution profile – to be identified. (see especially Schubert 2009, Schubert and Huijbrechts 2006). This, in turn, prompts targeting approaches that focus on the most labour-constrained households, such as those where older people are caring for orphans and vulnerable children (OVCs). This is a central plank of, for instance, the United Nations Children’s Fund (UNICEF’s) strategy in the region.
30. Evidence from Ethiopia, Malawi, and Zambia, has led Ellis (2008) to challenge the assumption that the extent of labour constraint is a good proxy indicator for poverty (Box 6). Others are dependency ratios, age (either old or young), sex of household head, and disability, so that reliance on a single proxy in the design of targeting approaches across different contexts is unwise.
31. ODI has developed and trialled a tool that aims to help policy-makers choose the optimal targeting approach where the central objective is to reduce poverty. It is worth recalling in this context the difference between breadth and depth of poverty. For instance, households with disabled people may be very poor, but there are likely to be few of them. Where the objective is to reduce the depth of poverty, policies might therefore focus on categories such as these. Where it is to raise large numbers of people or households above a poverty line (or to improve the poverty ‘headcount’ ratio) – as the MDGs require – then a different strategy may be required which places less attention on depth of poverty and more on the numbers to be covered. The tool has been trialed in Bangladesh, Ghana and Malawi. In the remainder of this section, we report on the evidence emerging from the tool, and from other evidence including similar modelling by Stewart and Handa (2008). The details, and limitations, of the ODI method are shown in Box 4.

Box 4: A tool for supporting targeting choices

The objective of the tool developed and tested by ODI is to provide a spreadsheet-based template for use by managers and administrators working on social protection policies and programmes that enables them simply, and without resorting to complex statistics or econometric modeling, to understand how well different proxy indicators correlate with poverty. For instance, what proportion of the poor (as measured by e.g. income poverty thresholds) is captured in a programme designed purely to reach categories such as women-headed households, or households containing children under 5 years? If such categories correlate only weakly with poverty, or if they contain only small numbers of the poor, then this information could underpin changes in approach to poverty targeting.

The ODI trials aimed to:

- Illustrate how far household level datasets that are collected periodically on a national scale by government statistical bureaus can be used in the design of social transfer programmes;
- Show the implications of using different poverty indicators to identify the poor or poorest households where these are the target group of social protection programmes; and
- Suggest how evidence of poor households not being eligible for benefits under different targeting approaches, or non-poor households being deemed eligible, can better inform policy makers on how best to tackle trade-offs associated with different targeting approaches

Information about the data used is provided in Table 4. All the poverty lines used in each country are calculated on a household basis, so we give the number and percentage of households below each poverty line rather than the percentage of individuals below each line. Beyond technical limitations associated with comparative data analysis such as different measures of welfare and poverty across the three countries and different definitions of social categories ('school age', 'old', 'disabled'), the analytical potential of the tool has limitations:

- 1) ODI was asked to focus on the poorest countries and, in consultation with DFID country offices and on the basis of the availability of strong, accessible national survey datasets, Bangladesh, Ghana and Malawi were selected. The limitation with this approach is that in all these countries there are many small social transfer programmes that employ many different targeting approaches. This means that it is only possible to use the tool to support decisions about targeting **approaches**, and not to support decisions about targeting **mechanisms**, nor to understand the potential trade-off between expensive but accurate targeting on the one hand, and cheap but less accurate targeting on the other.
- 2) A tool that could achieve wider objectives could only be developed in countries that have a very small number of much larger programmes, and some uniformity of targeting mechanisms. It is not possible to find this situation in low income countries.
- 3) Whilst the calculations are based on the assumption that there is no fixed budget *allocated* to social transfers, in most low income countries there are likely to be budget constraints, so the tool might be upgraded to make calculations in the context of specific budget parameters.
- 4) The second key limitation is that the tool inevitably focuses on one narrow objective – namely reducing income poverty – and cannot help policy makers to weigh up targeting choices where there are wider programme objectives.

Table 3: Details of data sources

Country	Data Source	Date	Sample Size
Bangladesh	Household income and Expenditure Survey	2005	10,800 households
Ghana	Ghana Living Standards Survey 5 (GLSS5)	2005/06	8,687 households
Malawi	Integrated Household Survey 2 (HIS-2)	2004/5	11,280 households

32. Overall, the findings from trials in Bangladesh, Ghana and Malawi are as follows:
33. In Bangladesh, errors resulting from design were calculated for four different poverty thresholds – the upper and lower Cost of Basic Needs (CBN) poverty lines for 2005 (BBS, 2006), and the bottom decile and quintile. At each of the four poverty lines, the number of households who would be included assuming perfect poverty targeting is as follows: upper CBN 10.78 million households (this is around 38% of households); lower CBN 6.61 million households (about 23% of households); bottom decile 2.86 million households; and bottom quintile 5.73 million households. Drawing on various Government of Bangladesh reports, Table 5 shows the numbers of poor households that would be included in programmes and the number of non-poor households that would be excluded from programmes under four different targeting proxies – household contains someone over 60 years, household is female-headed, household contains a disabled person, household contains child(ren) under five years. The table shows that different social categorical approaches are more or less appropriate if programmes seek to reach poor people. Disability and female headed categories perform the worst, with more than 90% of poor or poorest households being left out of the programme if disability or female headed household are used as criteria for selection. Old age (sixty years and above) fares slightly better but still leaves more than 75% of poor(est) households out of programmes if used as a criterion for selection. The best criterion is households containing child (ren) less than five years where around 40% of poor(est) households will not be eligible.

Table 4: Number and percentage of poor(est) households not eligible and non-poor(est) households eligible under different targeting criteria in Bangladesh

Selected household characteristic / targeting proxy indicator	Upper CBN poverty			Lower CBN poverty			Poorest 10%			Poorest 20%		
	No of poor households not eligible*	Percentage of poor households not eligible	Non-poor households eligible	No of Poor households not eligible	Percentage of poor households not eligible	Non-poor households ineligible	No of Poorest households not eligible	Percentage of poorest households e not eligible	Other eligible	No of Poorest households not eligible	Percentage of poorest households not eligible	Other eligible
Old age 60+	8.11	75%	5.20	5.03	76%	6.28	2.20	77%	7.21	4.39	77%	6.53
Female headed hhs	9.86	91%	2.03	6.01	91%	2.35	2.57	90%	2.66	5.20	91%	2.43
Disabled	10.17	94%	0.65	6.23	94%	0.88	2.69	94%	1.09	5.39	94%	0.93
Children U5	4.50	42%	6.37	2.45	38%	8.49	0.96	37%	10.75	2.17	38%	9.09

Note * Numbers are given in millions of households

34. In Ghana, four poverty thresholds were assessed. The first two of these were based on a variable from the Ghana Statistical Service (GSS) defined as ‘welfare’. From this variable lower and upper poverty lines are calculated, household equivalency accounted for (by adjusting for age and gender composition of households), and deflated according to time and regional-specific cost of living indices. The upper poverty line represents approximately US\$1 / day. A wider range of indicators are assessed as potential proxies for targeting poverty. The results for each poverty line are shown in Tables 1, 2, 3 and 4 in Annex 2.
35. Analysis using the GLSS5’s upper poverty line show that, if households with an unvaccinated individual is taken as the criterion, then approximately half (50.18%) are above the poverty line and would be incorrectly included. This is greater where the criterion is households with a thatched roof (60.85%). The lowest rates of poor households not deemed eligible are for households with no flush toilet (0.73%), no indoor piping (3.12%), and no health insurance (5.15%), but this is in large part because well over 80% of all households satisfy these proxies. Households containing a disabled person or an unvaccinated person have fairly low rates of deeming non-poor households eligible (63.31% and 50.18%), but because only 0.71% of households have a disabled person and 1.28% have an unvaccinated person, a very high proportion of the poor are excluded by these proxies. Other proxies have relatively low rates of both non-poor eligible and poor non-eligible. These include households with mud walls (69.88% and 21.02% respectively), households whose heads have primary school or less than primary school education level (69.72% and 28.84% respectively), or households with children under age 18 (74.84% and 9.44% respectively).

36. With the lower poverty line, 11.28% of the population is defined as poor. Because fewer people are defined as poor, the proportion of non-poor households that would be eligible is generally higher, but the proxies with the lowest rates of non-poor inclusion are the same: households with an unvaccinated individual (68.26%), followed by households with a thatched roof (73.31%). Proportions of poor households that would not be eligible are higher, while others are lower, but again the same three variables have the lowest error rates: households with no flush toilet (0.46%), no indoor piping (2.80%), and no health insurance (3.91%).
37. Analysis of using the bottom decile and bottom quintile of per capita expenditure includes all households with a per capita annual expenditure of less than 654,224.1 cedis and 924,857.5 cedis, respectively. By definition, 10% of all households are poor using the bottom decile poverty line, and 20% are poor using the bottom quintile poverty line. Because these poverty thresholds differ only slightly from the survey's poverty lines of 700,000 and 900,000 cedis, these two tables do not yield results significantly different from those in Tables 1 and 2. However, they may be useful for making cross-country comparisons of the extent to which poor and non-poor households would be deemed eligible for receipt of social transfers.
38. In Malawi, four poverty thresholds were also used: a poverty line, below which households are designated poor, an ultra-poverty line and the bottom decile and quintile. In Malawi, four social categories were assessed as potential criteria for identifying poor households. Table 6 reviews the findings. (Note that the number of households is the number of households in the survey and the results are not extrapolated up to the total number of households in the country).

Table 5: Number and percentage of poor(est) households not eligible and non-poor(est) households eligible under different targeting criteria in Malawi

Selected household characteristic / targeting proxy indicator	Poverty line				Poorest 10%				Poorest 20%			
	No of poor households not eligible*	Percentage of poor households not eligible	Non-poor households eligible	Percentage of non-poor households eligible	No of Poorest households not eligible	Percentage of poorest households not eligible	Other eligible	Percentage of non-poor households eligible	No of Poorest households not eligible	Percentage of poorest households not eligible	Other eligible	Percentage of non-poor households eligible
Aged 65 or above	4329	87%	727	54%	709	88%	1,255	93%	1457	88%	1,148	85%
Female headed hh	3716	75%	1344	52%	572	71%	2348	91%	1225	74%	2146	83%
Disabled	4848	98%	106	50%	792	98%	198	93%	1629	98%	180	85%
Children under18	222	4%	4,677	50%	28	1%	8611	92%	8	2%	7,776	83%

Note * Numbers are given in thousands of households

39. As in Bangladesh, the disability and 65+ criteria perform worst, with over 87% of poor not eligible and over 50% of non-poor included. Whilst the proportion of poor not eligible remains similar regardless of which poverty threshold is considered, the proportion of non-poor households eligible rises rapidly as the 10% and 20% cut-offs are taken instead of the standard poverty line.
40. The criterion of households containing children under 18 years performs best, with under 4% of the poor not eligible, and around 50% of non-poor households eligible (rising to 83% and 92% as the threshold is moved to the bottom 10% and 20% cutoffs).
41. Overall, the evidence from these countries raises three major challenges for making choices about targeting approaches (and, by extension, targeting mechanisms).
42. First, the trade-off between different objectives (poverty reduction and / or social justice and / or social inclusion, etc) is made very clear in the analysis of the three countries and comparing the findings between the countries is useful in helping policy-makers decide how serious the trade-off is in any given situation.
43. Secondly, although the debate between advocates of poverty targeting on the one hand and universalism on the other is principally about targeting approaches (as defined in this paper), the evidence from Ghana suggests that the range of social categorical indicators around which the debate normally centres is very narrow, and

that to take a wider range of proxies related to assets and living conditions is potentially illuminating.

44. Thirdly, and finally, the capacity of the tool to answer questions about how many poor people will be missed out of a programme if it targets on; for instance, an age criterion makes it useful to policy makers and programme designers. But the tool alone, focusing as it does only on eligibility and poverty, is only one of a number of steps towards better choices about targeting approaches. We need better frameworks for integrating this type of information generated by standard government surveys with a) information on the costs and capacity requirements associated with each approach and b) an improved understanding of how public attitudes and political economy issues influence the decision-making process.

Targeting implementation errors

At the implementation level, there are two main errors associated with targeting: inclusion and exclusion errors. Inclusion errors occur when people who should not be programme beneficiaries receive benefits. This is also known as leakage (i.e. programme benefits leak to those who are not eligible). Exclusion errors occur when people who should be enrolled in a programme are not. This is also known as undercoverage (i.e. the programme does not reach those that it should under the agreed targeting criteria). An example from Grosh *et al* (2008) is given in Box 5. The table shows how, out of 100 households, 20 are classified as poor (eligible) based on the poverty line (eligibility threshold). In the programme, benefits are distributed to 20 households but the targeting criteria are imperfect and result in errors. Of the 20 households in the programme, only 15 have incomes below the poverty line and the other 5 are not poor. Five households that should be in the programme are excluded.

Table 6: Targeting errors in a notional programme

Households	Poor	Non-poor	Total
Included in programme	15	5	20
Not included in programme	5	75	80
Total	20	80	100

(Source: Grosh *et al* (2008))

45. So what does evidence of targeting in low income countries tell us about which targeting mechanisms result in the greatest and smallest errors of inclusion and exclusion? The latest evidence from the World Bank shows that there is a lot of variation between countries and between programmes within countries, but the focus is mainly on middle-income countries. For example, Figure 1 shows errors of inclusion in selected programmes and countries, whilst Figure 2 demonstrates variation in targeting performance among different programmes within one country (India). Here, the National Old Age Pension (NOAPS), which is both age- and means-tested, caters mainly for the poor, as does the National Food for Work Programme

(NFFWP), which is self-targeting. However, the national disability allowance and the school stipend fund (to which less strict poverty criteria apply) are more evenly spread among income quintiles.

