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Successful Targeting?

Reporting Efficiency and Costs in Targeted Poverty Alleviation Programmes

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Acronyms

GDP	gross domestic product
HIV	human immunodeficiency virus
PASIS	Pensiones Asistenciales (old age benefits)
SHIR	Subsidized Health Insurance Regime
SUF	Subsidio Único Familiar (cash transfer)
TANF	Temporary Assistance for Needy Families
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
US	United States

Summary/Résumé/Resumen

Summary

Economic, moral and political reasons may underlie the choice between targeting and universal models of social provision. In the debate about universal versus targeted solutions for combating poverty and social exclusion, many have called for targeted interventions, arguing that they are an effective way to reach the poor while maintaining budgetary restraint. In the context of minimizing government spending—a position that gained influence with the Washington consensus in the late 1980s and 1990s—targeted social programmes became widely accepted.

One of the main arguments behind targeting is to concentrate the limited resources of social schemes for the poorest and most vulnerable. Targeted schemes are presented as more effective in bringing resources to the poor, while maintaining low levels of social spending. Thus, it is argued, targeting delivers two advantages: it makes poverty alleviation measures more effective, and it maintains or decreases social spending. At first glance, such arguments seem logical, and in recent decades it has become widely accepted that targeted social programmes are a more cost-efficient way to reduce poverty than is universal provision.

Therefore, in the name of cost efficiency, there has been a continuous shift from universal provision to targeted schemes, not only in the industrialized countries but also in the developing world. But are targeted social programmes aimed at poverty alleviation always the best solution? By examining the arguments for targeting in light of its outcomes, and examining the efficiency of targeting with regard to economic and non-economic costs—specifically in the context of international commitments on poverty reduction—this paper presents four main problems associated with the reported "evidence" of targeting in poverty reduction programmes: (i) targeting does not necessarily target the poor; (ii) it is often not cost effective; (iii) it needs strong institutions, which is not always the case in the countries where it is implemented; and (iv) it is not always politically sustainable.

Because the World Bank has been one of the most prominent advocates of targeting and has published several studies on its effectiveness, and since the policies and methods recommended by the Bank have an important impact in shaping efforts to fight poverty, this paper pays special attention to the relevant World Bank publications.

At the time of writing, Alexander Peyre Dutrey was a research assistant at UNRISD.

Résumé

Le choix entre le ciblage et le régime social universel se fait pour des raisons économiques, morales et politiques. Dans le débat sur les mérites comparés du ciblage et des solutions universelles apportées aux problèmes de la pauvreté et de l'exclusion sociale, beaucoup ont plaidé en faveur d'interventions ciblées, faisant valoir qu'elles constituent un moyen efficace de toucher les pauvres sans renoncer à la rigueur budgétaire. A une époque de restriction dans les dépenses publiques—position qui s'est imposée avec le consensus de Washington à la fin des années 80 et pendant les années 90—les programmes sociaux ciblés sont devenus la règle.

Le ciblage consiste à concentrer sur les plus pauvres et les plus vulnérables les ressources limitées dont sont dotés les régimes sociaux. C'est là l'un des principaux arguments en sa faveur. Les régimes ciblés sont présentés comme un moyen plus efficace de diriger les ressources sur les pauvres, tout en maintenant les dépenses sociales à un niveau bas. Aux yeux de ses défenseurs, le ciblage présente ainsi deux avantages: il confère une efficacité plus grande aux mesures de réduction de la pauvreté et il réduit ou stabilise les dépenses sociales. A première vue, ces arguments semblent logiques et, au cours des dernières décennies, on en est

venu à admettre que les programmes sociaux ciblés permettaient de réduire la pauvreté de manière plus économique que les régimes universels.

