Targeting Transfers

Innovative Solutions to Familiar Problems[1]

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1 Introduction

The 1990s have seen significant shifts in thinking and practice around anti-poverty policy. Delivery mechanisms have moved away from general food price subsidies towards 'social safety nets' and micro-credit programmes. Coverage has narrowed from universal benefits to targeted transfers.[2] Several emerging concerns of the 1980s – environment, gender, participation – took centre-stage in the 1990s. Some of these shifts may reflect little more than cosmetic relabelling, but many are genuinely new and their implications are fundamental. This article addresses one such shift – the rise of targeting – and argues that targeting resource transfers introduces costs and incentives which require careful judgements about the optimal balance between targeting costs and targeting errors. Detailed case study analysis of common current practices – such as enforcing gender quotas on public works projects, and minimising targeting costs so as to maximise transfers to beneficiaries – reveals that these practices are often misguided and can result in perverse outcomes if they are not adapted to specific national or local contexts.

2 The Case for Targeting

The shift from universal (untargeted) to selective (targeted) resource transfers may reflect a hegemonic neo-liberal obsession with efficiency and cost-effectiveness (see Yaschine, in this Bulletin), but is difficult to argue against on equity grounds if, as a consequence of reduced transfers to non-needy beneficiaries (or 'leakages'), resources are freed up for increased transfers to the poor. On the other hand, targeting introduces economic and political costs which might limit or undermine redistributive impacts. For one thing, targeting requires beneficiary identification: clusters of

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[2] 'Targeting' can be defined as any mechanism for identifying eligible (or 'needy') individuals and screening out the ineligible (or 'non-needy') for purposes of transferring resources, typically by defining eligibility criteria. 'Coverage' is the proportion of a (total or eligible) population that is actually reached by an intervention.

individuals must be selected out of the general population and monitoring systems should be set up to ensure that this target group is effectively reached. But this is expensive, and largely explains why targeted interventions generally carry higher administrative costs than untargeted interventions (or lower 'alpha-ratios', defined as the proportion of a programme's budget that is directly transferred to beneficiaries).

Political costs of targeting arise when the non-poor (elites and others) withdraw their support from interventions that do not benefit them (Sen 1995; van de Walle 1995).[3] For example, attempts during the 1980s to abolish food price subsidies under structural adjustment programmes and to replace them with targeted food stamps (on grounds of both cost-effectiveness and equity) were met with riots in many countries, often initiated by the urban middle classes who were the main losers from this policy shift. Targeting public transfers necessarily divides a population at every level – from the nation down to communities – into eligible and ineligible groups, and provokes the resentment or indifference that the relatively well-off feel towards welfare recipients everywhere.

Nonetheless, these economic and political considerations only limit the efficacy of targeting, they do not invalidate the case for targeting altogether. Unless administrative costs increase dramatically, or leakages to the non-needy were very limited under untargeted interventions, the gains to the poor from targeting should outweigh the costs. Also, the need to mobilise political support for an anti-poverty intervention is less pressing when – as in several African countries – resources are provided by donors (many of whom have been instrumental in bringing about the shift to targeting) than if governments are using taxpayers' resources and are directly accountable to their own constituencies.

3 Problems with Targeting

Once a government or donor decides to implement a targeted anti-poverty intervention, an immediate practical question is how to identify beneficiaries. Conceptually, the problem is simple. The population of any geographically bounded area (country, district, community) divides into two discrete categories: poor and non-poor (or 'needy' and 'non-needy'). The targeting problem is to find an indicator or a mechanism that will maximise the coverage of people in the poor group and simultaneously minimise leakages to the non-poor.[4] 'Eligibility' and 'ineligibility' should be synchronous with 'poor' and 'non-poor'. Failure to reach some of the poor is known variously as under-coverage, horizontal inefficiency, F-error, Type I error or exclusion error. Conversely, including non-poor individuals is called over-coverage, vertical inefficiency, E-error, Type II error or inclusion error.[5] Minimising these errors is extremely difficult, due to imperfect information and to incentive effects.

Information constraints present numerous practical and technical difficulties for targeting. Which poverty measure to use (income, asset ownership, expenditure or consumption)? How to set a cut-off point or poverty line that separates the eligible from the ineligible? (US$1/day? 2,000 Kcal/day?) What is the appropriate targeting unit (individuals or households, communities or districts)? How to deal with transitory poverty (seasonality or 'churning' – poverty experienced as episodes lived above and below the poverty line rather than as a chronic or permanent state)?[6] There are no generalisable solutions to these questions, and for this reason no perfect targeting mechanism exists.

In the absence of a universally applicable methodology, a number of approaches to targeting have emerged. Following Grosh (1995), targeting

[3] 'The beneficiaries of thoroughly-targeted poverty-alleviation programmes are often quite weak politically and may lack the clout to sustain the programmes and maintain the quality of the services offered. Benefits meant exclusively for the poor often end up being poor benefits' (Sen 1995: 14).

[4] Note that these interventions implicitly adopt a narrow income- or consumption-based definition of poverty, since their objective is directly to raise beneficiary incomes or consumption.

[5] A third error is overfunding – transferring more resources than beneficiaries need to escape poverty – but this is an efficiency loss rather than mistargeting. On F-errors ('failure to reach') and E-errors ('excess benefits') see Cornia and Stewart (1993).