46. In low income countries there is much less reliable evidence and some major challenges. The case of self-targeting is especially difficult. In Africa, for example, when self-targeted programmes have large errors, this frequently demonstrates problems not of implementation but of programme design. For example, the poorest households may not have labour capacity to participate in public works or to travel long distances to collect benefits. Where 'non-poor' households participate in self-targeted programmes this suggests that programme designers have underestimated the number of households where the trade-off between benefit gained and labour required seems worthwhile.
47. There is some evidence from analysis of household survey data used in the ODI tool that is of concern. For example, in Bangladesh, 24% of households receiving the old age allowance did not have a household member aged 60 or above, with 8% not having household members older than 49 years. This is only one case and the conclusion should not be drawn that errors of inclusion are more prevalent in old age allowances than other targeting categories. However, it does introduce an important question: How much effort and resources should be invested in minimising errors – both of inclusion in the case above, and of exclusion?
48. Answering this question requires an acknowledgement that one of the main challenges associated with minimising inclusion and exclusion errors is the potential trade-off between them. In the absence of significant resources to enable access to information and highly technical targeting mechanisms, efforts to reduce exclusion by loosening targeting criteria can significantly increase inclusion errors. The opposite is also true: the reduction of leakage can result in increasing undercoverage. There are also conceptual and methodological problems with addressing the leakage / undercoverage trade-off that are especially pertinent in low income countries. The danger is that a focus on leakage and undercoverage results in too narrow an assessment of whether targeting resulted in the optimal (or best possible given existing resources and capacity) impacts on poverty. Thus, whilst efforts to reduce errors of inclusion and exclusion are important from the point of view of programme effectiveness and efficiency, the trade-off between reduced errors and the costs of (and capacity for) programme implementation and the cost of targeting of itself should not be allowed to dominate to the exclusion of other considerations. This issue is taken up in more detail in Section 7 on the poverty and social impacts of targeting.
49. Ultimately, addressing inclusion and exclusion errors frequently boils down to what is viewed as politically acceptable across broad sectors of the population. Where resources are limited, the costs of achieving reductions in errors may be greater than the benefits accruing in terms of poverty reduction. However, some safeguards can be introduced: inspection mechanisms can help to catch non-eligible claimants. Further, a measure with potential to promote the inclusion of poor people in policy

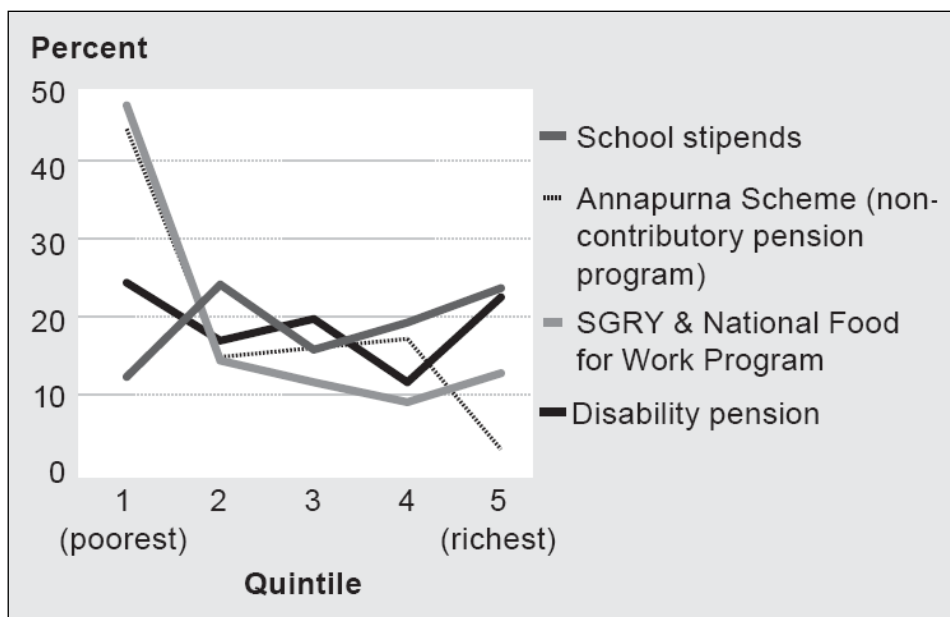
processes is the establishment of an Ombudsman (as has happened in Kenya) mandated to hear and act on the complaints of those unjustly excluded from programmes. As discussed in Section 6, accountability mechanisms are a vital aspect of effectiveness and a necessary cost of targeting.

Figure 1: Errors of inclusion in selected programmes and countries



(Source: Grosh *et al* 2008)

Figure 2: Share of benefits accruing to each quintile, selected safety net programmes, India 2004/5



(Source: Grosh *et al* 2008)

5. Political Acceptability and Drivers

50. Political economy issues drive policy choices regarding different types of targeted and untargeted social transfer programmes. Some of these concerns are tangible and more easily measured – in particular the different levels of leakage (inclusion errors) that are found with different targeting approaches and mechanisms. Other issues are less tangible and are linked to underlying ideological assumptions about poor people, and to more explicit political objectives.

Political acceptability and leakage

51. Inclusion and exclusion errors, or leakage and undercoverage (see Box 5) are measurable and lie at the heart of general political acceptability of social transfer programmes. Programmes that include many individuals or households that are not eligible for support in programme design are deemed to be a wasteful use of public expenditure and many targeting decisions (for example Progresa / Oportunidades in Mexico) are based on attempts to overcome leakage under earlier versions of social transfer programmes. The linkage between targeting and political acceptability tends to focus heavily on inclusion errors because of the perception that money is being wasted. Much less attention is paid to exclusion errors.
52. In their review of targeting, Coady *et al* (2004) note the importance of (often implicit) values among programme managers, policy makers, or society itself in weighting the benefits of transferring resources to different groups, for example, the moderately versus extremely poor. Their argument demonstrates a concern echoed elsewhere in this paper that an explicit technical concern with analysis of leakage / undercoverage is unlikely to address these deeper political and ideological drivers and different types of analysis – for example of public attitudes – will be required if analysis of inclusion and exclusion errors is not to mask other political drivers.

Other drives of targeting choices

53. The next key point about political acceptability is that it is not always possible to entirely separate choices about types of targeting from wider choices about types of programmes. Often, choices about types of programmes come first, with implications for targeting choices. General patterns of programme and targeting choice in Africa and Latin America demonstrate this point well.
54. In Africa, programme selection is strongly influenced by concerns that beneficiaries may become dependent on support and lead to a long term call on government expenditure. The result of these concerns is that many programmes incorporate work requirements so that people 'earn' their 'entitlement' and productive assets are simultaneously created. Also, many are of limited duration, in a further effort to

minimise 'dependency'. Analysis by McCord and Slater (forthcoming) finds well over 600 public works programmes in SSA – far outweighing unconditional cash transfer programmes. The implication for targeting is as follows: programmes tend to either self-target by imposing work requirements on beneficiaries, or they target to older people, children and disabled people who are unable to work. The largest programme in Africa demonstrating this is the PSNP in Ethiopia, where a quota of 20% of beneficiaries received direct support with no work requirement but all other beneficiaries are required to complete five days of public works labour per month for each household member (Devereux *et al* 2008, Sharp *et al* 2006, Slater *et al* 2006).

55. These targeting choices are rarely underpinned by rigorous analysis of poverty. Rather they demonstrate common (ideological) concerns about dependency / disincentives to work, giving people 'something for nothing', and the anti-social use of benefits. This leads to programmes where the majority of beneficiaries do not get something for nothing – and this is managed via targeting. The outcome is that targeting focuses on either making people work for benefits, or on those who should not / cannot work (the young who should be in school, older people who have already made their contribution to society). The ideology that underpins the concerns identified above is widely held across many sectors of the population. It is found not just in policy-makers and politicians but across wide swathes of the population. For this reason self-targeting through public works programmes accompanied by targeting those who cannot work is frequently politically popular, in Africa, and elsewhere.
56. Across Latin America, Conditional Cash Transfer (CCT) programmes are the most prevalent source of support for poor and vulnerable households. The conditions are generally related to "desired" social behaviour. The key factor making CCTs politically acceptable are the conditions – commonly requiring school-age children to enrol in school and achieve a minimum attendance level, or women's attendance at post-natal clinics. These conditions have implications for targeting such that CCT programmes such as Progreso / Oportunidades in Mexico, Bolsa Familia in Brasil and Red Solidario in El Salvador primarily target households with infants or children of school-age which are also means-tested. In these cases, the targeting approach is social categorical, but means-testing, or proxy-means-testing is generally used as the mechanism to reach people.
57. Beyond these regional programming patterns and their subsequent implications for targeting, politics influences targeting choices in a number of ways.
58. First, politics are often inherent in geographical targeting where choices are driven as much by politics and power as they are by stark social and poverty differences between provinces and districts. Watkins (2008) notes the historical level of urban bias in Zambia's social programming and notes the implications for the political economy of programme and targeting choices. In Ethiopia, coverage of the PSNP varies across four regional states, with the remaining regional states not included in the programme. Within the four regional states where the programme is implemented, there are higher levels of support in Tigray (a ruling party stronghold)

and less in southern states where support for opposition parties is greater. Both Tigray, which shares a border with Eritrea, and Kenya, where the Hunger Safety Net Programme (HSNP) targets arid and semi-arid lands and mainly on areas bordering Somalia, geographical targeting prioritises areas where peace is fragile and there is a risk of conflict. Until very recently in Ethiopia, no consideration had been given to urban social protection.

59. Secondly, introducing or strengthening social transfer programmes is frequently used to win votes in elections. Bolivia's social pension provides a good example of the use of universal / social categorical targeting in electioneering. The universal but cohort-restricted non-contributory pension programme was established in 1997 in the period leading to presidential elections when payments of US\$248 were made each year to beneficiaries. Following the elections, the programme was suspended and subsequently reintroduced at a lower level of US\$60 per year per beneficiary. Later elections in 2003 saw the payment of US\$248 reintroduced (Martinez 2005, Leach 1998). Lesotho's non-contributory old-age pension was established in similar circumstances and has been cited by voters in elections as a key factor influencing their vote (Devereux *et al* 2005, Pelham, 2007). Electioneering is not limited to social pensions or to social transfers. A wide range of mechanisms that reduce risk and vulnerability – for example food price subsidies or voucher schemes for farm inputs – have been used as key election promises across low income countries, as also has the abolition of user fees, e.g. for education in Mozambique. Measures such as the abolition of user fees may re-open debates about targeting versus universality, as well as raising the questions about the incidence of costs. A programme closely targeted on and delivered to the poor is potentially progressive, in the same way as taxes on income and wealth can be progressive. The reverse also applies: the removal of a fee paying structure is regressive if acquisition of the service then places more burden on the poor, and is at best neutral if the better off continue to pay for services through other progressive mechanisms such as via income taxes.
60. Thirdly, there are numerous examples where social transfers have been used to strengthen the relationship (or social contract) between citizens and the state. Pensions, disability and child welfare grants in South Africa have been key elements in general citizenship and state building. For example, pensions for black people in South Africa are not new, but until the early 1990s were significantly smaller in terms of benefit levels and proportional coverage than pensions for white people. The shift to parity in the early 1990s captured the shift in policy as apartheid collapsed and South Africa transitioned to multi-racial democracy. In the case of Latin America, Graham (2003) notes that public attitude about redistribution, the causes of poverty, and opportunities for mobility are critical to the development of any contract.
61. Graham's (2003) work on public attitudes helps in unpicking the drivers behind targeting decisions – and helps to identify questions that might enable a better understanding of targeting choices in low income countries. One example concerns perceptions of the deserving poor, and in particular, whether public support for providing social transfers to poor people is for them, or for the children of poor people. The implications for programming, and for targeting, are obvious. It is also

clear that public attitudes matter much more when social transfers are part of a long-term policy shift towards on-budget, recurrent social assistance spending, rather than a short-term response to a cyclical, seasonal or one-off shock.

62. Fourthly, social transfer programmes appear to require broad-based support if they are to be sustained. Whether means-tested or not, social pensions do enjoy strong and broad political support across different sectors of society. Whilst in South Africa the pension is means-tested, in Namibia, where the number of older people is expected to rise by 15 percentage points in the next decade, proposed legislation to make pensions means-tested is likely to alienate the economic elite and may be challenged on the grounds of being unconstitutional⁵ (Devereux 2001, Schleberger 2002, Pelham 2007). Transfers targeted to children receive similar levels of political support. In the case of grants to children or households including children, there is some debate about means-testing. In Mexico, programme and targeting design was influenced by a need to avoid the discretionary decision-making that had been commonplace in previous programmes and so draws on more transparent criteria articulated in a proxy-means test. The Child Money programme (CMP) in Mongolia had used a fairly blunt means-testing instrument that led to leakages. This was replaced by a universal child transfer. This change was politically motivated: an unstable government adopted populist policies and the exclusion of some children was seen as contradicting socialist universalist values. In El Salvador it was argued that means-testing in the context high levels of poverty in the poorest areas would lead to social tensions. In contrast, in the second poorest areas, proxy-means tests are seen as socially acceptable (Britto 2007).

Other drivers: Rights

63. Applying a rights based approach brings some distinctive perspectives to the analysis. Where rights are recognised to be held by all people equally, those benefiting from social transfers do so as a right, and not as a result of welfare provided at the discretion of the state or other actors. The core elements of a rights based approach are transparency, accountability and participation. This emphasises that choices made to realise these rights must be clear and consistent and known to all. A rights based approach also ensures that recipients of transfers have rights to challenge or complain, if they believe they have not been treated unjustly or unfairly. However, rights based approaches provide little guidance on the practicalities of how low levels of coverage and small benefits in low income countries might be scaled up to universal coverage that meets international declarations. Some of the moral and ethical issues at the intersect between universalism and the targeting of social protection are illustrated in work by Ellis (2008) – see Box 6. This forces us to ask difficult questions as policy-makers and programme designers such as:

⁵ This perhaps illustrates the argument that all are likely to be of pensionable age one day, and so have a vested interest in ensuring good provision.