Ainsi, au nom de la réduction des coûts, les régimes universels n'ont cessé de se transformer en régimes ciblés, non seulement dans les pays industrialisés mais aussi dans le monde en développement. Mais les programmes sociaux ciblés, axés sur la réduction de la pauvreté, sont-ils toujours la meilleure solution? En examinant les arguments en faveur du ciblage à la lumière des résultats obtenus et en mesurant son efficacité par rapport à ses coûts économiques et autres—en particulier dans le contexte des engagements internationaux de lutte contre la pauvreté—ce document fait ressortir quatre grands problèmes liés aux effets signalés du ciblage dans les programmes de réduction de la pauvreté: (i) le ciblage ne cible pas nécessairement les pauvres; (ii) souvent, il n'est pas économique; (iii) il a besoin d'institutions fortes, ce qu'elles ne sont pas toujours dans les pays où il est mis en œuvre; et (iv) il n'est pas toujours viable d'un point de vue politique.

Comme la Banque mondiale est l'un des défenseurs les plus connus du ciblage et a publié plusieurs études sur son efficacité, et que les politiques et méthodes recommandées par la Banque pèsent de tout leur poids sur la lutte menée contre la pauvreté, l'auteur de ce document accorde une attention particulière aux publications de la Banque mondiale sur le sujet.

Au moment de la rédaction, Alexander Peyre Dutrey était assistant de recherche à l'UNRISD.

Resumen

La selección entre la previsión social universal y la previsión social selectiva podría obedecer a razones económicas, morales y políticas. En el debate sobre las soluciones universales contra las selectivas para combatir la pobreza y la exclusión social, muchos se han manifestado a favor de las intervenciones selectivas, por considerarlas una manera eficaz de llegar a los pobres y, al mismo tiempo, mantener el control sobre el presupuesto. En el contexto de la minimización del gasto público—política que cobrara influencia con el Consenso de Washington a finales de los años 80 y la década de los 90—los programas sociales selectivos lograron amplia aceptación.

Uno de los principales argumentos a favor del modelo selectivo es que permite concentrar los limitados recursos de los esquemas sociales para los más pobres y vulnerables. Los esquemas selectivos se anuncian como más eficaces para llevar los recursos a los pobres y mantener bajos niveles de gasto social. Por lo tanto, prosigue el argumento, la selectividad tiene dos ventajas: aumenta la eficacia de las medidas de alivio de la pobreza y mantiene o reduce el gasto social. En una primera instancia, estos argumentos parecen lógicos, y en las últimas décadas se ha llegado a aceptar ampliamente que los programas sociales selectivos resultan económicamente más eficientes para reducir la pobreza que la previsión universal.

En razón de lo anterior, y en nombre de la relación costo-beneficio, se ha registrado un cambio continuo de la previsión universal hacia los esquemas selectivos, no sólo en los países industrializados sino también en el mundo en desarrollo. No obstante, hay que preguntarse si los programas sociales selectivos que aspiran a aliviar la pobreza siempre son la mejor solución. Al analizar los argumentos a favor del modelo selectivo a la luz de sus resultados y al examinar la eficiencia de la selectividad en cuanto a costos económicos y no económicos—especialmente en el contexto de los compromisos internacionales sobre la reducción de la pobreza—este documento presenta cuatro problemas principales relacionados con las "pruebas" presentadas en cuanto al modelo selectivo en los programas de reducción de la pobreza: (i) la previsión selectiva no se centra necesariamente en los pobres; (ii) a menudo no resulta costo-efectiva; (iii) equiere de instituciones sólidas, que no siempre existen en los países donde se implementa; y (iv) no siempre resulta políticamente sostenible.

Dado que el Banco Mundial ha sido uno de los promotores más prominentes de la previsión selectiva y ha publicado varios estudios sobre su eficacia, y puesto que las políticas y métodos

que recomienda esta institución tienen una importante incidencia en forjar esfuerzos para luchar contra la pobreza, este documento presta particular atención a las publicaciones del Banco Mundial en esta materia.

Cuando elaboró este documento, Alexander Peyre Dutrey era asistente de investigación de UNRISD.