[6] On 'churning', Baulch and McCulloch (1998) found that only 3% of low-income households in a Pakistani panel remained below the poverty line for all five years of a longitudinal survey, while 46–51% exited poverty each year. Such high levels of entry into and exit from poverty present almost intractable targeting problems.

mechanisms can be classified into three broad categories: those based on *individual assessment* of need (e.g. means testing or nutrition status), those that use *group characteristics* as proxy indicators of need (an individual's age, sex, disability or geographic location), and *self-targeting* (where needy individuals select themselves). Each approach has its strengths and weaknesses, but each shares the objective of identifying and reaching the needy without incurring exorbitant expense.

This article next considers the extent to which the various approaches resolve this basic 'targeting dilemma', both in theory and through innovative experiments and adaptations in actual transfer programmes. Case study material is drawn from ongoing research into targeted anti-poverty interventions in four African countries: cash-for-work in western Zambia and food-for-work in Tigray, Ethiopia, which both use self-targeting, GAPVU in Mozambique, which uses means testing to identify destitute urban households, and the 'social pension' in Namibia, which targets all citizens over 60 years of age.

4 Self-Targeting

Self-targeting is extremely popular with designers of transfer programmes because it is – at least in theory – cheaper and more accurate than alternative targeting methods. Instead of identifying beneficiaries by costly individual assessments or crude proxy indicators, programme designers find ways of getting the poor to select themselves. The mechanism is to raise the cost of accessing the resource relative to its benefit in one of two ways: either the *value of the transfer* must be so low that it discourages all but the poorest from applying for it, or the *costs of accessing the transfer* must be prohibitively high for the non-poor. Public works projects exploit self-targeting by adjusting both elements, since participants are required to work for the transfer – a significant 'access cost' – and its value (in cash wages or food rations) is typically low. Potential workers make implicit cost-benefit calculations before deciding whether it is worth their while to apply for this employment. While the main benefit of any transfer programme is simply the value of the transfer,[7] 'access costs' come in many forms, including time, effort, opportunity costs and social stigma:

- *time costs:* queuing to receive benefits, or working on public works projects
- *effort expenditure:* particularly high when working on public works projects
- *opportunity costs:* lost income or returns to effort expended on other activities
- *social costs:* stigma associated with being seen as dependent on charity or aid.[8]

If the costs and benefits are correctly balanced, self-targeting can provide an incentive-compatible solution to the targeting problem, with minimal information requirements. On the other hand, self-targeting raises a quite distinct set of problems. As the case studies discussed below confirm, access costs can be so prohibitive that they exclude substantial sections of the target population unless countervailing measures are applied.

4.1 How self-targeting is self-targeting? Exclusion in public works programmes[9]

Imposing a work requirement, as public works projects do, introduces a heavy cost to accessing cash or food transfers. In general, the heavier the work and the more time demanded, the more people will be screened out. Although this strategy is robust in terms of 'economic targeting' – it should discourage the relatively wealthy and those already employed – the disadvantage is that it also screens out many categories of poor and vulnerable people who do not have the time or physical strength required. The manual labour required on public works projects is prohibitive for groups such as the very old and very young, the chronically ill and the disabled. These people may be in greatest need of

[7] Sen, however, notes that the decision to accept public works employment is based not only on income maximisation calculations but also on 'such non-wage benefits of employment as the promotion of self-respect and independence' (Sen 1995: 18).

[8] Even free transfers can manipulate social costs. For example, less preferred staple cereals such as yellow maize are often distributed on food aid programmes, to deter those who consider this to be 'poor people's food'.

[9] This sub-heading is the title of an IDS M.Phil. dissertation on this topic (Kirundi 1998).

public assistance, yet they can benefit only indirectly, through informal redistribution from employed able-bodied relatives.

An innovative solution to this problem was devised by Ethiopia's Employment Guarantee Scheme (EGS). Every year, following a post-harvest assessment of each district's food security status, food aid is distributed to deficit districts through the Disaster Prevention and Preparedness Committee (DPPC). Beneficiary households are identified by a combination of community selection and self-targeting. Employment is provided on EGS food-for-work projects in proportion to household size: 6 days per household member up to a maximum of 30 days work per month, for a daily ration of 2.5 kg of grain. Anyone from households identified by village committees as being in greatest need can do the work, but the unusual feature is that project participants earn rations not only for themselves but also for their dependants. Thus one man or woman can take home up to 30 rations each month for a family of five, and the programme's coverage extends even to those who are unable to work.[10] The DPPC operates an '80:20' rule of thumb, channeling 80% of food aid through the EGS and limiting free food transfers to no more than 20% (Sharp 1997), on the assumption that most non-able-bodied poor Ethiopians are living in households where able-bodied adults can work to earn rations for them.

Apart from the exclusion of dependent population cohorts, other factors that undermine the efficacy of self-targeting on public works programmes include job rationing due to limited geographical coverage and budgetary constraints, and the dilemma of setting a 'fair' versus a 'market-clearing' wage. These problems arose in a cash-for-work project in western Zambia, when one bilateral donor volunteered to provide income transfers through employment on road construction activities, as a response to drought in the 1994/95 agricultural season. Though the government of Zambia was initially sceptical about meeting a food deficit with cash transfers, it agreed to cash-for-work being introduced in conjunction with the World Food Programme providing free food rations for those vulnerable groups (such as the elderly and disabled) who would be unable to participate in strenuous manual labour.