- How far is it acceptable for programmes to target the very poorest and ignore other poor or very poor people?
- How has our concern with reaching the very poorest resulted in an implicit view that it is acceptable not to target social transfers to other very poor people?
- How far should depth of poverty be prioritised in targeting criteria?
- How far is targeting the bottom decile or quintile consistent with principles of rights-based approaches or even reliable or meaningful in practice? Or consistent with efforts to introduce production-enhancing and investment opportunities for the poor but may be most effectively targeted at the ‘less poor’?
- How is it possible address both chronic poor and “new poor”?

64. In policy dialogues however, the ways in which rights and targeting debates intersect remain confused and the questions above are often ignored. Despite a widespread view that all the rights enshrined in conventions and covenants should be tackled as a whole, the ways in which rights-based approaches are applied to social transfers tends to be much patchier. The right to social security is frequently translated into support for older people, young and disabled people – and excludes working-age adults who are underemployed, unemployed or are working poor. The right to work is largely ignored, and the focus on older, young and disabled people is at odds with the right to food which should include all. There is a risk that a focus on older, young and disabled people may reinforce the notion that adults who are able to work are somehow not deserving of support and may undermine other rights – such as the right to work, to food and to minimum living standards.

Box 5: ‘We Are All Poor Here’: Economic difference, social divisiveness, and targeting cash transfers in Sub-Saharan Africa

In policy dialogues however, the ways in which rights and targeting debates intersect remain confused and the questions above are often ignored. Despite a widespread view that all the rights enshrined in conventions and covenants should be tackled as a whole, the ways in which rights-based approaches are applied to social transfers tends to be much patchier. The right to social security is frequently translated into support for older people, young and disabled people – and excludes working-age adults who are underemployed, unemployed or are working poor. The right to work is largely ignored, and the focus on older, young and disabled people is at odds with the right to food which should include all. There is a risk that a focus on older, young and disabled people may reinforce the notion that adults who are able to work are somehow not deserving of support and may undermine other rights – such as the right to work, to food and to minimum living standards.

‘...as a rule of thumb US\$2 per capita per month separates the poorest decile from the next poorest decile in the income distribution, and US\$9-10 per capita per month separates the poorest decile from the sixth decile’ (p. 1).

Deciles	Malawi	Zambia	Ethiopia	Simple Average	Decile Interval	Malawi	Zambia	Ethiopia	Simple Average
10	760.5	716.0	506.7	661.1	9-10	34.4	32.9	19.7	29.0
9	347.6	320.6	270.0	312.7	8-9	7.3	6.4	3.8	5.8
8	260.4	243.4	224.3	242.7	7-8	4.0	4.0	2.2	3.4
7	211.9	195.3	197.4	201.5	6-7	2.8	2.6	1.7	2.4
6	178.4	163.6	176.5	172.8	5-6	2.2	2.1	1.7	2.0
5	152.0	138.4	156.5	149.0	4-5	1.9	1.7	1.6	1.8
4	129.3	117.5	136.7	127.9	3-4	1.7	1.6	1.3	1.5
3	108.9	98.7	120.6	109.4	2-3	1.7	1.7	1.3	1.6
2	88.3	78.7	104.6	90.5	1-2	2.2	2.3	2.0	2.2
1	62.2	51.3	80.1	64.5					

Thus, social transfers when targeted at the very poorest (either on the basis of income or via social categorical targeting) are likely to result in ‘leapfrogging’ – where the very poorest in receipt of transfer income rapidly overtake the incomes of other poor people in the third, fourth or fifth decile.

Ellis finds that these small economic differences go some way to explaining social divisiveness in targeted transfer programmes and he raises the possibility that some of this divisiveness could be overcome by social categorical targeting. Whilst social categories do not necessarily correlate well with poverty, they have the advantage that people understand better the basis on which people are included in or excluded from programmes. Beyond this, the findings also raise deeper ethical concerns about the danger that in promoting targeting the very poorest, we ignore other poor / very poor people, and about the pressure that we put on communities when they are forced to make decisions about eligibility / inclusion based on minute differences in their own communities

In addition to these ethical questions, Ellis’s work also challenges an emerging pattern in social transfers in Africa – attempting to reach the bottom decile by using household labour capacity / constraints as a proxy. Ellis, confirming earlier World Bank work providing a stocktake of Social Protection in Malawi, challenges the view that households with limited labour (for example households comprising older people and OVCs and no working age adults) are poorer than households with labour. He goes on to note that:

‘...it is doubtful that the labour capability difference between households ... is as clear cut as the rule suggests. The productive deployment of labour is not just a matter of labour supply but also of labour demand. Households containing labour entirely unemployed, or significantly underemployed, differ little in their material conditions from households lacking economically active labour, and indeed may even be worse off due to the higher food consumption needs of adult household members ... even if labour is productively deployed, it is possible that its returns are insufficient to meet basic nutritional requirements (the ultra-poverty line), which in all the countries mentioned in the paper is double or more than double the 10 per cent proportion of poorest households.’ (p. 9-10)

Source: Ellis (2008)

65. Whilst it is clear that politics play a key role in determining targeting choices, mechanisms for openly evaluating the influence of politics on design, implementation and outcomes in social transfer programmes are limited. As Graham (2003) notes, there is no general consensus among policymakers about how to account for political economy concerns in policy decisions. Graham establishes a framework to rectify this problem and proposes an approach that incorporates political attitudes about redistribution and equality of opportunity, alongside equality of outcomes. Evidence from Latin America suggests that attitudes vary a

great deal among countries and regions – another indication that targeting decisions must be based on country-level data and problem analysis. Other findings are important but contentious in low income contexts. For example, Graham finds that public attitudes are likely to be more important the greater the fiscal constraints though this may not be the case in SSA where donors have driven much of the growth in social transfers and the influence of civil society and the presence of participatory policy-making processes is more recent.

6. Costs, Effectiveness, and Efficiency

The nature of cost-effectiveness

66. The prior question in assessing cost-effectiveness is: “effectiveness in achieving what?” This implies that desired outcomes have to be defined in advance, and one difficulty is that priorities and trade-offs are rarely made explicit. For instance, in a particular country at a particular moment in time and for a given budget availability, what is the desired balance between spending large individual sums on relatively small numbers of the poorest with the aim of bringing them out of poverty, on the one hand, and spending less per head over larger numbers of the not-so-poor?
67. There are also preconditions for moderate or high levels of success to be achieved in making transfers to intended beneficiaries. Among them is the need for tight management of the performance of transfer delivery services so that levels of diversion are minimised. Where one type of targeting approach or mechanism is known to require stricter monitoring in order to achieve acceptably low levels of diversion, then the costs of doing so need to be factored into the cost-effectiveness calculations.

Types and examples of costs in targeting

68. The costs to programmes of collating and assessing data and information that enable programme implementers to make decisions about eligibility are **administrative costs**. Total **financial costs** are the combined costs of administration and the costs of implementing targeting (e.g. the gross costs of social workers carrying out and analysing means tests, the costs of paid community members who sit on panels that carry out wealth ranking exercises in communities, and the costs of recording beneficiaries in district level information systems).
69. **Incentive costs** (sometimes called indirect costs) occur when people change their behaviour in order to get access to a programme. They have positive developmental effects when, for example, children who would otherwise be kept from school in order to work, are sent to school in response to a feeding scheme. Negative effects include poverty traps – where it is in the interests of households to work less to keep their income below the upper threshold for admittance to a programme. Incentive costs are most commonly found in programmes with work or other conditions attached. In Argentina, the Jefes Y Jefas cash for work programme was established in 2001 to provide income support for households with dependents who had lost their main source of income during the economic crisis. Changing behaviours as a result of the programme included household division – sharing children across households (Galasso and Ravallion, 2003).

70. **Private costs** are those borne by people in attempting to get onto a programme and vary from relatively benign costs such as the opportunity cost of travelling to and attending a community wealth ranking meeting, to the payment of bribes to get enlisted onto programmes. Private costs are often regressive – i.e. they have a greater negative effect on the poorest households – and discourage the poorest households from participating in programmes. In India, the Maharashtra Employment Guarantee Scheme (MEGS), a precursor to the National Rural Employment Guarantee Act (NREGA) imposed significant private costs associated with elaborative registration processes and long distances to work sites that reduced take up by the extreme poor (Imai and Gaiha 2002, Imai 2002, Sjoblom and Farrington 2006). Elsewhere in India, it is reported that 90% of beneficiaries in the National Family Benefit Scheme (NFBS) had to pay bribes to receive benefits (India Ministry of Rural Development, nd). In Bangladesh, beneficiaries of social pensions frequently lose a day travelling and queuing to receive their pension whilst in the Cash for Education programme (CFE), analysis suggests that the opportunity cost of sending children to school is greater than the expected income transfer, discouraging the extreme poor households from participating (Ravallion and Woden 1999, Ahmed and del Ninno 2002). In Ecuador, payments for the Bono de Desarrollo Humano programme are paid into banks so there are high private costs for beneficiaries in rural areas (Leon *et al* 2004, Velazquez-Pinto 2004, Schady and Araujo 2006). In Ethiopia's PSNP, significant costs fall on local community decision-makers including time costs, foregone employment opportunities and social friction). In Cambodia there is an urgent need to assess the costs – financial or otherwise - borne by community members in community-based targeting amidst concerns that these costs may be excessive (Farrington *et al* 2007b)
71. Other costs are **social and political**. In some cases involvement in programmes affects social capital, particularly where participation or programme conditions result in the stigmatization of poor households. Stigma in vulnerable group development programmes in Bangladesh has been somewhat overcome by attempts by BRAC (Bangladesh Rural Advancement Committee) to link beneficiaries together in weekly meetings that aim to reduced social isolation and build confidence and respect (Matin and Hulme 2003, Matin 2002). Evidence from the PSNP in Ethiopia suggests that social costs and stigmatization can affect local community decision-makers as well as beneficiaries. For example, in Chiro in 2008, one member of the village-level food security task force that finalised the list of beneficiaries had his grain store burnt down by former beneficiaries who had been removed from the programme (Devereux *et al* 2008). In the same district in 2006, social friction in the community was so great that beneficiaries and non-beneficiaries took to worshipping at different mosques in the same villages (Slater *et al* 2006).

Evidence on the costs associated with different targeting approaches

72. There is piecemeal evidence about the targeting costs of various social transfer programmes but its value is limited by challenges of comparability, of isolating targeting costs from other programme costs, and attributing costs to specific

programmes. The evidence is much weaker in low income countries and shows anomalies that are difficult to account for. For example, evidence on the cost-effectiveness of community-based targeting in Zambia, shows very different results from similar analysis across the border in Malawi (Watkins 2008).

73. Unsurprisingly, means-tested programmes have the highest administrative costs. Grosh *et al* (2008) assess the costs of means-testing and proxy means-testing in eight middle income countries in Latin America, Central Asia and Eastern Europe. They find that *targeting costs average about 4 percent of total program costs, range from about 25 to 75 percent of total administrative costs, and in absolute terms cost US\$8 or less per beneficiary in all but one case* (p. 93-94). Evidence regarding means-testing in low income countries is limited but it is clear that the balance of costs associated with means-testing in middle income countries might be different in low income contexts. Whilst in Jamaica proxy means testing is estimated to cost only 2% of programme budget, in Malawi the estimate is 14%. The overall cost can be lower in low income countries where, for example, the costs of labour in low income countries (to carry out means testing) are lower. However, there are a number of factors that contribute to increased cost. The training of existing or new staff to conduct means testing requires additional resources. Where coverage is low and fixed costs are divided among a much smaller number of beneficiaries, and where transfers themselves are small, fixed costs can make the targeting costs disproportionately high. The balance between these different factors has not been quantified for programmes in low income countries so it is not possible to say whether they are prohibitive or not.
74. One factor that does increase cost is the administrative cost associated with data and information required to make the right targeting decisions. These depend on regularly updated and comprehensive household data on income and expenditure, employment, household composition and so on. But data and information are not associated only with the mechanism of means testing, they are critical for making good choices about targeting approaches as Section 4 of this report has shown. Such data also serve many other types of policy decision (such as on public investments), and so there is an argument for allocating only a portion of the costs of collecting and processing data to policy decisions on social transfers. However, any such “saving” is likely to be outweighed by the additional frequency of data collection required to assess whether households remain below, or have climbed above, the poverty line.
75. In the case of community-based targeting, the common assumption is that administrative costs can be minimised, largely because costs are borne privately by local community members whose work is not remunerated. Conning and Kevane (2001) suggest that commonly cited advantages of community-based targeting – namely better information, better enforcement, and more positive spillovers – can materialise, but at a cost. They argue that *the superior abilities of local agents may generate rents that divert resources away from the target group or worse yet, may create costly rent-seeking activities that drain other community resources* (p.14).