The Concept of Targeting in Social Programmes

Poverty targeting interventions in social development initiatives increased in popularity in the 1990s, due to the combination of evidence of high leakage in universal schemes together with political pressure to limit tax collection and reduce state expenditures that undermined governments' ability to fund large universal programmes. Nor is it a coincidence that the theory of selectivity in social provision grew stronger along with the rise of the neoliberal ideological shift in the 1980s and 1990s. The shift in development theory, supported by the World Bank and other international financial institutions such as the International Monetary Fund or Inter-American Development Bank, was also reflected in development cooperation and aid programmes. But it was not only external factors that led to the "crisis of universalism" and the shift to selective targeting programmes; internal factors in developing countries, including economic mismanagement, bureaucratization and corruption, also contributed to policy change (World Bank 1990; Mkandawire 2007).

Targeting is often identified as more equitable and progressive than universal policies that transfer resources equally to all members of society. In theory, limited resources earmarked for social transfers would be used in the most efficient way when allocated to a designated subgroup of the population, generally excluding those not in need and concentrating resources on the poor. There are several approaches to means-tested targeting such as targeting by category (for example, age, disability or employment status), targeting by means (for example, assessment of income or assets), geographic targeting or targeting by needs (for example, particular circumstances).

In addition to not giving supplementary resources to those who already have sufficient means, the idea behind the use of targeting is to generate a pro-poor distribution of social services in society. Thus, the advantage is doubled: targeting would result in more poverty alleviation with the same or lower total amount of social spending. Improved identification and targeting of the poor would then make social spending more effective without increasing the local tax burden (or the need for development aid). Identification of the poor could be done in various ways, from simple self-targeting models to, for example, more complicated poverty mapping models or proxy means testing and even a combination of various models. But, as in many other fields, theory and practice can differ considerably.

Table 1: Successful targeting and targeting errors

	Covered	Not covered
Poor	Successful targeting	Exclusion error (undercoverage)
Non-poor	Inclusion error (leakage)	Successful exclusion

Source: Author's analysis.

Even the strongest supporters and advocates of targeting recognize that its accuracy will never be perfect. Some of the poor will always be excluded from transfers, while some of the non-poor will become beneficiaries (see table 1). Due to information gaps and insufficient data to define the poor, precise targeting cannot be achieved. Misreporting may also lead to exclusion and inclusion errors.

In addition to the problem of mistargeting, the process of identifying the poor requires extra resources, and such costs must be added to identification processes (for example, the administration of targeting schemes, continuous updating of tools for the identification of the poor, fraud control and resource transfer costs). Using more advanced tools to identify the poor would minimize errors, but would also further increase costs. Finally, there are other, but no less important, non-economic costs involved with targeting such as decreased political support for targeting programmes when the population receiving benefits becomes smaller and less powerful, stigmatization of the poor, incentive gaps, corruption and clientelism. Taking these

factors into account is necessary for any serious evaluation of the effectiveness of targeting, and to move away from theory and toward evaluating practical effects.

Another factor that contributes to misleading conclusions about the effectiveness of targeting schemes is how the data are presented. Evaluations of targeting schemes often focus on how much more the *benefited* poorest quintile or group defined as poor have gained from the "targeting" scheme than they would have with a neutral, universal scheme; or they draw attention to the large part of transferred benefits that go to the poorest quintile or quintiles.

Moreover, evaluation reports of targeted schemes generally draw attention to *leakage*, which are the funds that are mistakenly given to the non-poor. On that basis, it could be inferred that minimizing leakage should result in further reductions in social funding without cutting back on benefits for the poor, a win-win situation that conveniently fits into a broader vision of reduced state spending and fiscal restraint.

The following four issues related to cost and efficiency challenge the "evidence" of the effectiveness of targeted social policies in poverty reduction.

1. Measuring Targeting Efficiency: How Efficient Targeting Does Not Target the Poor

The much-cited report on targeting by Coady et al. (2004) presented empirical evidence in targeting efficiency and outcomes based on an evaluation of 122 antipoverty targeting interventions in 48 countries in various parts of the world using different targeting methods. This analysis has become a reference work in the area of targeting, mainly because of the large number of studies on which it is based, and showed that the *median targeting programme* transferred 25 per cent more to poor individuals than a universal programme.[1] The 10 best performing schemes, of which the majority are in the Americas, demonstrate results whereby two to four times more resources were transferred to the poor than would have occurred under a universal scheme.

