6 TARGETING SOCIAL TRANSFERS

Introduction

Targeting is the means of identifying which members of society should receive a particular benefit, such as a social transfer. It has two elements: first, defining which categories of people should be eligible to receive benefits (i.e. setting the eligibility criteria); and, second, establishing mechanisms for identifying those individuals within the population who are eligible for benefits (i.e. finding out who meets the eligibility criteria). Targeting can be based on different units, such as households or individuals. And the target beneficiary is not necessarily the same as the recipient: for example, a child support grant targeted at under-14s would not be given directly to the child, but to the head of the child's household. In the absence of targeting, transfers are provided "universally" - in other words to all members of society.

Why target?

The rationale for targeting is that, especially when resources are limited, it is better to give a smaller group (such as the poor) a greater amount of support, rather than provide everyone with a smaller amount of support. The argument is that targeting is **pro-poor** because it reduces "*leakages*" of scarce public resources to people who do not need social assistance.

How to target?

There are a number of approaches to targeting, the most prominent being:

- **poverty assessment** (through means testing, proxy indicators, or community-based assessment)

- **self-targeted** (through a public works requirement or provision of an inferior good such as yellow maize in a country where most people would normally choose white maize)

- **group characteristics** (categorical - such as age, sex, disability status - or geographical)

- **untargeted** (either through the market, as in the case of subsidies, or universally)

Examples and brief descriptions of each approach, together with its advantages and disadvantages, are presented in the table overleaf. The approaches can be used singly or in combination: South Africa's social pension, for instance, combines categorical targeting (by age) with means testing.

What are the problems with targeting?

Targeting adds complexity, and therefore cost, to the administration of social transfer programmes. But, while effective targeting may reduce government's direct costs for providing benefits, it does not necessarily reduce the total cost of the programme. As shown overleaf, all approaches to targeting involve disadvantages, and all, to a greater or lesser extent, are inefficient: there are errors of exclusion of those who should be receiving the transfer and errors of inclusion of those who should not be receiving it. **Exclusion errors** are of particular concern to those involved with the issue of rights to social protection; **inclusion errors** are of more concern to governments and those funding social transfer programmes because they represent a "waste" of resources, although they may also increase popular support.

Another problem is that targeting can create perverse incentives - eg to remain poor in order not to be excluded from the programme, to become pregnant in order to benefit from a child allowance, to refuse medical treatment to remain "disabled".

The hidden costs of targeting

Targeting always involves direct and indirect costs, which are often not taken into consideration when deciding whether and how to target. These vary from country to country and depend on the targeting method chosen, but include:

- **Administrative** - All targeting needs people, skills, time and money. In addition, where people move in and out of poverty frequently, regular reassessments may be necessary.

- **Private** - Potential beneficiaries may incur costs (time, fees, and lost income) in order to prove their eligibility.

- **Indirect** - Beneficiaries may change their behaviour to become (or remain) eligible for a grant; and geographical targeting may encourage migration.

- **Social** - Stigma, deterioration of community cohesion, and erosion of informal support networks are potential social costs. A common complaint by communities who are asked to identify beneficiaries for targeted programmes is that "*we are all poor*".

- **Political** - Targeting criteria can be manipulated or abused by politicians to favour their constituencies and garner political support. Moreover, focussing benefits on the poor risks the erosion of political support from the wealthier, and may thus reduce the sustainability of programmes.

When to target?

Ultimately, the choice of whether and how to target is subjective, and is dependent on the prevailing social, cultural and political environment. But in general, poverty targeting is likely to be more effective when the government's (or its agent's) administrative capacity is strong, poverty rates are low, social solidarity is strong, the poor are both well integrated into the formal economy and suffer little discrimination. Generally speaking, these conditions do not apply in sub-Saharan Africa, where categorical targeting or universal coverage is likely to be more efficient and effective.