76. In low income settings, where communities are divided, social categorical targeting is often proposed as a low cost alternative to community-based targeting. Similarly frequent is the combination of a social categorical approach (where demographic criteria guide eligibility) and community-based mechanisms (where communities are used to identify people meeting the criteria). This type of targeting often has low administrative costs because demographic criteria are easier to establish than income but this depends on the existence of simple and clear registration procedures. In many cases, significant costs are borne privately by the beneficiaries when registration is complex and requires the submission of documentary evidence such as birth certificates. In low income settings, whilst stigma associated with poverty targeting is rare (because so many people are poor) there are many examples of stigma where social categories or proxies are used for targeting. The explicit targeting of vulnerable groups can help to overcome exclusion but in other cases it can entrench and further isolate vulnerable groups. Common examples of this are the stigma associated with support to OVCs in Africa where children orphaned as a result of AIDS are explicitly targeted, and the targeting of female headed households in Bangladesh (see above).
77. Overall the evidence on targeting costs suggests significant variation between programmes and countries. The key finding in this section is that different approaches and mechanisms have different data requirements and therefore different costs. Information costs associated with social categorical approaches are less than poverty threshold approaches (notwithstanding the risk that evidence about social categories is often assumed and not proved). In terms of mechanisms, means testing has far greater requirements than community-based targeting which relies on local knowledge. The concerns about stigmatisation resulting from poverty targeting that are common in middle income countries are much less relevant in low income countries where poverty levels are so high that poverty ceases to be a basis for exclusion, social isolation or stigmatisation. Social categorical targeting may be more likely to result in stigmatisation (although poverty targeting to only the very poorest carries with it the risk of social divisiveness – Box 6) but there are many examples of how good information and programme orientation at community level can overcome these problems.
78. Whilst it is possible to draw some conclusions about costs, in low income countries there is not a strong enough evidence base to assess cost-effectiveness, so it is not possible to present a credible analysis of how much is it worth spending on good targeting in low income countries. Whilst in middle income countries, there is strong evidence that investments in targeting administration can result in a significant increase in poverty reduction, in low income countries the evidence base remains patchy. In both middle and low income countries, the vast majority of programmes have some element of geographical targeting as this is a low-cost way of identifying poverty on the basis of geographical units. The data required to make decisions about geographical targeting are often readily available. The Ethiopia PSNP focuses on four of the country's regional states, and then selects the most food insecure districts within them. Similarly, the India NREGA operated initially only in certain districts and so was not universal (and therefore in practice not a right for all). There

is relatively little analysis of the extent to which the non-eligibility or exclusion of poor people in less poor districts is a serious problem but this could, relatively easily, be added to an expanded ODI targeting tool. It would need to be complemented with additional analysis on how far geographical targeting reflects political priorities rather than actual need.

79. It is not possible to make quantitative assessment across different targeting methods, programmes and countries regarding whether investing in more accurate targeting to reduce inclusion and exclusion errors is worthwhile. An attempt to do this would be costly and error-prone. Rather than do this, where poverty is pervasive, we argue that it makes more sense to invest efforts in four activities:
- understanding and addressing the social frictions and moral questions that result from targeting only the ‘poorest of the poor’ and ignoring the poor who fall in slightly higher deciles – see Box 6 (Ellis, 2008).
 - assessing whether the funds available for programming are theoretically sufficient to cover all those who would fall into the target group under different targeting approaches. This would allow us to understand whether enough funds have been budgeted to allow all those eligible to receive, for example, a social pension and where funds are not sufficient, identify the fiscal space that would be required to permit this.
 - More broadly, assessing the impacts on poverty in particular geographical areas of support to the productive sectors (such as new infrastructure), and identifying the appropriate combination of social transfers and support to the productive sectors. This is a particularly relevant question where the poor include a large proportion of households which are not labour-constrained.
 - Yet more broadly, assessing the impacts of short-term social transfers designed to support productive activity. A potentially powerful example (but one as yet hardly on the policy radar) is to support households wishing to migrate from areas of economic stagnation to areas of high growth potential. A related question is whether existing social transfer programmes simply serve to keep the poor in difficult areas where prospects are limited by combinations of low and erratic rainfall, hilly topography, poor soils and high population density in relation to production potential – and so limit them from moving into areas where economic growth is stronger and jobs more likely to be available.⁶
80. One good example of the second option above is the work by Stewart and Handa (2008) in social transfer programmes that have the objective of addressing income poverty among OVCs. This work clearly identifies which targeting approaches (poverty versus targeting of households with children, households with orphans, and households with children) are possible **within a fixed budget** in four countries in SSA. Their methodology is especially useful in that it assesses affordability of programmes under different targeting approaches rather than assessing the costs of targeting itself (Box 6).

⁶ This question is being explored by Deshingkar *et al* (forthcoming) in relation to India’s NREGA.

Box 6: Affordability of different targeting approaches to reduce poverty among OVCs in Sub-Saharan Africa

Stewart and Handa assess the effectiveness and feasibility of different targeting approaches in social transfer programmes that aim to reduce poverty among OVCs in four countries in SSA – Malawi, Mozambique, Uganda and Zambia. They focus on approaches rather than mechanisms and compare targeting:

- labour-constrained households, which have no able-bodied members between the ages of 15 and 60, inclusive, or have a dependency ratio greater than three;
- Households with age-vulnerable or disabled adults. Age-vulnerable households have a female member above the age of 55 or a male member above the age of 60, or a disabled or chronically ill adult.
- Households with children. ‘Vulnerable children’ are defined as the poorest children, hence the scheme effectively targets poor households with children less than 18 years of age;
- Households with orphans;
- The poorest households, employed as a benchmark that represents perfect targeting for policies with the sole objective of poverty alleviation.

Stewart and Handa (2008) find that, for an assumed budget of 0.5% GDP:

1. Targeting cash transfers to labour-constrained households will reach individuals in the third decile of the consumption distribution without exhausting the budget. I.e. under perfect targeting assumptions, all eligible households in the target group would be reached and programme resources would be left over. In Malawi (95%), and Mozambique (94%), the programme budget constraint would be approached. In Uganda (80%) and Zambia (29%), a much lower proportion of the budget would be used.
2. Targeting households containing older people or disabled people would exhaust the budget in Malawi, Mozambique and Uganda. In Zambia, the budget would not be exhausted.
3. In Zambia targeting orphans in the poorest 3 deciles would expend only 55% of the programme budgets (0.5% of GDP). In Malawi, Mozambique and Uganda, the budget would be exhausted.
4. Cash transfer programs that target households with children would exhaust the budget, but reach poorer households, on average. Recipients under child-centred targeting would both exhaust the budget and reach only individuals with the lowest self consumption. In Malawi, Mozambique and Uganda; in Zambia, a small proportion of individuals in the second consumption decile would be reached as well.

81. Finally, it is worth emphasising that people’s voice must be encouraged and heard in relation to the performance of targeting approaches and mechanisms. This implies accessible information regarding the criteria by which selection is made, and the provision of mechanisms (including e.g. an Ombudsman) to hear from those wishing to press their claim for inclusion, and from those complaining over the inclusion of those who do not meet the necessary criteria. Accountability mechanisms in targeting systems are a vital aspect of effectiveness and a necessary cost of targeting. If they are not in place, then the excluded effectively pay the cost of poor targeting performance.

7. Poverty and Social Impacts: Beyond Inclusion and Exclusion Errors

82. Analysis of the impact of targeting on poverty suggests mixed results. In middle income countries, Coady *et al* (2004) draw on a sample of 122 targeted social assistance programmes in 48 countries and find that the median programme in their sample provides a quarter more resources to the poor than would random allocations. *The best programmes were able to concentrate a high level of resources on poor individuals and households. Argentina's Trabajar workfare programme, the best programme in this regard, was able to transfer 80% of programme benefits to the poorest quintile, or four times the share that they would have received in a random allocation. The ten programmes with the best incidence delivered 2-4 times the share of benefits to the poor that they would have got with random allocations* (Grosh *et al* 2008: p. 89). Grosh *et al* go on to argue that progressive results are possible in a range of country settings with marked variations in income and capacity. However, there is limited evidence from low income countries to support this statement. Even beyond low income countries there appear to be serious limitations to current analysis of the poverty impacts of targeting. Evidence of impacts on poverty is often qualitative, case study based or anecdotal, or it is based on modelling. But the greatest limitation appears to be an obsession with calculating inclusion and exclusion errors at the expense of other ways of evaluating impacts on poverty. There are other alternatives. Coady *et al* (2004) differentiate between asking how accurate is targeting at reaching certain groups of people vs. how effective targeting is as an anti-poverty mechanism. The implication is that we avoid the preoccupation with inclusion and exclusion errors and think differently about targeting performance.
83. In this section we discuss two ways of thinking differently – one focuses on assessing targeting performance by measuring impacts on poverty gaps rather than poverty headcounts. The second develops a pro-poor policy index to assess the targeting efficiency of social programmes, including social transfers. The section concludes with an analysis of the shortcomings of assessments of gender impacts of targeting.

Poverty headcount, poverty gap and squared poverty gap

84. The focus on inclusion and exclusion errors and how much social transfers are allocated to households above and below the poverty line results in a preoccupation with poverty headcounts. Such an approach is problematic, particularly in low income countries where the (small) size of transfers is rarely sufficient to take households above the poverty line. It also ignores the distribution of benefits across the range of poverty and vulnerability. This means that questions are ignored about whether it is better to distribute transfers to the very poorest or just poor households, and whether it is better for inclusion errors to be households just over

the poverty line rather than at the very top of the income distribution (Coady *et al* 2004).

85. Stewart and Handa (2008) address these problems using analysis based on modelling of household survey data in four countries – Malawi, Mozambique, Uganda and Zambia. Their models compare the impact of different targeting approaches not just on poverty headcount, but also on poverty gap and the squared poverty gap (SPG)⁷,
86. The evidence is as follows: They find that in all countries in the study, the largest improvements in SPG are achieved where households with children or the poorest households are targeted. The smallest improvements occur when labour-constrained households are targeted. Proxies, such as the presence of orphans, have different impacts across countries, but yield lower impact on SPG than targeting children / poor households in general. They argue that “this further illustrates the targeting dilemma in eastern and southern Africa. A social protection intervention that distributes cash to households with orphans will not reach the poorest households.”
87. Stewart and Handa go on to demonstrate that in Malawi, Mozambique and Uganda, there are poverty headcount effects but not in Zambia. In the former three countries, even though transfers are small, they can be sufficient to push certain households in the third consumption decile above the poverty line. The research also demonstrates some evidence of impacts on poverty headcount associated with different targeting approaches. They find that targeting based on age or disability, or labour-constraint is less effective at addressing OVC poverty headcount than targeting based on poverty but they recognise the trade-offs implicit in a poverty-focused approach: “On the other hand, an orphan-focused strategy reaches the most number of orphans, that includes households into the third consumption decile while excluding many of the poorest children. There is a trade-off between pure poverty targeting, or targeting poor households with children, and targeting households with orphans. This trade-off is particularly important when we focused on the ultra-poorest households, those in the bottom consumption decile.” For example, in Malawi and Mozambique, poverty headcount ratio decreases by 0.2 per cent with strategies that target labour constrained households.
88. Impacts on poverty gap and squared poverty gap (SPG) are also assessed and are shown in Box 8. Overall Stewart and Handa find that the largest improvements in SPG come when households with children or the poorest households are targeted, whilst strategies that target labour-constrained households have the smallest effect on SPG, but they also identify and explain the reasons for substantial differences in the overall effects between countries.

⁷ The Squared Poverty Gap (SPG) ratio gives greater weight to the poorest households (i.e. those with a bigger poverty gap).

Box 7: Impacts of different targeting strategies on squared poverty gap (SPG)

'In all countries the largest improvements in SPG are achieved by strategies that target households with children or the poorest households. Strategies that target labor-constrained households have the smallest effect. For example, in Mozambique targeting households with children or prioritizing the poorest households is projected to decrease the SPG by nearly nine percent, from 0.103 to 0.094; a strategy that targets labor-constrained households would decrease the SPG by only 5.8 percent. The associated results in Malawi are estimated at 8.75 percent and five percent, respectively. Although the respective proportional differences in SPG in Zambia are smaller in magnitude when each strategy is compared to baseline (4.9 and 1.2 percent), the magnitude of the proportional difference obtained by a strategy that explicitly targets children is four times the magnitude of the proportional decrease that would be obtained through a strategy focused on household labor constraints. The overall percentage changes in SPG are largest in Uganda, but this is purely because of the very low base (0.044) in that country. But even in Uganda, the strategy of targeting households with children improves the SPG by roughly double and triple compared to the strategy that targets age vulnerability or labor-constraints respectively.'

Table 5 : Absolute value and percentage change in poverty indicators due to alternative cash transfer targeting schemes

Targeting Strategy	Malawi			Mozambique			Zambia			Uganda		
	H	PG	SPG	H	PG	SPG	H	PG	SPG	H	PG	SPG
Targeting Strategy												
baseline	0.524	0.178	0.080	0.541	0.205	0.103	0.701	0.376	0.245	0.35	0.105	0.044
labor-constrained HHS	0.523	0.173	0.076	0.540	0.199	0.097	0.701	0.374	0.242	0.34	0.098	0.041
HHS w/elderly or disabled	0.524	0.173	0.075	0.541	0.198	0.095	0.701	0.371	0.237	0.35	0.096	0.038
HHS w/children	0.524	0.173	0.073	0.541	0.198	0.094	0.701	0.369	0.233	0.35	0.095	0.034
HHS w/orphans	0.524	0.173	0.075				0.701	0.372	0.239	0.350	0.095	0.037
poorest households	0.524	0.173	0.073	0.541	0.198	0.094	0.701	0.369	0.233	0.35	0.095	0.034
Percentage decrease from baseline												
labor-constrained HHS	0.19	2.81	5.00	0.18	2.93	5.83	0.00	0.53	1.22	1.99	6.67	6.82
HHS w/elderly or disabled	0.00	2.81	6.25	0.00	3.41	7.77	0.00	1.33	3.27	1.14	8.57	13.64
HHS w/orphans	0.00	2.81	6.25				0.00	1.06	2.45	0.28	9.52	15.91
HHS w/children	0.00	2.81	8.75	0.00	3.41	8.74	0.00	1.86	4.90	0.00	9.52	22.73
poorest households	0.00	2.81	8.75	0.00	3.41	8.74	0.00	1.86	4.90	0.00	9.52	22.73

Notes: Values for Headcount (H), poverty gap (PG) and squared poverty gap (SPG) are obtained from micro-simulations as described in the text. Percentage decreases in the lower panel are computed using values in the upper panel of the table.

Source: Stewart and Handa, 2008, p. 16-17

89. Stewart and Handa's model also demonstrates a range of wider effects. In particular, they note the impacts of different targeting approaches and mechanisms on education enrolment and outcomes: targeting households with children or the poorest households produces greater impact on school enrolment than other targeting strategies. In the cases of Mozambique and Uganda, the effects of targeting the poorest households and those with children, have an impact on enrolment approximately one third greater than strategies that target labour constrained households, or households with older or disabled members.