However, there are serious weaknesses in these findings. To begin with, Coady et al. (2004) noted that up to 25 per cent of all targeting schemes have proven to be regressive, transferring fewer resources to the poor than under universal schemes. In these cases, what was initially designed to target the poor, in practice, has ended up targeting resources to the non-poor.

The worst performers have often been food subsidy schemes; six of the 10 worst performers correspond to this group (Coady et al. 2003b, 2004). In addition, there appears to be a negative correlation between low gross domestic product (GDP)—often equal to low institutional capacity—and successful targeting schemes. The vast majority of the best performers in the study are located in the least poor countries and, consequently, have a more developed public administrative capacity.

Other underlying reasons explain why a targeted social programme could be regressive, including weak and incomplete identification processes of the poor, caste and class interests that influence the distribution of resources, wrong geographical distribution of targeted services and self-targeting type schemes that end up also being attractive also to the non-poor.

As noted above, one in four targeting schemes fails so badly that it ends up being regressive. If one focuses instead on targeting schemes that are identified as "successful cases" by targeting advocates, the results are still doubtful. In fact, the empirical evidence suggests that targeting

[1] The most common method used to evaluate the effectiveness of targeting schemes in World Bank literature is analysing how many more resources the poorest quintile or poverty group receives with a "targeting" scheme in relation to a neutral, universal scheme; 1.25 in the targeted programme gives 25 per cent more to the poor than a universal scheme.

fails to target the most vulnerable; for many of these programmes, the excluded may constitute very large groups, and in some cases include the majority of the poor.

Part of the explanation lies in the fact that reporting targeting efficiency often includes only those poor *receiving benefits*, and not all of the poor. In this context, a statement such as "the *median targeting programme* transfers 25 per cent more to poor individuals than a universal programme" reflects another reality and demonstrates just one of many innovative ways in which statistical data can be reported.

Table 2: Reporting "targeting efficiency"

Form of provision	1st quintile	2nd quintile	3rd quintile	4th quintile	5th quintile	"Targeting efficiency"	Benefit per poor individual	Under-coverage *(per cent)*	Leak-age *(per cent)*
1. Universal	200/4	200/4	200/4	200/4	200/4	1.0	50	0	60
2. Ideally targeted	500/4	500/4	0	0	0	2.5	125	0	0
3. "Standard" leakage: all poor coverage	340/4	340/4	200	100	20	1.7	85	0	32
"Standard" leakage: "standard" coverage	340/2 (0/2)	340/2 (0/2)	200	100	20	3.4	"170" (0[a])	50	32

[a] 50 per cent of the poor are excluded from benefits. **Source:** Author's calculations.

This paradox is explained further in table 2, which compares social provision through four different simulations (of which two are ideal targeting situations, one relates to coverage and one relates to leakage). Assuming that in a fixed budget 1,000 units are allocated for social programmes and given that there are four people in each quintile group, a universal scheme would allocate 50 units per person. In an ideally targeted scheme where 40 per cent of the population qualifies as poor, the poor would thus receive 2.5 times more, or 125 units. The argument for targeting often stops here.

However, if one goes beyond theory and take into account a "standard" ratio of a successful targeting scheme, the image becomes more complex. Because of incomplete information, in practice, there would always be some *leakage* and *undercoverage*. For example, persons who should qualify as poor are sometimes not identified as such and as a result do not receive benefits. The fourth example in the table assumes a programme with 32 per cent leakage and 50 per cent undercoverage, a fairly average number for targeted social programmes in developing countries, as illustrated in the following examples. The programme has a targeting efficiency of 3.4 times more resources to the poor than an average scheme or, as presented in another (common) way of reporting, two-thirds of resources go to the poorest 40 per cent, which appears to give most benefits to the poor. However, a large part of this "efficiency" is a direct result of the exclusion of the poor from social programmes—half of the eligible poor receives no benefits at all. The third example in table 2 shows that the targeting efficiency rate would decrease dramatically if all of the poor were included in the scheme, reaching levels that are closer to the results of the universal scheme.[2]