While this eliminated one source of exclusion in the self-targeting mechanism, other factors imposed limits on participation, which meant that the pool of individuals who were actually able to find work on the programme was much smaller than the number who were willing and able to work. First, due to limited local capacity to implement employment-based projects as well as the donor's budgetary constraints, cash-for-work was implemented in just three districts from one province, whereas all six districts and several neighbouring provinces were equally drought-affected. Also, although employment was officially offered on a 'first come, first served' basis, in reality recruitment was concentrated among communities alongside the road – introducing a second layer of implicit geographic targeting – since they were closest to registration points. Studies of rural poverty in Zambia have found strong associations between the incidence and depth of poverty and distance from roads (World Bank 1994). Concern about the exclusion of poorer, isolated communities from cash-for-work led an evaluation mission to recommend that volunteers be trucked in from the hinterland to work when the project was extended to a second phase (Broersma *et al.* 1997).

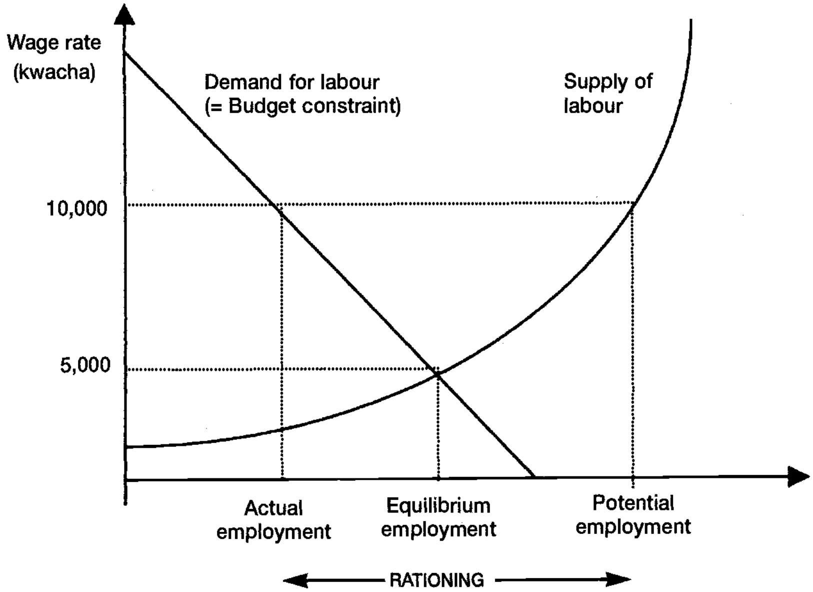
Limits on the number of jobs that could be created within the 18-month project time-frame further restricted the number of places available.[11] These constraints became even more binding when a wage was set that was too high to screen out the majority of the local population.

The principal screening mechanism on public works projects is the (cash or in-kind) wage rate. Theoretically, the wage should be set below the local average rate in order to discourage all but the

[10] Interview with Mewcha Gebremedhin, DPPC office, Adigrat, Tigray, 16 February 1998.

[11] Similar problems affected Namibia's food-for-work programme during the 1991/92 drought. It proved impossible to create hundreds of thousands of jobs in a short time-frame, so food-for-work projects reached only a fraction of their target population (27,000 out of 375,000, or 7%). Free food rations for 'vulnerable groups' – which were identified using simple proxies such as age and disability, so required less administrative planning and support – achieved a much higher coverage (220,000 out of 250,000, or 88%) (Devereux and Solomon 1994).

Figure 1: Employment rationing in Zambia's cash-for-work programme



'poorest of the poor' from applying for work. In Kalabo District in western Zambia, however, a debate among project designers between offering a very low 'market clearing' wage and offering a socially acceptable or fair wage was won by those who felt that it would be unethical to pay workers less than the local wage – especially given the fact that, according to household survey data, 86% of Zambia's rural population lives below the poverty line (World Bank 1994). Accordingly, workers were paid K10,000 (about £5)[12] per task – each task requiring three or four days to complete – despite evidence that they would willingly have worked for half that rate. Evidence comes from the widespread practice of those holding places 'sub-contracting' their work temporarily for K5,000 per task to others who were excluded, or paying K1,000–K2,000/day for labourers to weed their fields. Thus the official wage was set at a level which deterred almost no-one who was physically able to work from applying. Substantial rationing of employment inevitably occurred (see Figure 1) and the self-targeting mechanism was undermined.

Advocates of fair wages also argued that higher cash incomes were likely to achieve greater long-term impacts by being invested in economic activities such as agriculture, whereas smaller transfers would probably be spent only on short-term consumption needs such as food. In effect, the choice depicted by the budget line in Figure 1 was between offering a low wage to maximise coverage and offering a higher wage to fewer people but maximising the developmental impact of these transfers.[13]

In neighbouring Lukulu District, another solution to the wage rate dilemma was found, when project administrators decided to introduce job rotation.

[12] The Zambian kwacha : sterling exchange rate at that time was approximately K2,000 = £1.