Pro-poor policy indices

90. Kakwani and Son identify similar problems with evaluations of targeting efficiency to those described above (Kakwani and Son, 2006) and identify an alternative approach to assessing efficiency. They argue that using their pro-poor policy (PPP) index enables an investigation of the pro-pooriness of government programmes geared

towards the poorest segment of the population and captures the impact of operating a programme for a particular socio-economic group.

91. The PPP index is derived as *'the ratio of actual proportional poverty reduction from a government programme to the proportional poverty reduction that would have been achieved if every individual in society had received exactly the same benefits from the programme'* (2006: 1).
92. Kakwani and Son find that, in 15 countries in Africa (Burkina Faso, Burundi, Cameroon, Cote d'Ivoire, Ethiopia, Gambia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mozambique, Nigeria, Uganda and Zambia⁸) PPP index values for targeted child transfers are quite small and differ little from indices associated with universal transfers. This is explained by a combination of high levels of poverty and high prevalence of children in all households. Whilst the authors go on to argue that this *'suggests that targeting may well not be needed in cases such as the 15 African countries where poverty is extremely high'*. The analysis does not link this finding with a discussion of fiscal space and the likely budget allocations to social transfers for children in all of the countries. A comparison of PPP indices between different targeting approaches, and one that links to budget parameters for government programmes, would provide further insights.

Gender effects of targeting mechanisms

93. Evidence on the gender effects of different targeting mechanisms is limited for two reasons: first, it tends to only ask questions about whether targeting women makes the programme work better, rather than asking what the impacts on women are (in particular their subordination / empowerment). Secondly, it focuses almost exclusively on assessing programmes that do target women, rather than asking about the gender effects of programmes that do not.
94. Kabeer (2008) refers indirectly to these shortcomings and notes that *women, rather than men, and mothers in particular, are assigned primary responsibility for childcare in most cultures, and are likely to be called on to play a key role in the implementation of social protection measures. Their participation may be critical to the success of programmes, but it will require them to shoulder a greater share of responsibility for ensuring successful outcomes* (p. 110). She goes on to suggest that where social categorical targeting focuses explicitly on children, there are often *important implications for women's well-being, options and opportunity costs* (p.110). The same is true for children where targeting based on gender can also have undesirable outcomes for those who are excluded. Kabeer (2008) uses the example of the Bangladesh secondary school stipends programme to promote girls' education

⁸ It is important to note that the Kakwani and Son analysis is based on much older household data sets (mainly from the 1990s) than those used in other examples in the paper including the ODI tool, Ellis (2008) and Stewart and Handa (2008).

and notes that they 'did little to challenge the continued involvement and long hours in wage work by adolescent boys' (p. 143).

95. A key question is whether the explicit targeting of women traps them in their reproductive roles or enables them to take more control (and be more successful) in productive labour. There is mixed evidence in this regard, even for individual countries. In South Africa, Williams (2007) finds that women who received the Child Support Grant were associated with an increase in labour force participation by women, whilst Goldblatt (2004) argues that women who received the Child Support Grant were better able to care for their children and not forced to desert them to find work (see Kabeer 2008, p. 113).
96. Choices about targeting with respect to sex also continue to be based on anecdotal rather than solid evidence. Recent case study evidence from Lesotho suggests that widespread concerns about the targeting of cash transfers to women leading to domestic violence are not well-founded in that context. The evidence, from a World Vision cash transfers pilot, suggests that wider design and implementation features are critical for reducing potential conflicts within households over the gendered control and use of transfers (Slater and Mphale, 2008). Slater and Mphale also suggest that more needs to be done to compare the different wage management systems within households in order to understand the longer term impacts on gender relations.
97. The most critical issue, one that is implicit in Kabeer's work is the idea that, strategically, addressing gender equality as part of design, rather than a targeting decision is more effective: Although the MEGS in India was not explicitly intended as a programme for women, it attracted between 45 and 64 percent female participants from the outset. Design features and not targeting were the critical factor. For example, *EGS design made it possible for [women] to participate through the guarantee of employment within 8 miles of participants' villages and the provision of childcare facilities on site* (p. 163).

8. Conclusions

98. When drawn together, the findings in this paper addressing the questions raised in Table 1 suggest three main conclusions:
1. Context and difference are a recurring theme in all analyses of targeting effectiveness. The evidence on different approaches and their advantages and disadvantages in the poorest countries remains far from complete and that reviewed here has thrown up anomalies and apparent contradictions. However, it seems clear that income-based approaches require stronger implementation capacity than is available in many countries, and impose high costs of data collection, interpretation and updating. This tilts the balance towards social categorical targeting approaches, possibly supplemented by proxy means-testing.
 2. In low income countries, trade-offs (between, for example, implementation costs and the extent of inclusion or exclusion errors) are inevitable but policy-makers and programme implementers lack the data required to make informed and transparent decisions in the face of these trade-offs.
 3. Many decisions regarding targeting have political dimensions, such as the balance between substantial individual allocations to the poorest, and smaller allocations to larger numbers of those who are not so poor, are made in an environment of imperfect knowledge, so that the decision taken may not generate intended results. Decisions of this kind bear on the cost effectiveness of targeting and of the value for money it offers, which will be of particular interest for allocating public funds across the full range of public expenditure requirements. A weak information base, and poor targeting decisions, may mean that the value for money that targeting generates is below its potential.
 4. Especially in relation to poor households having labour available, appropriate policy responses must be couched in three wider sets of questions: first, how can social transfers and support to the productive sectors (which offer opportunities for employment and enterprise to the poor) be designed to complement each other? Second, how can new social transfers, tightly defined in terms of funding, duration and eligibility, be designed to support transitions by the poor into the productive economy – for instance, by supporting migration out of economically depressed areas and into areas of more rapid growth? Third, do existing social transfers require re-assessment to ensure that they do not provide disincentive to migration of this kind?
99. Questions of this kind lie beyond the immediate scope of this study. Nevertheless, given that poverty is increasingly associated with fragile states, and with disadvantaged areas within states, these questions will increasingly mould the context in which decisions on social protection in general, and social transfers in particular, will be taken in the future.

100. Putting these two conclusions together implies that if targeting is to become more cost-effective, then priority has to be given to improving the evidence base and building tools for rapid assessment of the costs and benefits of different interventions in different countries. The focus would be on identifying how social categorical, geographical and means-tested targeting should interface with each other. Understanding what combinations of targeting will result in the best outcomes for the poor and eligible and what combinations of targeting will result in the lowest inclusion and exclusion errors is only one part of the picture. A wider framework is required that allows eligibility and inclusion to be assessed alongside understanding of the public attitudes and political economy issues that drive targeting choices, and the financial (and other) costs of different mechanisms. A rapid step towards this would be the development of a decision tree to guide policy-makers through the difficult decisions associated with targeting.

References

- Adato, M. Coady, D. and Ruel, M. (2000) Final Report: An Operations Evaluation of PROGRESA from the Perspective of Beneficiaries, Promotoras, School Directors, and Health Staff, International Food Policy Research Institute, Washington DC
- Ahmed, A. U. and del Ninno, C. (2002) Food for Education Programme in Bangladesh: An evaluation of the Impact on Educational Attainment and Food Security, International Food Policy Research Institute, Washington DC. Posted at <http://www.ifpri.org/divs/fcnd/dp/papers/fcndp138.pdf>
- BBS (2006) Household Income and Expenditure Survey 2005, Bangladesh Bureau of Statistics, Dhaka.
- Britto, T. (2007) The Challenges of El Salvador's Conditional Cash Transfer Programme Red Solidaria. International Poverty Centre. <http://www.undp-povertycentre.org/pub/IPCCountryStudy9.pdf>
- Coady, D. and S. Parker [2002] A Cost-effectiveness Analysis of Demand- and Supply-side Education Interventions: The Case of PROGRESA in Mexico, FCND Discussion Paper 127. Posted at: <http://www.ifpri.org/divs/fcnd/dp/papers/fcndp127.pdf>
- Coady, D., Grosh, M. and Hoddinott, J. (2004) Targeting of Transfers in Developing Countries: Review of Lessons and Experience, World Bank, Washington DC.
- Conning, J. and Kevane, M. (2002) 'Community-based targeting mechanisms for social safety nets: A critical review' World Development,, 30(3): 375-394
- Deshingkar, P. *et al* (forthcoming) Report on NREGA and migration in India. London: ODI
- Devereux, S. (2001) Can Social Safety Nets Reduce Chronic Poverty?, Development Policy Review 20(5): 657-675.
- Devereux, S., Marshall, J., MacAskill, J., Pelham, L. (2005) Making Cash Count:. Save the Children UK, HelpAge International and Institute of Development Studies. Posted at: http://www.savethechildren.org.uk/scuk_cache/scuk/cache/cmsattach/3604_Making_Cash_Count_final.pdf
- Devereux, S. *et al* (2008) Ethiopia's Productive Safety Net Programme (PSNP): 2008 Assessment Report, IDS, Sussex
- Ellis, F. (2008) 'We are all poor here': Economic difference, social divisiveness and targeting cash transfers in sub-Saharan Africa, Paper presented at the conference Social Protection for the poorest in Africa: Learning from experience, Entebbe, Uganda, 8-10 September 2008
- Farrington, J., Slater, R., Holmes, R. (2007a) Linking social protection and the productive sectors. Briefing Paper 28. London: ODI

Farrington, J., Sharp, K., Sjoblom, D. (2007b) Targeting approaches to cash transfers: comparisons across Cambodia, India and Ethiopia, ODI, London

Galasso, E. and Ravallion, M. (2003) Social Protection in a Crisis: Argentina's Plan Jefes y Jefas, World Bank Policy Research Working Paper 3165, November, posted at http://www.undppovertycentre.org/publications/social/SocialProtection_in_a_Crisis-Argentina_Galasso-Ravallion-WB-.pdf

Goldblatt, B. (2004) 'The Right to Social Assistance and Gender: A study of the implementation of the Child Support Grant' in Proceedings of the Gender and Social Security Seminar, convened by the Centre for Applied Legal Studies, University of Witwatersrand, 6-7 December.

Graham, C. (2003) 'Public attitudes matter: A conceptual frame for accounting for political economy in safety nets and social assistance policies' Social Safety Net Primer Series, Social Protection Unit, World Bank, Washington DC.

Grosh, M., del Ninno, C., Tesliuc, E. and Ouerghi, A. (2008) For Protection and Promotion: The Design and Implementation of Safety Nets, World Bank, Washington DC.

Imai, K. and Gaiha, R. (2002) 'Rural Public Works and Poverty Alleviation - The Case of the Employment Guarantee Scheme in Maharashtra', The International Review of Applied Economics, Vol. 16, No. 2, April 2002, pp.131-151. A version of this paper is posted at: <http://www.socialsciences.man.ac.uk/economics/staffpages/imai/RuralPublicWork-Gaiha-Imai.pdf>

International Poverty Centre (2007): Can all cash transfers reduce inequality? One pager <http://www.undp-povertycentre.org/pub/IPCOnePager36.pdf>

Kabeer, N. (2008) Mainstreaming Gender in Social Protection for the Informal Economy, Commonwealth Secretariat, London

Kakwani, N. and Son, H. (2006) 'Evaluating Targeting Efficiency of Government Programmes: International Comparisons' DESA Working Paper No. 13, United Nations Department of Economic and Social Affairs, New York

Leach, J. [1998] Bolivia's BONOSOL. Summary posted at: <http://wbln0018.worldbank.org/network/prem/premdoclib.nsf/3b3a6b138fc7af27852567600076df24/fb45d2fe76c4e27b852567130004bca2?OpenDocument>

León, M. and Younger, S. D. (2004) Transfer Payments, Mothers' Income, and Child Health in Ecuador. Posted at: <http://www.cfnpp.cornell.edu/images/wp172.pdf>
<http://www.informaworld.com/smpp/content?content=10.1080/00220380701466708>

Manasan, R. and Cuenca, J. (2007) 'Who benefits from the food-for-school programme: Lessons in targeting' Philippine Institute for Development Studies Discussion Paper Series 2007-10, Philippine Institute for Development Studies, Makati City.

Martinez, S. (2005) Pensions, poverty and household investment in Bolivia, mimeo. Posted at http://emlab.berkeley.edu/users/webfac/bardhan/e271_f04/martinez.pdf

Matin, I. (2002) Targeted development Programmes for the Extreme Poor: Experiences from BRAC Experiments, CPRC Working Paper 20, IDPM, Manchester. Posted at: <http://www.chronicpoverty.org/pdfs/20Matin.pdf>

Matin, I. and Hulme, D. (2003), Programs For The Poorest: Learning From the IGVGD Program in Bangladesh, World Development Vol. 31, No. 3, pp. 647-665.

McCord, A. (2009) 'Social Protection: A Global Imperative' ODI Opinion 127, Overseas Development Institute, London

McCord, A. and Slater, R. (forthcoming) Review of Public Works in Africa, Overseas Development Institution, London.

Pelham, L. (2007) The politics behind the non-contributory old age social pensions in Lesotho, Namibia and South Africa. CPRC. Posted at: <http://www.chronicpoverty.org/pdfs/83Pelham.pdf>

Ravallion, M. and Woden, Q. (1999) 'Does child labour displace schooling? Evidence from behavioural responses to an enrolment subsidy' World Bank Policy Research Working Paper 2116, Washington DC.

Schady, N. and Araujo, M. C. (2006) cash transfers, conditions, school enrolment, and child work: Evidence from a randomized experiment in Ecuador, mimeo. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=917501

Schleberger, E. (2002), Namibia's Universal Pension Scheme: Trends and Challenges, ESS Paper 6, Geneva: International Labour Organization. Posted at: <http://www3.ilo.org/public/immuniz/protection/secsoc/downloads/489sp1.pdf>

Schubert, B. and Huijbrechts, M. (2006) 'The Malawi Social Cash Transfer Pilot Scheme: Preliminary Lessons Learned', paper presented at a conference on Social Protection Initiatives for Children, Women and Families: An Analysis of Recent Experiences, New York, 30-31 October. Available at: www.socialcashtransfers-malawi.org

Schubert, B. (2009) 'Targeting Social Transfers: The Process of Defining Target Groups and Designing the Targeting Mechanism for the Malawi Social Cash Transfer Scheme' wahenga Comments available at www.wahenga.net

Sharp, K., Brown, T. and Teshome, A. (2006) 'Targeting Ethiopia's Productive Safety Net Programme,' Overseas Development Institute, London

Sjoblom, D. and Farrington, J. (2006) 'The India National Rural Employment Guarantee Act: Will it reduce poverty and boost the economy?' ODI Project Briefing No 7, Overseas Development Institute, London.