The levels of undercoverage and leakage mentioned above are not extreme cases, and could have been taken from a random evaluation of any targeted social programme. A World Bank report (Castañeda and Lindert et al. 2005) described several "successful" social programmes in the Americas where targeting efficiency in the individual studies varies between 1.68 and 4.0 in relation to universal schemes, demonstrating that social programmes transfer considerably more resources to the poor than universal schemes. The programmes are depicted as examples

[2] It should be noted that this is before the administrative costs of targeting identification and transferring have been added—an issue that is discussed further in the next section.

that support targeting and confirm earlier studies on targeting efficiency by the World Bank, for which the numbers cited above are presented as first-hand evidence.

However, upon close analysis, one notes that undercoverage rates for these targeting schemes are extremely high. Even more remarkable is that undercoverage rates often play a negligible or non-existent role in the reporting and evaluation of targeted social programmes. This stands in contrast to the significance that the studies give to minimizing leakage levels, together with methods for hindering the transfer of resources to the non-poor.

One example of the paradox of coverage and "efficiency" is the proxy means-tested Chilean cash transfer programme Subsidio Único Familiar (SUF). Targeting accuracy is 3.32, an extremely good figure, which Castañeda and Lindert et al. (2005) argued demonstrates "impressive results". A programme that manages to canalize almost three and a half times more resources to the poor seems quite advantageous for that group. But at the same time that the scheme is generating "impressive results", it is also a social programme that manages to exclude 73 per cent of the poor through undercoverage—putting it the other way around, it is only benefiting 27 per cent of the poor.

There are many reasons behind the difficulties in reaching the poor. Rofman (2005) explained some of the problems involved with coverage rates in Latin America, where coverage measurement methodology is highly complex because of incomplete or non-existent information, and overlapping and grey areas in defining and identifying the poor and workers. This leads to serious problems in meeting basic objectives of targeted social security systems. According to Rothman (2005), only three of the 17 countries surveyed offer effective protection to two-thirds or more of the elderly, while 10 countries protect less than one-fourth of the population. In addition to failures in identifying the poor, social security schemes have traditionally been fragmented and inconsistent; in many cases, resources are only offered to the employed part of the population through contributive systems.

The well-known targeted social scheme in Mexico—the Oportunidades programme—demonstrated an impressive targeting result of 2.9; the programme has "generated very impressive targeting outcomes, with the poorest quintile receiving almost three times more benefits than they would have received under a universal intervention or random 'helicopter drop' allocation" (Castañeda et al. 2005:41).

This is true in terms of the benefited poor that are counted, but if all of the poor were included, the numbers would change dramatically. Behind the "impressive targeting outcomes" is the fact that only 60 per cent of the poorest quintile is covered, which means that 40 per cent of the poor are excluded from the programme and do not receive any benefits. One would expect that such a high rate of exclusion would be a central issue of concern in an evaluation concerning a poverty reduction programme; however, it is not considered in the overall conclusion.

According to Castañeda et al. (2005:41), an early evaluation of the Bolsa Escola programme in Brazil claimed to

> generate noteworthy results in terms of targeting accuracy. Indeed, the poorest quintile receives close to two times more benefits under the UMT [unverified means testing]/Cadastro selection than they would have received under a universal intervention or random 'helicopter drop' intervention.

It is noteworthy that this conclusion was made on the basis of an initial period when 73 per cent of the poor were excluded and, therefore, *not* reached by the intervention.