[13] A similar dilemma confronted designers of the Employment Guarantee Scheme in Maharashtra, where 90% of the population live below the local poverty line. Ravallion (1991) characterises two stylised policy options – WIDCOV (wide coverage with a flexible wage rate), and LIMCOV (limited coverage at a socially determined minimum wage) – which correspond to the choice that faced designers of cash-for-work in Zambia. Until 1988, Maharashtra's cash-for-work programme provided work to anyone who applied, but a sharp wage hike was implemented in mid-1988 to comply with statutory minimum wage legislation, and job rationing followed (Ravallion *et al.* 1993).

Community lists were drawn up and individuals were employed for only two tasks before being replaced with another name on the list. In this way coverage was greatly extended and cash incomes were spread among a larger proportion of the local population. By contrast, individuals in Kalabo District were employed continuously for a year or longer, earning relatively large sums of money while their excluded neighbours earned nothing at all. Job rotation was rejected in Kalabo on two grounds: first, that the costs – in terms of disruption to work and the need to repeatedly train new batches of workers – were unnecessarily high and could result in lower quality outputs; and second, that one consequence of job rotation would be a substantially lower impact of the cash transfer on beneficiaries. Survey data from 300 project participants appear to support this view. Total cash-for-work earnings averaged K300,000 in Kalabo and just K17,000 in Lukulu. All participants surveyed spent some of this income on food and groceries, but whereas 78% from Kalabo invested in housing and 59% gave some assistance to other households, the corresponding figures for Lukulu participants were just 21% and 12%. Also, 19% of Kalabo participants invested some cash-for-work income in farming and 5% paid off brideprice debts, but no participants from Lukulu had any income to spare for these expenses (Devereux 1999).

On the other hand, the policy adopted in Kalabo generated high levels of exclusion and much resentment within communities. The cash-for-work project created 4,700 (temporary) jobs in three districts with a total population of 42,000 households. Even if only one person was employed per household, coverage could not have exceeded 11% of households. A survey of 150 non-participants confirmed the limited effectiveness of the self-targeting mechanism. Categorising the reasons given for non-participation reveals that 78% of non-participants were involuntarily excluded: 52% by an inability to secure a place on the project despite volunteering for work, 11% by limited geographical coverage, 7% by personal incapacity (ill-health or age), 5% by economic access barriers (an unofficial registration fee demanded by some project supervisors), and 3% by gender discrimination within households (husbands refusing to allow their wives to work).[14] Only 22% of this sample chose not to participate, being dissuaded by either the wage offered or, more often, the work requirement. Involuntary exclusion was overwhelmingly more prevalent than self-exclusion.

4.2 The gender agenda: working for women or making women work?

Women are increasingly targeted as beneficiaries of anti-poverty interventions, either to improve their well-being directly or as a mechanism for indirectly targeting other groups, especially young children. Arguments for privileging women over men reflect the view that women need economic and political empowerment to redress their disadvantaged status within households and communities. Programme designers also exploit maternal altruism, arguing that women's reproductive roles as child-bearers and carers mean that resources can be channeled to children and other dependants in poor households most effectively through mothers. This argument is empirically well-founded (see Hoddinott and Haddad [1995] for evidence from Côte d'Ivoire) and is invoked not only to target women but also to justify in-kind transfers over cash. Thus gender quotas are introduced on public works projects and payment is made in food rations because it is assumed that this will maximise positive impacts on child nutrition, as contrasted with employing men on cash-for-work schemes, where the income is more likely (so the thinking goes) to be spent by beneficiaries on themselves.

One problem with targeting women is that gender is a crude proxy for poverty, and in many contexts results in high E-errors (inclusion of non-poor women) and F-errors (exclusion of poor men). For instance, female-headed households are sometimes identified as a vulnerable group because they are

[14] Striking gender differences were observed in terms of effective access to the project, with men being more likely to exclude themselves voluntarily while women were more often excluded involuntarily. Many more men than women were already employed or found the cash-for-work wage unattractive. Only women found the workload too onerous, and only women were prevented from working by others (their husbands). One reason given for this was that husbands feared infidelity by or harassment of their wives, especially where workers camped at the project site – and in fact the road camps were responsible for many unplanned pregnancies and broken marriages.

presumed to be poorer than male-headed households. While this is often true, it is not necessarily so, and a focus on female-headed households might result in a neglect of poor women in male-headed households. A recent study on targeting of food aid in Ethiopia found that female-headed households received four times as much food aid as male-headed households, yet no significant differences were observed in food security indicators between the two household categories (Clay *et al.* 1998).

Another difficulty arises from the reality that most women live in households headed by men, so singling out women for preferential treatment implies a gendered mental model which embodies conflictual assumptions about intra-household relations – wives are exploited by husbands, mothers prioritise child welfare more than fathers do, and so on. The theoretical advance underpinning this mental model is a shift in thinking from unitary to bargaining models of the household. Unitary models see the household as a unit whose objective is to maximise the welfare of all its members, this being achieved through cooperation and altruistic decision-making by the household head (a 'benevolent dictator'). Bargaining models view the household as a site of conflict and negotiation, with those members who have most power securing disproportionate control over household assets and incomes (Kabeer 1994).