Skoufias, E. and McClafferty, B. (2001) Is PROGRESA Working? Summary of the Results of An Evaluation by IFPRI, Discussion Paper 118, IFPRI. Posted at:
<http://www.ifpri.org/divs/fcnd/dp/papers/fcndp118.pdf>

Slater, R., Ashley, S., Tefera, M., Buta., M. and Esubalew, D. (2006) 'Ethiopia Productive Safety Net Programme (PSNP): PSNP Policy, Programme and Institutional Linkages', Overseas Development Institute, London

Slater, R. and Mphale, M. (2008) 'Cash transfers, gender and generational relations: evidence from a pilot project in Lesotho' Humanitarian Policy Group Report, Overseas Development Institute, London

Stewart, S. and Handa, S. (2008) 'Reaching OVC through cash transfers in sub-Saharan Africa: Simulation results from alternative targeting schemes' Social Policy and Social Protection Section Working Paper, UNICEF Eastern and Southern African Region, Nairobi.

Sumarto, S. (2005) Social Safety Nets: Indonesia, Inter-Regional Inequality Facility, Policy Brief 5, February 2006, Overseas Development Institute, London Posted at:
<http://www.odi.org.uk/resources/download/1071.pdf>

Velásquez- Pinto, Mario D. (2004) The Bono Solidario in Ecuador: an exercise in targeting, ESS paper 17, ILO. Posted at: <http://www-ilo-mirror.cornell.edu/public/english/protection/socsec/download/esspaper17.pdf>

Veras Soares, F., Perez Ribas, R., Guerreiro Osório, R. (2007) Evaluating the Impact of Brazil's Bolsa Família: Cash Transfer Programmes in Comparative Perspective, UNDP-IPC, Brasilia, <http://www.undp-povertycentre.org/pub/IPCEvaluationNote1.pdf>

Watkins, B. (2008) Alternative Methods for Targeting Social Assistance to Highly Vulnerable Groups, A report prepared by Kimetrica for Care International

Williams, M. (2007) 'The social and economic impacts of South Africa's Child Support Grant', mimeo, BA dissertation, Williams College, Williamstown, MA.

World Bank (2006) World Development Report, World Bank, Washington DC

World Bank (2009) World Development Report, World Bank, Washington DC

Annex 1: Review: Annotated bibliography on targeting social transfers

The database aims to provide an overview of social transfer programmes, focusing specifically on the different targeting mechanisms used by each project. Information has been gathered regarding the choice and context of targeting, the political acceptability and drivers behind those choices, cost effectiveness and additional costs associated with mechanisms, implementation issues and poverty and social impact.

A total of 49 projects have been included in the database. Projects have been chosen to represent a broad spectrum of targeting mechanisms, types of transfer and geographic location. The available data for projects are uneven, so strict comparability across all projects has not been possible. This document examines different targeting mechanisms and draws out observations and trends from the sample of projects in the database. Firstly targeting categories are reviewed (older people, children, gender, disability, employment status) and then targeting methods (means testing, proxy-means testing, simple means testing, targeting by the community, and self targeting). The vast majority of projects in the database use a combination of two or more targeting mechanisms, so projects have been reviewed under the most significant targeting method applied.

To facilitate cross-referencing with the database, each project has been assigned a number. On first mention a project is referred to with a descriptive title and its number -- for example Brazil Bolsa Escola (11) – and then simply as Brazil (11).

Targeting Categories

Category: Older people

Social pensions are targeted to older people above a cut-off age. Nine such programmes from southern Africa, Latin America and Asia are listed in the database. They utilise different combinations of targeting methods. Four are universal - Bolivia pension (10), Lesotho pension (31), Namibia pension (38) and Nepal pension (39) - targeting all older people above the age criterion. Other pensions employ some form of means testing to target only the most vulnerable: Argentina pension (3), India pension (25), South Africa pension (43) and Uruguay pension (46), while in Bangladesh pension (5) means testing is carried out by the community. Three of the pensions also target disabled people: Argentina (3), Nepal (39) and Uruguay (46).

Political economy issues appear to be important influences on the *targeting choices* for pensions. Bolivia's pension was politicised from the start and aimed to redistribute proceeds from the privatisation of utilities which all people had "contributed to". The government maintained that a universal approach would offer the most immediate impact on the poorest. By targeting older people in Lesotho, the government indirectly assisted with those affected by HIV and AIDS, as older people often shoulder the burden of children affected by HIV and AIDS. However the existence of pensions in other neighbouring countries increased the sense of entitlement in Lesotho, and this transfer was the realisation of a long-promised

state benefit that encouraged a sense of equity. Universal targeting is becoming increasingly costly in Namibia, where the number of older people is expected to rise in relation to the population as a whole by 15 percentage points in the next decade. However proposed legislation to make pensions means tested may alienate white Namibians who represent the economic elite, and may even be regarded as unconstitutional. The post-apartheid era influenced the introduction of social pensions in South Africa, as for the first time blacks were incorporated into the programme, realising a spirit of change and optimism, and strengthening the social contract. Means testing made the programme fiscally feasible.

Implementation issues for universal pensions include difficulties in beneficiaries proving their age, travel costs in order to collect pensions, decreasing mobility with age, and richer people benefiting more than the poorer due to longer life expectancy. A high percentage of eligible people received pensions (95% in Namibia, around 86% in Nepal). However in general, an age criterion is not considered an effective proxy for vulnerability: for example, in Nepal half the beneficiaries are non-poor, giving rise to major errors of inclusion.

However these programmes enjoy strong political support from all segments of society, enhance the status of older people and strengthen the social contract. In addition, universal pensions appear to have significant impact on poverty and livelihoods (Bolivia), provide food security for older people and benefit the whole household (Lesotho), and contribute to the costs of primary and secondary education (Namibia).

For *means tested* pensions, implementation varies substantially. In South Africa, means testing helps to prevent leakage and enables pensions to be targeted to 80% of age-qualified Africans. The resulting impact on poverty is significant: pensions improve nutritional and health status, increase school enrolment and reduce child labour. Regular transfers of income to the poorest have also increased local accountability and support of citizens towards the government. In India, means testing appears to be confusing, and poor understanding of the eligibility criteria combined with elite capture result in exclusion errors, although another evaluation found the programme generally effective and free from misappropriation. Argentina's disjointed pension system and lack of transparency result in errors of inclusion and promote inequality. However despite the lack of rigorous enforcement of criteria, pensions appear to target the needy, and have reduced the incidence of poverty in extremely poor households by 67 percent.

Bangladesh provides evidence of a strong targeting methodology: using communities to identify the neediest beneficiaries through a simple means test has resulted in a concentration of beneficiaries in the lowest wealth quintiles. Nevertheless the ceiling on the number of beneficiaries (resulting in only 6.4% of the lowest quintile receiving support) and the small amount of the transfers limits the impact on poverty reduction.

Category: Children

Ten projects target children specifically through cash transfers for education. Initial geographic targeting takes place in eight of the projects, targeting the intervention to the poorest neighbourhoods or rural areas, or municipalities with education and health facilities. Four projects identify the poorest household by carrying out some form of means

testing: Brazil Bolsa Escola (11), Colombia Familias en accion (17), El Salvador Red Solidario (20), South Africa Child Support Grant (44); three projects use communities to identify the most needy households: Bangladesh Cash for Education (4), Bangladesh Education Stipend (6), Cambodia Education for girls (13); and Mexico Oportunidades (34) uses proxy means testing which is refined by community consultation. In Mongolia Child Money (35), an initial proxy means test for child benefits was stopped after two years, when the Government passed a law making this child benefit a universal entitlement for all families (albeit with a number of conditionalities). Education vouchers in Colombia (18) use categorical targeting to identify poorer households, and then a lottery when demand increased. Pregnant women are also targeted in El Salvador's Red Soliario programme (20).

Targeting choices about whether to target children universally, or employ additional mechanisms to identify the neediest beneficiaries, have been influenced by capacity and political economy issues, and the need to create robust transparent methods for selecting beneficiaries. Mexico's programme design was influenced by a need to avoid discretionary decision-making that characterised previous programmes, and so employs transparent criteria through a proxy-means test, which is further verified by community feedback. Proxy-means testing was chosen in Colombia (17) as their national data system is robust and recognised widely as a transparent way to select the poorest. The process of decentralisation also encouraged national government to delegate targeting to municipalities. Mongolia's decision to move to a universal transfer was politically motivated, as unstable governments encouraged populist policies, and the exclusion of some children was contrary to socialist universalist values. In El Salvador, poverty is so pervasive in the poorest targeted areas that no additional means testing is used, and the transfer reaches all households with children or pregnant women. In this way social tensions were avoided and administrative costs reduced. However in the second poorest targeted areas a proxy-means test selects the poorest households.

A few projects report on operational *cost effectiveness*: in Bangladesh (6) the total cost of delivery is only 4% of total programme costs, whereas in Mexico, administrative costs amount to 8% of all programme costs.

Implementation issues. Targeting poor households with children through means testing appears to be effective where the public administration is strong enough to undertake this type of selection. In Brazil (11) the poorest households are identified through proxy means testing, and in some cases municipalities reached 100% of eligible beneficiaries. Similar findings emerge in Colombia (17), where the programme is reaching the poorest 20% of households. Mexico's targeting is deemed to be extremely successful, effectively selecting both the poorest localities, and the poorest households, and means testing in South Africa's Child Support Grant also appears to target the poor successfully. In Mongolia proxy-means testing was less successful: its bluntness led to leakages and institutional factors resulted in poor implementation. The subsequent universal programme targeted the poor more effectively, as there are more children in poorer households and many richer households opted out of the programme. Targeting by communities in Bangladesh (projects 4 and 6) creates significant leakage, with many non-eligible children benefiting from vouchers and cash for education, and committees siphoning off funds. However in general Bangladesh (6) does reach the poorest households. Community targeting in Cambodia (13) appears to be

successful, despite considerable freedom to interpret selection criteria: 75% of beneficiaries are from the most eligible groups. Initial statistics regarding El Salvador (20) indicate effective identification of beneficiaries (reliable poverty maps, some self-targeting due to long queuing time), although there appears to be a lack of transparency in the proxy-means testing.

Some inherent *exclusion errors* in targeting criteria need to be addressed. In Brazil (11), poor families with children under 6, or recently migrated to the city, are excluded. Significant undercoverage is noted in Colombia (13), where only half of eligible households received grants because many families were not registered in the system, and in South Africa (44), where only 1.9 million out of 5.1 million were receiving benefits due to slow registration. Geographic targeting with schools or health centres will also exclude poorer communities without these facilities (Mexico 34). Since extremely poor households do not send their children to school, all programmes that target households through education automatically exclude some of the poorest households. This is due to opportunity costs often being greater than the expected income transfer, noted in both Bangladesh (4) and Bangladesh (6).

However, overall these programmes appear to have a strong positive *impact on poverty*. School attendance has risen (Brazil 11, Colombia 17), there has been a dramatic reduction in socio-economic gradients in enrolment and attendance (Cambodia 13), an increase in household consumption and immunisation (Colombia 17), and a significant contribution to poverty reduction as measured by household consumption expenditure (Mongolia 35). Positive educational outcomes were noted for lottery winners (Colombia 18), as well as increased social cohesion and greater student empowerment in their education. Mexico's programme improved enrolment rates, improved nutrition, although evidence suggests possible stigmatisation of beneficiaries, and social divisions may arise between beneficiaries and non-beneficiaries.

One suggestion to improve targeting performance in Bangladesh (4) would be to include a low-cost proxy means test to assess income.

Category: Gender

There are nine projects that target girls or women in our sample, whether through social pensions, school vouchers, public works, or household transfers. These projects are Bangladesh VGD (7), Bangladesh IGVD (8), Brazil Bolsa Familia (12), Cambodia Education for Girls (13), El Salvador Red Solidario (20), India National Maternity Benefit Scheme (26), Mozambique GAPVU (36), Nepal pension (39) and South Africa Zibambele (42). This category is not targeted exclusively, so programmes have been assessed under the other targeting mechanisms used to identify beneficiaries (older people [children](#), [means testing](#), [proxy means testing](#) or [simple means](#) testing)

Category: Disabled people

Disabled people are targeted in social transfers alongside other categorical groups. Three social pensions also assist those with disabilities - Argentina (3), Nepal (39) and Uruguay

(46), and four projects target disabled people alongside other demographic categories using proxy-means testing - Ecuador Bono de Desarrollo (19), Jamaica PATH (29), Mozambique GAPVU (36) and Mozambique Food Subsidy (37). Targeting methods are assessed under the sections reviewing targeting of older people by [proxy-means](#) testing

Category (other): Loss of employment

Three projects use loss of employment to identify beneficiaries for social transfers. In Argentina Jefes y Jefas (2), participants propose themselves for the programme by signing a statement of unemployment, in Korea Public Works (30) unemployed persons are selected by committees according to a means test and verified using labour information on the national database. In India National Family Benefit Scheme (NFBS) (27), the death of the primary breadwinner entitles households to a lump sum, allocated only to poor households that identified from the Government's Below the Poverty Line (BPL) proxy-means test (see section below on [proxy means testing](#)).