Table 3: Social targeting in the Americas: "The success stories"

Country	Name of programme	Targeting accuracy	Undercoverage *(per cent)*[a]
Brazil	Bolsa Escola	1.98	73
Chile	Pensiones Asistenciales (PASIS) (old age benefits)	2.67	84
Chile	SUF (cash transfer)	3.32	73
Colombia	Subsidized Health Insurance Regime (SHIR) (health social assistance)	1.68	26
Mexico	Oportunidades	2.9	40
United States	Temporary Assistance for Needy Families (TANF) (cash transfer)	3.31	"about half of the eligible"
United States	Food stamps	4.0	"around 50"

[a] Per cent of the poor excluded from programmes. **Sources:** Castañeda 2005; Castañeda and Lindert et al. 2005; De la Brière and Lindert 2005; Larrañaga 2005; Lindert 2005; Orozco and Hubert 2005; Viquez 2005.

The studies mentioned above are among those published by the World Bank on targeting in the Americas and, as table 3 shows, the positive numbers stand in sharp contrast to the levels of coverage. While the "successful" cash transfer programme in Chile delivered over three times more to the *benefited* poor than a universal programme would have, it is highly questionable whether it can be called a poverty alleviation programme from the perspective of coverage. As the numbers reveal, "success" to a certain extent is the result of excluding the majority of the poor.

Armenia is one of the ex-Soviet republics that received World Bank assistance to reform its social programmes. An evaluation in 2003 of the World Bank's Armenia Poverty Assessment on the now targeted social assistance in Armenia concluded that 78.7 per cent of the extreme poor were excluded from any form of assistance, while 25 per cent of resources were transferred to the non-poor (Posarac 2003). Based on a study of the sizeable antipoverty programmes in Indonesia by Sumatro et al. (2001) (see table 4), Pritchett et al. (2002) cited evidence that in approximately 50 per cent of the districts, targeting programmes are either consistent with universal programmes or anti-poor (regressive); in some cases, the coverage levels of the poorest are not higher than 6 per cent.

Baker and Grosh's (1994) analysis of geographic targeting schemes in Latin America and the Caribbean showed that the undercoverage levels applied in Mexico, Venezuela and Jamaica excluded 37.3 per cent, 58.5 per cent and 65.0 per cent of the poor, respectively, resulting in a median undercoverage rate of 53.6 per cent (see also Grosh 1994). Many larger studies from the World Bank as well as others show similar extensive failures in covering the poor.[3] Grosh and Baker's (1995) proxy means test simulations from targeted programmes in Latin America reflect a median undercoverage rate of 44.25 per cent, varying between 12 per cent and 80 per cent undercoverage in the 12 different simulations (see also Grosh 1994).

[3] Cornia and Stewart 1993; van de Walle 1995; Alderman 1998; Sumatro et al. 2001; Coady et al. 2003a; Weiss 2005, 2004; Hubert and Orozco 2005; Rofman 2005.

Table 4: Impact of antipoverty programmes in Indonesia, 1999

Antipoverty programme	Potential recipients *(million)*	Percentage coverage of poorest 20 per cent	Percentage coverage of richest 20 per cent	Percentage coverage of all potential recipients
Subsidized rice	50.4	52.6	24.3	40.1
Employment creation	50.4	8.3	2.5	5.6
Primary scholarships	29.7	5.8	2.0	4.0
Lower secondary scholarships	10.4	12.2	4.9	8.4
Upper secondary scholarships	6.4	5.4	2.0	3.7
Health cards	27.6	10.6	3.1	6.3
Nutrition support	20.0	16.5	14.2	15.9

Source: Sumatro et al. 2001.

What then do the numbers indicating efficiency really say about poverty alleviation and social provision? Unfortunately, the literature on targeted social programmes documents a long line of failure in reaching the poor and vulnerable. As demonstrated from the examples of the often mentioned "success stories" described above, targeting does not manage to target the poor, but rather only a few "privileged" poor. Large groups of the poor are often excluded from social schemes. As table 1 shows, it is possible to report excellent targeting results in a programme but at the same time provide very low coverage of the poor. This raises serious questions about targeting reporting. To what extent does this method of reporting frame statistics? What are the effects on poverty and, more important, what are the effects on the people excluded from poverty reduction schemes?