In terms of gendered outcomes, no differences are predicted between targeting men or targeting women if a unitary model applies. Irrespective of who labours on a public works project or collects free food rations, all wages or food received will be brought home and shared equitably. Conversely, if an extreme (non-) bargaining model applies, weaker household members such as women might have little or no control over resources such as wages or rations that they bring to the home. Of course, these are stylised models: the reality for most households probably lies between these extremes. In any event, this is a matter for empirical investigation. What is remarkable is how few projects that target poor women conduct even cursory preliminary research to determine which model holds in targeted communities, yet the implications in terms of gender impacts are profound.

Targeting women without an adequate understanding of intrahousehold gender relations raises concerns around the efficacy of intervening with countercultural intent. Attempts to redress gendered inequities by targeting resources on women can produce unintended secondary impacts or even perverse outcomes – notably contradictions between women's economic and political empowerment, defined respectively as enhanced access to economic resources and improved ability to make decisions.[15] For example, if it is the responsibility of men in local culture to provide food or cash to buy food, then a project which transfers food or cash to women in the interests of empowering them is potentially counterproductive. If a food-for-work project which applies gender quotas allows men to abrogate responsibility for providing the family's food to their wives, a scenario could arise whereby women take on heavy additional workloads simply to acquire food which was previously provided by their men.

Osmani (1997) presents evidence for these trade-offs from an impact assessment of women-oriented food security projects in India and Nepal. Many female participants intensified their overall work effort to such a point that their health was compromised, and the burden of work *outside* the home – already heavily skewed towards women *within* the home – shifted away from men, who were able to work less for the same aggregate household income. Although these projects succeeded in improving the food security of participating households and in empowering women economically, 'this empowerment was achieved at the cost of increased drudgery for women along with increased leisure for men' (Osmani 1997:2). Paradoxically, a gender-sensitive recommendation in such contexts might be to target project employment on men – but only if the benefits of employment accrue to the family and not just to the individual.

As already discussed, the work requirement on public works projects is designed to screen out

[15] The second does not necessarily follow directly from the first. For instance, female pensioners interviewed in southern Namibia reported voluntarily handing over all their pension money to their husbands, on the grounds that men manage the cash in Nama-Damara society: 'We are not used to handling money. This pension just confuses us.'

those who are *unwilling* to work hard for low wages, but it also excludes many groups who are *unable* to work. This applies not only to the physically weak (e.g. the disabled, elderly and ill), but also to able-bodied people who face time constraints. One assumption behind cash- or food-for-work projects is that time and opportunity costs for the poor are very low: 'labour is the poor's most abundant asset', after all. From a gender perspective, however, the work requirement is likely to screen out more poor women than poor men. Poor women face severe 'time poverty' because they spend a greater proportion of their adult lives in reproductive activities – pregnancy, child care, unpaid domestic work – than do wealthier women, or men.[16] For such women the time costs of participating in public works projects can be prohibitive – more so than for men who may be unemployed but have less onerous duties at home. If programme designers insist on gender quotas in order to transfer food or cash income directly to women, these projects may simply increase women's workloads in contexts where they are already overburdened. As Cagatay and Razavi (1998:16) argue in a critique of labour-intensive growth, 'strategies which rely on increasing women's labour in the paid sphere without a corresponding distribution of unpaid reproductive work to men or to the state sphere are unsustainable because of women's time poverty.'

In addition, Jackson and Palmer-Jones (1997) emphasise the relative lack of attention paid to date to *energy expenditure* in the New Poverty Agenda's concern with labour-intensive growth, and in the Women in Development (WID) lobby's advocacy of greater participation by women in paid employment. In this regard, public works projects, which self-target on the basis of ability to work and often pay in direct proportion to energy expended (if piecework rates are preferred to daily wages) are likely to lead to potentially dangerous self-exploitation by weaker workers such as undernourished poor women.

Recognition of the problematic of requiring already overworked women to labour for food rations or low wages has led to modifications being recommended and adopted in some public works projects: specifically, *work intensity* or *energy expenditure* can be reduced for women; and *time expenditure* can be reduced for women.

In Ethiopia's Employment Generation Scheme, activities are classified as 'light', 'medium' or 'heavy', with women being allocated only 'light' and 'medium' tasks. A similar policy was adopted on the cash-for-work project in Zambia (discussed above), which also set explicit gender quotas: 50% of workers were women. Women were given a task which was deemed to be both culturally appropriate and relatively light, namely headloading stones from a quarry to the road site where men compacted them into the road surface. Unfortunately, as construction moved the road further away from the quarry, the women were forced to carry the stones for longer distances each day, with no commensurate rise in their remuneration, since a piecework system of payment by completed task was followed. The women eventually resorted to hiring ox-cart owners to move the stones for them, in return for a 50:50 division of the women's cash-for-work earnings. Local cultural restrictions on the ownership of productive assets – all ox-carts in Western Zambia are owned by men – resulted in men appropriating up to 75% of income generated from the cash-for-work project, notwithstanding the enforcement of gender quotas.