Both Argentina (2) and Korea (30) were introduced in the context of severe financial crises that led to unprecedented levels of unemployment. *Targeting choices* reflect the capability of each country to verify employment status. The Korea programme employed a rigorous targeting selection process after initial complaints of leakage, relying on strong, robust information from databases at the Ministry of Labour. This was essential in ensuring political support for the programme. The government also enjoyed political consensus and budgetary flexibility which enabled the programme to be launched. In Argentina verification of employment status is more challenging as the informal sector represents more than half of all employment. An initial phase aimed to reach a broad section of the affected population through unconditional cash transfers, however concerns for leakage forced the government to introduce a work requirement, creating a self-targeting process.

Implementation. Analysis of household incomes, access to other benefits and economic status suggest that the Korean public works programme reached those in need of social protection due to rising unemployment and poverty. In Argentina there were significant inclusion and exclusions errors, due to weak enforcement of the work and eligibility requirements.

Despite targeting errors, Argentina's programme is credited with reducing extreme poverty, and in Korea public works provided an effective safety-net for skilled workers affected by the crises.

There are seven additional projects that target a number of categorical groups' together (children, older people, pregnant women, disabled people). These projects identify the poorest households using [means](#) or [proxy means testing](#), and so are analysed in later sections.

Targeting methods

Means testing

Means testing assesses the eligibility of an individual or household to access the programme by directly examining their income. This can be carried out through verification of data through third party sources (wage information, taxes) or through documentation provided by the potential beneficiary. Means testing can also be done by proxy, in which those designing transfer programmes, or third parties such as community leaders, draw on informal information (e.g. some estimate of the quality of housing) in order to arrive at poverty assessments. These are considered below.

In total, nine projects employ means testing to identify the poorest sections of the community: China Minimum Living Subsidy Scheme (16), Ecuador Bono de Desarrollo (19), Korea Public Works (30), Mozambique GAPVU (36), Mozambique Food Subsidy (37), Nepal Pension (39), South Africa Pension (43) and Child Support Grant (44), Uruguay Pension (46). After an initial geographic targeting of urban areas, China (16) identifies poor urban households with low income through a means test. In Ecuador a means test which is verified by national data sources identifies the poorest households for cash transfers, targeting those with older people, children and disabled people. Both Mozambique GAPVU (36) and the subsequent Food Subsidy Programme Mozambique (37) were means tested, identifying particularly vulnerable households by targeting children, pregnant women, disabled people, chronically ill, although the second programme also used a geographic filter to target urban and peri-urban areas.

Projects which use means testing as an additional methodology to target pensions, children or public works have already been reviewed in the previous section. Here the concern is with projects which target households for cash transfers predominantly using means testing.

The context in which *targeting choices* were made varies for each programme. In China, this programme represented a conceptual shift from providing ad hoc relief to poor people with specific constraints, to a universal entitlement to social assistance on a regular basis to anyone falling below a minimum living standard. Ecuador's programme was introduced as compensation to the poor for withdrawal of price subsidies on petrol and derivatives. Mozambique (37) is characterised by multiple, stringent eligibility criteria, potentially in reaction to the previous closure of Mozambique (36) due to corruption. Limited capacity and financial constraints also necessitated a highly targeted approach to avoid creating demand that could not be satisfied.

In these programmes, *implementing* means testing has proved challenging due to inadequate data checking or reviewing. In China inadequate resources have led many local governments to adjust the poverty line, resulting in poor targeting outcomes (only 20-25% of urban poor are reached). Means testing is not reviewed at regular intervals, and any household that is not registered is automatically excluded from the programme. Targeting has not been applied consistently in Ecuador, nor are there checks on data provided by beneficiaries: an estimated 2/3rds of beneficiaries do not meet the household means test.

In addition there are significant exclusion errors: one half of potential beneficiaries failed to receive the transfer. Targeting implementation of Mozambique (36) was poor, with significant leakage rates and lack of application of the means test. Mozambique (37) appears to be more stringent in applying eligibility criteria, but the geographic targeting of urban households means that all rural households are excluded.

Poverty and social impact. China's programme has been found to play an important role as a last safety net for alleviating urban poverty, but low coverage limits its impact on welfare. Evaluations so far have failed to find significant improvements in child nutrition in Ecuador, although the impact of conditionalities has not been assessed. In Mozambique (37), welfare outcomes are minimal despite improved targeting performance due to the limited geographical scope and low value of the transfer – 5% of the minimum wage. Strict transparent targeting criteria have earned the support of the community for the programme, and the small amount of the transfer limits dependency and reduces any possible jealousy from non beneficiaries.

Proxy-means testing

Proxy-means testing generates a score for applicant households based on a small number of easily observable characteristics such as quality of housing, assets, education of household members or the demographic structure of the household.

Of the programmes reviewed, 18 use proxy-means testing to identify beneficiaries in combination with other targeting mechanisms. Eight programmes rely predominantly on proxy-means testing to identify eligible beneficiaries – Chile Solidario (15), India National Maternity Benefit Scheme NMBS (26), India NFBS (27), Indonesia Social Safety Net (28), Jamaica PATH (29), Nicaragua Red de Protección (40), Paraguay Red de Protección y Promoción Social (41) and Uruguay PANES (45) - sometimes using categorical criteria to select specific groups within the poorest households (children, disabled, older people, pregnant women). Another seven programmes utilise communities to select beneficiaries through proxy-means testing: Bangladesh VGD (7), Bangladesh IGVD (8), Bangladesh CFPR (9), Ethiopia Meket (21), Ethiopia PSNP (22), Malawi Mchinji (33) and Zimbabwe Protracted Relief Programme (49). Geographic targeting is used in ten programmes. Four other programmes use proxy-means testing as a component of targeting [children](#), and have been reviewed under that section.

Whether to conduct proxy or more formal means testing, and the methods chosen, can be influenced by the resources available. Thus, *choice* can be influenced by capacity. In Jamaica (as also elsewhere), proxy indicators are easier to observe and check than income levels and in Paraguay, it is assumed that the income information available in household surveys does not capture the permanent status income. Budgetary constraints are also factors in deciding to use proxy-means testing (Paraguay 41). A rights-based perspective influenced the targeting choice for Uruguay (45), namely a commitment to monitoring access for all eligible families and the engagement of civil society in the targeting process. In Malawi (33), the choice to focus on the ultra poor through proxy means testing (rather than specific categories) enables the programme to target a wide range of vulnerable people.

Operational costs in Jamaica (29) are 2% of the total budget, whereas in Malawi (33) they amount to 14% of all costs.

Targeting *implementation* has performed well in some contexts. The programmes in Chile, Nicaragua, Jamaica and Uruguay are effective at reaching their targeted populations, due to robust mechanisms. Some concerns arise regarding the transparency of the targeting process, and confusion amongst non-beneficiaries results (Jamaica 29, Nicaragua 40). In India the Below Poverty Line method of identifying the poor is criticised for using the same indicators for widely differing circumstances, and being open to manipulation due to political affiliation, nepotism and corruption. Therefore its relevance as an effective targeting mechanism for poverty reduction programmes is questioned.

Implementation for programmes using *communities* to identify beneficiaries through a proxy-means test has been extremely effective in Bangladesh (9), where targeting is deemed appropriate by communities, and in Malawi (33), as verified by visits to beneficiary households. In Ethiopia (22) resources are going mainly to the poor and food insecure households, though elite capture and dilution have caused inclusion errors, and fixed quotas have resulted in exclusion errors. There was evidence of exclusion errors in Ethiopia (21), as beneficiaries account for 17% of the total *woreda* population, whereas food insecure populations are reportedly much higher. In Zimbabwe (49), targeting has been assessed to be imperfect, and proxy-means testing has largely been sidelined for demographic targeting. There is evidence of community resistance to providing benefits only to some sections of the population, and evaluations recommend more community verification and self-targeting to improve targeting performance.

Poverty and social impact: In Indonesia, the programme succeeded in improving access to the most vulnerable to social services, although the complex design and less specific targets for the nutritional component, which utilised proxy-means testing, reduced its impact. Welfare outcomes were positive in Jamaica (29), both for health and education components. The pilot programme in Nicaragua has increased school enrolment, reduced child labour, and has been associated with a rise in immunisation rates and improvements in nutrition. Bangladesh (9) has made significant contributions to reducing malnourishment, and benefits to participating poor families have been assessed at five times the original investment by developing partners.

Stigmatisation of beneficiaries can occur through being identified as the “poorest”. This occurred in Bangladesh (8), although the programme implementers aimed to reduce this social isolation by mixing different beneficiary groups together in weekly meetings. Beneficiaries of this programme reported higher levels of confidence and well-being. Despite strong community involvement in Ethiopia (22), communities are largely implementing others’ decisions, rather than being empowered to identify beneficiaries themselves. The goals of transparency and accountability also underachieved due to inadequate appeals processes. However the stipulation of at least one woman in each task force at every level had a positive gender impact.

Simple means testing

Simple means testing selects beneficiaries without any independent verification of income. Four projects use this form of assessment: Brazil Bolsa Familia (12) uses an unverified means test to identify extremely poor households, together with some categorical criteria to select households with children and pregnant women. In Cambodia (14), the Identification of Poor Households utilises a simple means test which is carried out by the community. Two additional programmes using simple means testing have already been examined under the categorical targeting of older people

The rationale behind choosing this target mechanism is related to cost: often it is simply not financially feasible to use verified or proxy-means testing, as in Brazil's case. In Cambodia, the aim was to overcome the fragmentary approach hitherto used by donors and NGOs, and create a transparent methodology that could promote awareness of social transfers within the Government of Cambodia.

Targeting *implementation* in Brazil (12) is considered impressive by evaluators, although there are trade offs between extended coverage and leakage. Given the size of the programme, these errors are small and social workers are credited with using their authority well in the selection process. Despite the objective to create a robust methodology, in reality the seven step process of Cambodia (14) to identify poor households is complex and resource intensive. Evaluations recommend that this draft methodology be modified to include discussions with key informants which would identify households by certain categories.

Effective targeting in Brazil (12) has contributed to a significant reduction in Gini index. Overall the programme was responsible for a 12 % reduction in poverty, and although there is no significant effect on household consumption, there is increased expenditure on food and education.

Targeting by communities

Here, a community leader or a group of community members decide who in the community should receive benefits. This method takes advantage of local knowledge about the circumstances of beneficiaries, and allows local definition of needs and welfare.

Of the 49 projects contained in the database, 19 use some form of community input for targeting purposes. In general, community input is used to fine-tune targeting, as a mechanism to identify specific categories of beneficiaries (school committees identifying eligible children) or as a means of carrying out proxy means testing. There are five projects that rely most significantly on community-based targeting. In Afghanistan Food for Work (1), after the most food insecure regions have been identified through geographic targeting, food insecure households are selected by village leaders; in Malawi Starter Pack (32), rural communities select the poorest households to receive inputs according to specific categorical criteria; in South Africa Zibambele (42), community representatives select the poorest households to participate in public works programmes focusing on female headed households; in Zambia Kalomo (47), a pilot cash transfer project identified critically poor

households through local community committees which select beneficiaries according to ability to work, income and assets; and in-kind transfers are targeted using these community-based committees in Zambia PWAS (48), by means of a locally-developed matrix to identify beneficiaries.

Choices and drivers Rural Zambia is sparsely populated, and household registration is difficult. Poverty levels are very similar and differentiating between the poor and the poorest would prove challenging with a questionnaire. In addition, the efficient, experienced system of public welfare assistance makes community-based targeting an effective mechanism to reach the poor in all regions of the country, and empowers communities to assist the vulnerable in their midst. In the context of high prevalence of HIV and AIDS in Zambia, this method of targeting the vulnerable indirectly reaches those affected without stigmatisation. Community-based targeting was chosen by the Government of Malawi to scale-down the programme from a universal transfer, and target only the poorest smallholders.

There are considerable private *costs associated* with community targeting for the people involved in the targeting, who often work on a voluntary basis. When opportunity costs and costs on the community are considered, evaluation shows that community-targeting in Zambia is the most expensive targeting methodology. South Africa (42) instead was found to be cost-effective in terms of transferring resources from the state to recipients, the proportion of programme costs spent on labour and the cost of the creation of a day's work.

Implementation of community-based targeting has mixed results. In Afghanistan, there was little transparency over selection criteria, and bias of local leadership and redistribution of relief to the non-poor in the community led to indifferent targeting of the poor and non-poor. Similar results were found in Malawi (32). Community resistance to differentiating between poor and non-poor played a role, as did favouritism of family or friends and the lack of correlation between selection criteria and poverty levels. A lack of sensitisation on methodology or criteria also contributed to unsuccessful targeting outcomes. In South Africa however targeting has been more successful: beneficiaries are from the lower socio-economic segments of the population with lower education and literacy levels. In Zambia (47) there appears to be concern about elite capture and nepotism, although other evaluations suggest that beneficiaries matched entry requirement and that nepotism was limited. One evaluation found that community-based targeting was highly effective in some areas in Zambia, and no better than random selection in others.

Poverty and social impact Despite poor targeting, Malawi (32) improved food security for beneficiary households, although targeting in this manner created social divisiveness between non-recipients and committees. There are reports of growth in social capital from the creation of workers' groups as a result of South Africa (42), and the targeting of women improved their social status in the community. Assistance was spread so thinly in Afghanistan that the level of food transfers was not adequate to have a significant impact in districts of acute food insecurity. In Zambia (47), beneficiaries show greater self-confidence, and committee members report increased social and political capital.

Self-targeting

Self-targeting programmes are open to all, but their design encourages only those who are the poorest to take advantage of the transfer. Low wages, a requirement to queue, and inferior quality of in-kind transfers are elements that will discourage the non-poor to participate.

Self-targeting is often used in combination with a number of other targeting mechanisms. There are seven programmes that use some form of self-targeting to discourage the non-poor from participating in public works schemes: Argentina Jefes y Jefas (2), Ecuador Bono de Desarrollo (19), Ethiopia PSNP (22), India Maharashtra Employment Scheme (23), India NREGA (24), Indonesia Social Safety Net (28), South Africa Zibambele (42), Zimbabwe Protracted Relief Programme (49). Most of these use categorical or means testing as initial targeting mechanisms, and then set low wage rates. In India, self-targeting is a primary method of reaching the poorest. In the initial public works scheme in Maharashtra, geographic targeting was combined with self-targeting (India 23), however in the scaled-up national programme NREGA (India 24), access to the programme is universal with self-targeting through setting wages at the minimum rate.