In addition to this cost-efficiency argument for a universal approach, there is also an argument based on political expediency: universal transfers (and categorical transfers based on age) will be more popular, both because they are perceived as fairer and more transparent, and because everyone will benefit from them. As Amartya Sen said: "*Benefits meant exclusively for the poor often end up being poor benefits*".

In Concern Worldwide's Dowa Emergency Cash Transfer (DECT) project that ran from December 2006 to April 2007 in Malawi, poverty targeting was a 3-stage process. First, the zones in Dowa district predicted to experience a food entitlement failure by the Malawi Vulnerability Assessment Committee (MVAC) were selected (geographical targeting). Second, the poorest households in the communities of these zones were identified using a participatory wealth ranking method (community-based targeting). Third, the resulting list of households was checked to see that they complied with a range of proxy indicators for vulnerability (proxy indicator targeting).

How to target social transfers?

Type	Approach	Description	Advantages	Disadvantages	Examples
Poverty/Vulnerability Assessment	**Means tested**	Aimed at the poorest, based on measurement of the recipient's income, assets and/or nutrition status	Focused on the poor Reduces inclusion errors	Very costly and difficult to administer Requires regular and frequent monitoring Administrative compliance results in exclusion errors Possible stigma	Child Support Grant, South Africa [*relaxed*]
	Proxy indicators	Aimed at the poorest, based on more easily observable "proxy" measures of poverty (eg location, facilities, assets) or vulnerability (eg household characteristics)	Focused on the poor and vulnerable Reduces inclusion and exclusion errors	Difficult to construct valid proxy indicators Introduces perverse incentives to meet proxy criteria Costly and difficult to administer, especially at scale	BEAM, Zimbabwe PAM, Zambia INAS, Mozambique
	Community-based	Aimed at the poorest, based on community perceptions of poverty and vulnerability	Reflects local understanding of poverty and vulnerability	Significant inclusion and exclusion errors Perpetuates local patronage structures and gender bias Can be divisive	Kalomo Cash Transfer, Zambia Mchinji Cash Transfer, Malawi
Self-targeted	**Self-targeting**	Open to all, but offering a benefit to which only the poorest will be attracted	Lower administrative costs Can be linked to skills development and income generation Can generate improved infrastructure (eg public works)	High exclusion errors (of all who cannot participate) Potential bias against women Opportunity costs to participation Stigma	MASAF Public Works, Malawi Zibambele Programme, South Africa
Group Characteristics	**Categorical**	Aimed at specific identifiable categories of the population associated with poverty (eg the elderly, children, the disabled)	Easy to administer Objective/transparent measures High level of public support	Inclusion and exclusion errors	Old Age Pension, Lesotho. Child Support Grant, South Africa. Disability Pension, Namibia.
	Geographical	Aimed at specific geographic areas associated with poverty	Easy to administer Useful as a first-level targeting approach	Inclusion and exclusion errors Can encourage migration	Chipata Cash Transfer, Zambia [*urban*]
Untargeted	**Market-delivered**	Provided to all through market mechanisms (eg subsidies, price support)	Easy to administer	Costly and inefficient Highly regressive Excludes those who are outside the market (ie usually the poorest)	Fertiliser subsidy, Malawii
	Universal	Provided unconditionally to all	Removes cost of targeting No exclusion errors High level of public support Respects rights	Inclusion "errors"	Basic Income Grant, South Africa [*proposed*], Basic Income Grant, Namibia [*discussion*]

In conclusion

In theory, targeting reduces the cost of a social transfer programme, and/or provides a greater proportion of the benefits to the poor. But in the set of circumstances prevailing in much of southern Africa, and when full account is taken of the additional costs involved (administrative, private, indirect, social and political), this is rarely the reality. Many of the sophisticated community-based approaches to targeting that are used on small, intensively-managed pilot schemes in the region are wholly inappropriate for scaling up, especially when re-targeting may be needed on a regular basis. Even where targeting can genuinely be shown to reduce costs and increase efficiency, it should be kept as simple as possible, within acceptable limits of inclusion and exclusion errors. Categorical targeting usually meets these criteria.

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