The Relief Society of Tigray (REST) has proposed that women should work fewer hours on food-for-work projects than men, in recognition of their longer working days and heavier domestic responsibilities. Ethiopia's EGS also selects food-for-work projects that have labour-saving implications for women, such as sinking boreholes and community afforestation, to reduce the time that women expend daily on water and firewood collection.[17] But this concession raises another problematic issue: should the design of public works projects effectively condone and reinforce cultural practices which seem discriminatory against women? Should

[16] A recent review of 14 time allocation studies across ten developing countries found that women spend an average of 10.4 hours per day on productive work – which includes 'market production, home production and reproduction' – whereas men work for 7.7 hours (calculated from Haddad and Hoddinott 1997).

[17] The EGS Guidelines state that: 'Priority should be given to activities which are designed to enable women to participate and which contribute to reducing women's regular work burden (e.g. afforestation, drinking water supply, roads)' (DPPC 1997: 4).

men not be encouraged, as Cagatay and Razavi (1998) suggest, to do some domestic work instead? One proposal by Cammack (1996) is to design public works projects in which men are required to undertake domestic tasks for food – including fetching water and firewood, chores which are conventionally seen as women's work. To my knowledge, this simple but radical idea has yet to be tested.

5 Individual Assessment

Individual assessment is the most objective and accurate targeting mechanism in theory but the most difficult and expensive to implement in practice. In its strictest application, individual assessment is based on measuring a person's nutrition status or income. This is also known as means testing: applicants report their income and if it is deemed to be inadequate it is supplemented by public transfers. The moral hazard problems are obvious – applicants have powerful incentives to conceal or understate their actual incomes – and these incentive effects can induce behavioural distortions, such as choosing leisure in order to claim unemployment benefits. For these reasons close monitoring is essential, which is not needed under untargeted or self-targeted programmes. Besley and Kanbur (1993: 71) hypothesise that the administrative costs of any targeting mechanism rise 'at an increasing rate' as targeting accuracy increases, which introduces a difficult trade-off. On the one hand, it is important for efficiency and equity reasons to minimise leakages to the non-needy; on the other hand, higher administrative costs reduce available transfer resources, again creating efficiency and equity losses. A case study which illustrates this dilemma comes from Mozambique.

5.1 'The baby with seven mothers': individual assessment in Mozambique

Despite being one of the poorest countries in the world, Mozambique has a complex set of safety net programmes to protect its poorest citizens. Since the abolition of general food price subsidies in the late 1980s, three targeted cash transfer programmes have been implemented. One of these, GAPVU,[18] gives monthly cash payments to destitute urban households whose members are unable to work because they were disabled or lost their economically active members during the civil war. Applicants declare their incomes, which must fall below a defined poverty line, and each claim is approved by local community (*bairro*) leaders, who visit applicants' homes every year to assess their living conditions. Mothers whose children are registered as malnourished at health clinics can also claim GAPVU.

An early assessment of GAPVU found that it was effective in terms of minimising leakages. From a small sample of beneficiaries in Maputo, 70% were 'destitute', 20% were 'absolutely poor but not destitute' and only 10% were 'not absolutely poor' (Schubert 1993).[19] However, GAPVU was performing less impressively in terms of its coverage or reach. Less than 4,000 beneficiaries were registered in 1992 while the number of destitute households in Mozambique's 13 cities and towns was estimated at 60,000, so coverage was less than 7%. GAPVU subsequently embarked on a rapid expansion, and by 1996 it had 93,000 registered beneficiaries – fully 50% above the initial target.

Unfortunately, this expansion was not matched by an upgrading of staff levels or expertise. O'Laughlin (1996) notes that the bureaucracy was too small to deal with the increasing scale and complexity of the programme. The share of administration in total expenditure was 13% in 1992, so the alpha-ratio was 0.87, which compares satisfactorily with similar programmes in other countries.[20] But GAPVU's director, reacting to pressure from donors to maximise cost-effectiveness, aimed to cut administration costs to no more than 5%. She therefore refused to increase staff levels, and by 1995 the alpha-ratio had risen to 0.93, which is high for a targeted programme based on individual

[18] GAPVU is an acronym for 'Gabinete de Apoio à População Vulnerável', meaning 'Office for Assistance to the Vulnerable Population'.

[19] Cut-off points for monthly per capita expenditures were set (in 1991 US Dollars) at $10 for 'destitute' and $10-$15 for 'absolutely poor'.

[20] In a review of 30 social sector programmes throughout Latin America, Grosh (1995: 473) found that administrative costs in cash transfer programmes ranged from 3.5% to 12%, with a median of 10% (an alpha-ratio of 0.90). For all programmes involving individual assessment, administrative costs ranged from 0.4% to 29%, with a median of 9%.

assessment, also bearing in mind that the value of the transfer was extremely low at around £1.50 per month. GAPVU appeared to be performing extremely well in efficiency terms. The reality, however, was very different.

One consequence of the focus on cost effectiveness was that programme resources for supervision and monitoring of beneficiary registration and disbursement of benefits were drastically reduced. Registration for GAPVU was done by *bairro* leaders, drawing on the political solidarity that accompanied the national struggle first for liberation and then for an end to the civil war between FRELIMO and RENAMO. During the last decade, however, the political atmosphere in Mozambique has changed. Cravinho (1995) argues that FRELIMO successfully mobilised and exploited grassroots' support under the banner of Marxist ideology after independence in 1975, but that this was effective only until the Marxist discourse started to unravel during the 1980s, culminating in the adoption of structural adjustment programmes in 1987 and 1989. The shift from a political rhetoric of socialist egalitarianism to a harsh new reality of economic individualism was manifested in an increase in 'rent-seeking behaviour' or petty corruption by state officials.