Choices and drivers. India (24) offers a rights-based approach to social protection, and is based on an act of parliament which confers statutory rights to labour. It is one of the largest single rights-based social protection initiatives in the world. This targeting approach was selected as it was considered to be the most cost-effective method of reaching the poor.

Costs associated with these programmes include foregone incomes, and private costs due to elaborate registration processes and long distances to work sites. India (24) is also criticised for being too open ended, enabling anyone to obtain employment which can lead to escalating costs for the government (total costs for the scaled-up programme are estimated to be between 1-5% of GDP).

Implementation issues resulting from these Indian programmes are high inclusion and exclusion errors. Access to the scheme can be determined by social status, nepotism, religion and politics, and discrimination due to caste, age and gender is evident. Low awareness of entitlements has also resulted in exclusion errors. However in parts of Rajasthan, where local administration is exceptionally strong, targeting appears more effective. It is worth noting that in Ethiopia PSNP (22), work requirement and low pay did have a self-targeting effect, but there is also evidence of non-eligible beneficiaries participating in public works because of the reliability of work, and its proximity to their homes.

Indirect benefits from India's public works programmes include raising agricultural wages, stabilising and smoothing incomes and reducing costly coping strategies during slack months. Assets are prone to being taken over by wealthier sections of society, and the programme appears to discourage workers from seeking work in rapidly growing areas of the economy. These programmes could contribute to a sense of collective identity among

rural workers, encouraging empowerment and strengthening their bargaining power vis-à-vis large landholders.

Annex 2: Results from targeting tool for Ghana

Table 1: GLSS5's Upper Poverty Line (900,000 cedis)

Proxy	% HHs w/ proxy (A+B)/ (A+B+C+D)	Poverty rate of HHs with proxy A/(A+B)	Have proxy		No proxy		Inclusion error B/(A+B)	Exclusion error C/(A+C)
			Poor	Non- poor	Poor	Non- poor		
			A	B	C	D		
Child 7-13 working 20 hrs/wk in HH	7.57%	33.32%	2.52%	5.05%	16.37%	76.06%	66.68%	86.64%
Woman with past child mortality in HH	16.63%	32.83%	5.46%	11.17%	13.43%	69.94%	67.17%	71.10%
Person in HH has disability	0.71%	36.69%	0.26%	0.45%	18.63%	80.66%	63.31%	98.62%
HH head primary school or less	44.39%	30.28%	13.44%	30.95%	5.45%	50.16%	69.72%	28.84%
Female-headed household	38.64%	16.02%	6.19%	32.45%	12.70%	48.66%	83.98%	67.22%
HH head illiterate	45.83%	28.87%	13.23%	32.60%	5.66%	48.51%	71.13%	29.96%
No health insurance	86.37%	20.75%	17.92%	68.45%	0.97%	12.66%	79.25%	5.15%
Child under 5 in HH	38.03%	28.81%	10.96%	27.07%	7.93%	54.04%	71.19%	42.00%
Child under 10 in HH	54.07%	27.23%	14.72%	39.34%	4.17%	41.77%	72.77%	22.05%
Child under 15 in HH	64.13%	25.52%	16.36%	47.77%	2.53%	33.34%	74.48%	13.37%
Child under 18 in HH	67.99%	25.16%	17.11%	50.89%	1.78%	30.22%	74.84%	9.44%
Elderly >= 65 in HH	16.83%	23.00%	3.87%	12.96%	15.02%	68.15%	77.00%	79.50%
Child with no parent in HH	16.22%	22.11%	3.59%	12.64%	15.30%	68.47%	77.89%	81.01%
Person with no vaccination in HH	1.28%	49.82%	0.64%	0.64%	18.25%	80.47%	50.18%	96.62%
HH head unemployed	13.70%	22.30%	3.06%	10.65%	15.83%	70.46%	77.70%	83.83%
No electricity	50.83%	29.80%	15.15%	35.68%	3.74%	45.43%	70.20%	19.82%
No flush toilet	89.82%	20.88%	18.75%	71.06%	0.14%	10.05%	79.12%	0.73%
No phone access	57.62%	24.85%	14.32%	43.30%	4.57%	37.81%	75.15%	24.22%
No mobile phone access	29.76%	30.64%	9.12%	20.64%	9.77%	60.47%	69.36%	51.73%
No indoor pipe	85.55%	21.39%	18.30%	67.25%	0.59%	13.86%	78.61%	3.12%
Thatch roof	14.61%	39.15%	5.72%	8.89%	13.17%	72.22%	60.85%	69.71%
Mud wall	49.54%	30.12%	14.92%	34.62%	3.97%	46.49%	69.88%	21.02%

Notes

National poverty rate 18.89%

Table 2: GLSS5's Poverty Line (700,000 cedis)

Proxy	% HHs w/ proxy	Poverty rate of HHs with proxy	Have proxy		No proxy		Inclusion error	Exclusion error
			Poor	Non- poor	Poor	Non-poor		
	(A+B)/ (A+B+C+D)	A/(A+B)	A	B	C	D	B/(A+B)	C/(A+C)
Child 7-13 working 20 hrs/wk in HH	7.57%	19.51%	1.48%	6.10%	9.80%	82.62%	80.49%	86.90%
Woman with past child mortality in HH	16.63%	22.40%	3.72%	12.90%	7.55%	75.82%	77.60%	66.98%
Person in HH has disability	0.71%	24.43%	0.17%	0.54%	11.11%	88.18%	75.57%	98.46%
HH head primary school or less	44.39%	19.80%	8.79%	35.60%	2.49%	53.12%	80.20%	22.09%
Female-headed household	38.64%	9.37%	3.62%	35.02%	7.66%	53.70%	90.63%	67.90%
HH head illiterate	45.83%	18.83%	8.63%	37.20%	2.65%	51.52%	81.17%	23.47%
No health insurance	86.37%	12.55%	10.84%	75.53%	0.44%	13.19%	87.45%	3.91%
Child under 5 in HH	38.03%	17.82%	6.78%	31.25%	4.50%	57.47%	82.18%	39.91%
Child under 10 in HH	54.07%	16.75%	9.06%	45.01%	2.22%	43.71%	83.25%	19.70%
Child under 15 in HH	64.13%	15.60%	10.01%	54.13%	1.27%	34.59%	84.40%	11.28%
Child under 18 in HH	67.99%	15.32%	10.41%	57.58%	0.86%	31.14%	84.68%	7.67%
Elderly >= 65 in HH	16.83%	15.02%	2.53%	14.30%	8.75%	74.42%	84.98%	77.58%
Child with no parent in HH	16.22%	13.17%	2.14%	14.09%	9.14%	74.63%	86.83%	81.06%
Person with no vaccination in HH	1.28%	31.74%	0.41%	0.88%	10.87%	87.84%	68.26%	96.39%
HH head unemployed	13.70%	14.67%	2.01%	11.69%	9.27%	77.03%	85.33%	82.18%
No electricity	50.83%	19.10%	9.71%	41.12%	1.57%	47.60%	80.90%	13.96%
No flush toilet	89.82%	12.50%	11.23%	78.59%	0.05%	10.13%	87.50%	0.46%
No phone access	57.62%	15.49%	8.93%	48.69%	2.35%	40.03%	84.51%	20.87%
No mobile phone access	29.76%	20.29%	6.04%	23.72%	5.24%	65.00%	79.71%	46.46%
No indoor pipe	85.55%	12.82%	10.96%	74.59%	0.32%	14.13%	87.18%	2.80%
Thatch roof	14.61%	26.69%	3.90%	10.71%	7.38%	78.01%	73.31%	65.42%
Mud wall	49.54%	19.15%	9.49%	40.05%	1.79%	48.67%	80.85%	15.89%

Notes

National poverty rate 11.28%

Table 3: Bottom Decile Poverty Line (654,224.1 cedis)

Proxy	% HHs w/ proxy (A+B)/ (A+B+C+D)	Poverty rate of HHs with proxy A/(A+B)	Have proxy		No proxy		Inclusion error B/(A+B)	Exclusion error C/(A+C)
			Poor	Non- poor	Poor	Non- poor		
			A	B	C	D		
Child 7-13 working 20 hrs/wk in HH	7.57%	17.62%	1.33%	6.24%	8.65%	83.77%	82.38%	86.64%
Woman with past child mortality in HH	16.63%	20.20%	3.36%	13.27%	6.63%	76.74%	79.80%	66.38%
Person in HH has disability	0.71%	20.58%	0.15%	0.57%	9.84%	89.45%	79.42%	98.53%
HH head primary school or less	44.39%	18.20%	8.08%	36.31%	1.91%	53.70%	81.80%	19.12%
Female-headed household	38.64%	8.28%	3.20%	35.45%	6.79%	54.57%	91.72%	67.98%
HH head illiterate	45.83%	17.21%	7.89%	37.95%	2.10%	52.07%	82.79%	21.04%
No health insurance	86.37%	11.12%	9.60%	76.76%	0.38%	13.25%	88.88%	3.84%
Child under 5 in HH	38.03%	15.57%	5.92%	32.11%	4.07%	57.91%	84.43%	40.71%
Child under 10 in HH	54.07%	14.75%	7.98%	46.09%	2.01%	43.92%	85.25%	20.14%
Child under 15 in HH	64.13%	13.78%	8.84%	55.30%	1.15%	34.72%	86.22%	11.51%
Child under 18 in HH	67.99%	13.56%	9.22%	58.77%	0.77%	31.24%	86.44%	7.68%
Elderly >= 65 in HH	16.83%	13.81%	2.33%	14.51%	7.66%	75.50%	86.19%	76.72%
Child with no parent in HH	16.22%	12.22%	1.98%	14.24%	8.00%	75.77%	87.78%	80.15%
Person with no vaccination in HH	1.28%	29.91%	0.38%	0.90%	9.60%	89.11%	70.09%	96.16%
HH head unemployed	13.70%	13.32%	1.83%	11.88%	8.16%	78.14%	86.68%	81.73%
No electricity	50.83%	17.27%	8.78%	42.05%	1.21%	47.96%	82.73%	12.13%
No flush toilet	89.82%	11.07%	9.94%	79.88%	0.05%	10.14%	88.93%	0.48%
No phone access	57.62%	13.93%	8.02%	49.59%	1.96%	40.42%	86.07%	19.66%
No mobile phone access	29.76%	17.98%	5.35%	24.41%	4.64%	65.60%	82.02%	46.43%
No indoor pipe	85.55%	11.38%	9.73%	75.82%	0.26%	14.19%	88.62%	2.56%
Thatch roof	14.61%	24.24%	3.54%	11.07%	6.45%	78.94%	75.76%	64.54%
Mud wall	49.54%	17.17%	8.51%	41.03%	1.48%	48.98%	82.83%	14.83%

Notes

National poverty rate 9.99%

Table 4: Bottom Quintile Poverty Line (924,857.5 cedis)

Proxy	% HHs w/ proxy (A+B)/ (A+B+C+D)	Poverty rate of HHs with proxy A/(A+B)	Have proxy		No proxy		Inclusion error	Exclusion error
			Poor	Non-poor	Poor	Non-poor		
			A	B	C	D		
Child 7-13 working 20 hrs/wk in HH	7.57%	35.45%	2.69%	4.89%	17.31%	75.11%	64.55%	86.57%
Woman with past child mortality in HH	16.63%	34.78%	5.78%	10.85%	14.22%	69.15%	65.22%	71.08%
Person in HH has disability	0.71%	40.04%	0.28%	0.43%	19.71%	79.57%	59.96%	98.58%
HH head primary school or less	62.05%	25.18%	15.62%	46.42%	4.38%	33.58%	74.82%	21.88%
Female-headed household	38.64%	17.08%	6.60%	32.04%	13.40%	47.96%	82.92%	67.00%
HH head illiterate	69.66%	26.83%	18.69%	50.97%	1.31%	29.03%	73.17%	6.56%
No health insurance	86.37%	21.87%	18.89%	67.48%	1.11%	12.52%	78.13%	5.55%
Child under 5 in HH	38.03%	30.13%	11.46%	26.57%	8.54%	53.43%	69.87%	42.71%
Child under 10 in HH	54.07%	28.70%	15.52%	38.55%	4.48%	41.45%	71.30%	22.40%
Child under 15 in HH	64.13%	27.00%	17.31%	46.82%	2.69%	33.18%	73.00%	13.44%
Child under 18 in HH	67.99%	26.62%	18.10%	49.90%	1.90%	30.10%	73.38%	9.51%
Elderly >= 65 in HH	16.83%	24.43%	4.11%	12.72%	15.89%	67.28%	75.57%	79.44%
Child with no parent in HH	16.22%	23.52%	3.82%	12.41%	16.18%	67.59%	76.48%	80.92%
Person with no vaccination in HH	1.28%	49.82%	0.64%	0.64%	19.36%	79.36%	50.18%	96.80%
HH head unemployed	63.40%	25.08%	15.90%	47.50%	4.10%	32.50%	74.92%	20.49%
No electricity	50.83%	31.32%	15.92%	34.91%	4.08%	45.09%	68.68%	20.41%
No flush toilet	89.82%	22.11%	19.86%	69.95%	0.14%	10.05%	77.89%	0.69%
No phone access	57.62%	26.20%	15.10%	42.52%	4.90%	37.48%	73.80%	24.52%
No mobile phone access	29.76%	32.18%	9.58%	20.18%	10.42%	59.82%	67.82%	52.12%
No indoor pipe	85.55%	22.65%	19.37%	66.18%	0.63%	13.82%	77.35%	3.13%
Thatch roof	14.61%	40.76%	5.96%	8.66%	14.04%	71.34%	59.24%	70.22%
Mud wall	49.54%	31.66%	15.69%	33.85%	4.31%	46.15%	68.34%	21.57%

Notes

National poverty rate 20.00%