This raises the issue of improving coverage in a targeting scheme. As frequently mentioned in the literature, the high levels of exclusion of the poor are often related to efforts to hinder leakage through stricter means testing, making exclusion a form of "collateral damage". Lower leakage means higher undercoverage and vice versa, and perfecting targeting (lowering both leakage and undercoverage) requires complex systems at often dramatically increased costs.[4] Furthermore, as illustrated in table 1, an improvement in coverage levels leads to a significant decrease in "targeting success". The question that arises is whether this strict focus and the priority placed on leakage in the targeting of social programme are helpful for social provision and poverty reduction.

A relevant critique has been taken up by Cornia and Stewart (1993) who have argued that undercoverage of the poor in social programmes has to be taken more seriously, or at least as seriously as leakage, when evaluating poverty reduction schemes. Regarding targeted interventions in social programmes in developing countries, they cite the example of undernutrition as resulting from the absence (or poor presence) of social programmes in areas with highly vulnerable populations, and the large future production losses and costs, both private and public, that it causes. On this basis, they tested an alternatively weighted model for evaluation, where undercoverage is ranked higher than the overall leakage ratio; the resulting model erases the "success" of a targeting scheme over a universal scheme for provision.

However, Grosh and Baker (1995:13) defend targeting imperfections by arguing:

> while it is unsatisfactory to fail to cover those who fall below the poverty line, the error is less grave if the people who are excluded fall just below the poverty line rather than at the very bottom of the welfare distribution. … The best way to judge whether the levels and trade-offs between undercoverage and leakage are acceptable is to calculate the changes in the poverty indices

[4] Van de Walle 1995; Gilbert 2001; Coady et al. 2004; Mkandawire 2007.

> that result from the different models. The model that reduces poverty the most given a fixed budget is the most acceptable.

It is, of course, true that the use of the leakage and undercoverage ratio is a blunt instrument to create a distribution-sensitive image of poverty targeting schemes. At the same time, Grosh and Baker's (1995) explanation above reduces the poor to a number without taking into consideration that, in practice, the poverty lines in developing countries are already at unsustainable levels. While being just under or above the poverty line might not make such a big difference in theory; in practice, it means the difference between access and lack of access to basic human needs. Being completely excluded at these levels, especially at the very bottom among the very poor, can mean the difference between life and death. In such a situation, receiving a small but guaranteed benefit is more important than having a chance of receiving a higher benefit (but also the same chance of not receiving anything at all). Undercoverage is a problem that current targeting models have failed to address, but because of the risk to which it exposes the poor, especially the extreme poor, it must be taken seriously and considered a priority. It is also a major problem if commitments on poverty reduction are taken seriously. The level of coverage that many targeting schemes achieve is not enough to make the fight on poverty efficient. With these types of strategies, it is "possible to maintain social protection for the poorest quintile, but insufficient to attend those immediately above them, who are also horribly poor", as the Chilean finance minister once declared (Riesco 2002:6).

Selecting the poorest of the poor with an imperfect instrument such as targeting has proven to be, if not a cynical, then at least a very arbitrary exercise, considering the significant exclusion and leakage rates. It is also doubtful, however, that calculating the difference in poverty indices is an effective way to judge whether the levels of support are acceptable or not since, among other reasons, it does not take into consideration the situation of the poor left outside the programme, thus becoming a blunt instrument for reaching the poor. A statistical reduction in poverty could very well include an aggravated situation for a large group of non-covered poor. There is, for example, evidence of targeted social programmes set up in relation to poverty indices that encourage bureaucrats and programme coordinators to focus on the least poor of the poor. The underlying reason is that it is cheaper to reach this group, while at the same time giving better poverty indices effects, an argument that conflicts with Grosh and Baker's proposed approach for evaluating targeting efficiency (Subbarao et al. 1997). Weiss (2004) came to a similar conclusion when analysing microcredit systems, arguing that it is not the "core poor" who are the main recipients of loans, but those who are close to or just above the poverty line.