Poor programme design and lack of monitoring not only allowed corruption in the GAPVU programme to occur, it effectively encouraged it. Many *bairro* officials charged unauthorised 'registration fees', which excluded some poor people and allowed many non-poor to register in return for a 50:50 split of GAPVU income. Some nurses did the same for babies who were recorded as malnourished when they were not. Nurses were paid for every child registered for GAPVU. This created an obvious incentive to register ineligible children, a practice in which parents colluded because they also derived financial benefits. In one town a mother defrauded the system by registering her malnourished baby and then 'lending' it to six friends, all of whom received GAPVU cash.[21]

In June 1997 GAPVU was suspended, many officials were dismissed and new staff were appointed, including a new director. All beneficiaries were required to re-register under supervision and cross-checks, and the number of beneficiaries immediately fell by two thirds, to 34,700. Some procedures were also changed: for example, nurses are now remunerated per week rather than per child registered. Naturally, the introduction of double-checking and random checks has increased programme costs, and administration now absorbs 15% of the total budget.

Despite its apparent success in transferring 93% of resources directly to beneficiaries, GAPVU proved to be highly inefficient. Estimated losses to ineligible claimants and corrupt officials were in the range of 50%, so the true alpha-ratio was closer to 0.4 than 0.9. The drive to expand coverage and minimise exclusion errors succeeded only in introducing massive leakages. Paradoxically, the best way to maximise GAPVU's efficiency was to increase administrative overheads, not to cut them.

6 Group Characteristics

Identifying common characteristics of poor people or 'vulnerable groups' as proxy indicators of need is simpler and cheaper than individual assessment and is less susceptible to incentive distortions – an individual's age or sex is more readily observable, and more difficult to conceal or change, than their income or consumption. But this approach is only as good as the specific proxy selected, and is highly susceptible to both types of targeting error. Nonetheless, where financial and personnel resources are limited, or where time is short, it is common practice for transfers (such as emergency food aid during a drought) to be distributed on the basis of proxy indicators of vulnerability. Instead of evaluating each individual case, every person displaying the required characteristics is declared eligible for assistance. Of course, programme designers do not assume that all members of these groups are equally vulnerable; rather, this classification method allows for rapid and inexpensive identification of large numbers of beneficiaries at the cost of an acceptable degree of leakage to the non-needy.

[21] 'Here is a malnourished baby. The mother registers her baby at the clinic to get GAPVU. Her friend says: "Lend me your baby" and registers it again in her own name. Six friends of the woman registered the same baby – this baby had seven mothers!' (Eduaordo Borges, Director of GAPVU, interviewed 3 March 1998, Maputo.)

Proxy indicators used during emergencies are often *geographic* ('disaster zones'), but in non-emergency contexts are more often *demographic* in that they isolate sub-groups of the population on personal characteristics such as age, sex, or disability. During recent African droughts, governments and donors have adopted a combination of geographic and demographic proxies: food-for-work for able-bodied adults in designated drought-affected areas, plus free food distribution to vulnerable groups. In Namibia in 1992 these included female-headed households, pregnant and lactating women, elderly people living alone, the chronically ill and disabled, and undernourished children under five years old (Devereux and Næraa 1996). Another Namibian case study, discussed below, uses old age as a proxy for vulnerability in non-emergency contexts, but this proxy is seen to have serious limitations.

6.1 When dependants become breadwinners: social pensions in Namibia

Every Namibian citizen aged 60 and above is entitled to receive a monthly cash payment from the Ministry of Health and Social Services.[22] The social pension was introduced by the South African colonial administration during the early 1970s, and was motivated by the apartheid policy of influx control, which aimed to keep black Namibians in the rural areas and out of the towns.

'Nationalising' the social pension since Namibia achieved independence in 1990 has focused on eradicating the pension's discriminatory features, notably that of differential payments based on apartheid's racial classification system. White pensioners formerly received substantially higher payments than 'coloureds' and blacks, supposedly to reflect (but actually to entrench) differences in living standards. Thus in 1990 black Namibians received a pension that was worth just 17% of the white pension. The SWAPO government initially intended to equalise all payments at the top level, by freezing the white pension and bringing up the other groups in phased steps. This was deemed to be fiscally unfeasible, however, so convergence around a level closer to the lower end of the scale was achieved instead. By 1994 all disparities in pension payments were eliminated, despite the protests of whites who experienced real cuts in their social pensions.

Targeting only by age is a crude and inaccurate mechanism for alleviating poverty in a society characterised by extreme wealth inequalities. The principle behind conventional pensions schemes is that workers suffer a sudden and permanent loss of wage or salary income when they retire, so state pensions act as a 'social insurance' mechanism. Most social pension beneficiaries in Namibia do not reflect this model, however, because this transfer is not targeted on retired workers. The majority of Namibians live in poverty their entire lives and never enter or leave formal employment, so the social pension arrives as a bonus – not a compensation for lost income, but an entirely new and *additional* source of income – when they reach sixty years of age. For these individuals, the social pension represents social assistance, not social insurance.

At the other end of Namibia's income distribution, a significant minority of social pension recipients are the wealthy elite – still mostly whites – who enjoy lucrative employment and control most of the country's resources. These people live comfortably above the poverty line and receive sizeable occupational and private pensions when they retire. For this group the social pension comes as a small but useful additional source of retirement income. Many affluent pensioners claim this entitlement, which can be paid directly into private bank accounts, and use it for purposes such as paying domestic servants. Clearly, they do not need this public transfer, so leakages are high.

The government is introducing means testing to screen out such non-needy beneficiaries. The National Pensions Act of 1992 empowered the Minister of Health and Social Services to make regulations as to 'the income and assets of any applicant to be taken into account in determining any national pension' (Republic of Namibia 1992: 76). This provision was

[22] Article 95 of independent Namibia's Constitution directs the government 'to actively promote and maintain the welfare of the people by adopting, *inter alia*, policies aimed at ensuring that senior citizens and the disabled are entitled to, and in fact do receive, a regular pension adequate for the maintenance of a decent standard of living and the enjoyment of social and cultural opportunities' (cited in Republic of Namibia 1992: 77).

not acted upon for several years, but an Amendment to the 1992 Act was drafted in early 1998, and the minister confirmed in parliament that social pension payments would soon be stopped to 'those who received more than one pension and those with other assets' (*The Namibian*, 13/3/1998).

The political dangers of means testing Namibia's social pension are twofold: first, that introducing this additional eligibility criterion will be challenged as unconstitutional, since it replaces previous forms of discrimination against some pensioners with new ones; and second, that economically and politically powerful elites will withdraw their support for the social pension once it is withdrawn from them, so that it becomes politically unpopular and gradually withers away. An alternative solution proposed here would be to introduce self-targeting mechanisms such as stigma and time costs, by requiring everyone to queue each month for their social pension – instead of paying it directly into private bank accounts – as the poor without bank accounts are already forced to do.[23] This would certainly discourage most non-poor pensioners, but without actively discriminating against them, thereby reducing leakages and raising transfer efficiency.

7 Conclusion

Different targeting mechanisms attempt to resolve the intractable targeting dilemma – how to maximise targeting accuracy while minimising targeting costs – in different ways. Each approach embodies implicit assumptions that are taken for granted but which, in specific contexts, often turn out to be unjustified or misguided. Among the assumptions and practices that have been challenged and sometimes modified in actual transfer programmes are the following:

Self-targeting

- *Payments on public works projects should be set below the local wage rate, in order to maximise self-selection of the poor.* In many rural areas, poverty is so widespread that a food or cash wage would need to be set at an unfeasibly, even unethically, low level to equilibrate the demand for work with limited employment opportunities. In Zambia, job rotation was introduced in one cash-for-work site to maximise coverage, while elsewhere the wage was set above the local rate to maximise the impact of income transfers, at the cost of restricted coverage. Of course, this trade-off applies mainly to non-emergency contexts – in emergencies, when wide coverage and short-term consumption support are prioritised, a lower wage must be offered.

- *Gender quotas should be introduced on public works projects to ensure that women benefit directly from employment creation and resource transfers.* The work requirement on public works projects discriminates against those for whom providing long hours of manual labour is unfeasible or very costly. These time and effort costs are heavier for poor women – who are typically already overworked and undernourished – than for poor men. Public works projects should find mechanisms to reduce both work intensity and time expenditure for women. Wherever possible, assets created by public works should benefit female participants, e.g.: boreholes and afforestation to reduce women's 'drudge time' on water and firewood collection.

Individual assessment

- *Administrative costs on anti-poverty programmes should be minimised so that resource transfers to beneficiaries are maximised.* Experience with means tested benefits in Mozambique suggests that incentive effects and information asymmetries are likely to be exploited by both officials and claimants for private gain, unless adequate monitoring systems are installed. This requires a recognition that the alpha-ratio can be too high. Instead of increasing transfers to beneficiaries by cutting administrative overheads, a higher level of administration might be needed to maximise cost-effectiveness and minimise leakages.

Group characteristics

- *Demographic categories based on age or sex provide robust indicators of vulnerability for targeting purposes.* Experiences with targeting the elderly in Namibia and female-headed households in Ethiopia reveal that these are in fact crude and

[23] In March 1998, during a pension pay-day in southern Namibia, I observed hundreds of elderly people, many in poor health, walking to their local pension points from great distances and queuing there for several hours, later walking home loaded with bags of maize-meal and groceries from the village store.

inaccurate proxies. Their effectiveness in terms of reaching the poor can be enhanced only if used in conjunction with ethically ambiguous self-targeting devices that either reduce the *value* of the transfer (e.g. distributing yellow maize as food aid) or raise the *cost* of accessing the transfer (e.g. making pensioners with bank accounts queue alongside pensioners without bank accounts).

- *Transferring resources to women empowers them economically and politically*. Targeting women sometimes leads to sub-optimal or perverse outcomes, such as the substitution of female for male labour and abrogation by men of their responsibilities for household provisioning. It is vital to understand the sociocultural context before projects are designed and implemented. Any intervention which seeks to modify gender relations in favour of women must first consider very carefully whether this objective is achievable with no costly side-effects to the intended beneficiaries.

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