Another question is how to compare a low leakage, low coverage outcome to a high leakage, high coverage outcome. The relative emphases placed on leakage errors and exclusion (undercoverage) errors depend, of course, on the policy objective. Given that the policy objective is the reduction of poverty, and undercoverage errors directly undercut the absolute welfare of the poor, it should follow that exclusion error receives greater attention. The issue of undercoverage is central to the political economy of targeting; as such, it should be seen in the context of international poverty reduction commitments, and as a general issue of justice and equal treatment from the state. Whether social provision is interpreted from a Rawlsian welfare distribution principle or from a basic needs approach, it is clear that the failure of targeting programmes in delivering to the most needy raises doubts about its widespread use in poverty reduction programmes.

The examples above show that targeting, in practice, also means withholding resources from some of the poor and concentrating them on what becomes a "privileged" group of the poor. One should, of course, ask whether a state should legitimatize such discriminatory policies among the most marginal in society, and to what extent these practices feed incentive gaps, arbitrary treatment, corruption and clientelism. Stated simply, combating social exclusion with programmes that exclude a high number of the socially marginalized does not look like a successful formula for reaching the poor.

2. Targeting Is Often Not Cost Effective

This paper has considered the problems of targeting schemes for reaching the poor: the often-ignored factor of undercoverage, the problem of leakage to the rich and the high risk that targeted programmes could end up being regressive. But if the programmes that have shown good results are examined, it can be seen that many of these programmes require complex methods and advanced institutional capacity for the identification of the poor and the transfer of resources, which translates into big administrative budgets. As a consequence, although targeting is presented as a more effective method to combat poverty within a fixed budget, there are, in practice, limiting factors that minimize the poverty-reducing effect of a targeting programme.

Although the cost of identifying the poor is not neglected in the theoretical literature on targeting, it is often not deemed relevant in evaluations of targeting programmes. Data on the administrative costs of targeting are often incomplete and seldom possible to compare systematically because of a lack of key information. Scholars raised this issue when international financial institutions started to promote targeting of social programmes (see Levine et al. 1992).

However, there is still no coherent or standardized method to measure the costs of targeting (including administrative, identification and transfer costs), leakage, exclusion and overall efficiency. The costs of targeting are sometimes only reported in terms of the cost of identification of the beneficiaries, although there is clear evidence that the continuous administration of a targeted system requires more administrative resources than a universal programme. Grosh (1994:30) also discussed the difficulty associated with "the imprecision in calculating administrative costs". Weiss (2004) put forward the argument that even if only trying to count cost effectiveness with a simple approach of cost per unit of benefit received by the poor, it is still difficult to find acceptable studies on cost effectiveness on targeting social projects.

The ongoing need to identify the poor, using different methods and more often a combination of methods, is costly, time consuming and requires continuous institutional capacity. Accurate identification of the poor, minimizing the undercoverage among the poor and controlling leakage (while maintaining high rates of undercoverage as table 1 indicates) and implementing well-developed fraud control often ends up being a very expensive process.

Grosh (1994) calculated the average cost of administrating individual targeting schemes, which have the best success rates in terms of targeting, at 9 per cent, varying between 0.4 per cent and 29 per cent, of total programme costs (see also Gwatkin 2000). Other less efficient models (such as geographic targeting) tend to be cheaper to administrate at 6 per cent to 7 per cent of programme costs according to Gwatkin and 7 per cent according to Grosh, but they are also less effective due to higher levels of undercoverage and leakage. The median costs of self-targeting schemes are 6 per cent of total programme costs (Grosh 1994); and in a study of social funds, Rawlings et al. (2004) reported that social funds expenses among countries vary between 7 per cent and 13 per cent of total programme costs. In addition, there is controversy regarding what should be defined as targeting costs. Grosh's (1994) definition of targeting costs, as stated above, is quite narrow since it relates only to the initial screening cost. Once the poor have been identified, there are other costs involved in the process such as for the delivery of services to the eligible—and exclusion of the non-eligible—and for fraud control, given that the cost of fraud in targeting systems may constitute a very high cost for the programme. When calculating costs for targeting schemes in Latin America, Coady et al. (2004:41) considered that "in most cases it appears that corruption and theft contribute more to total program expenses than legitimate administrative expenses". If this were correct, it would mean that at least 20 per cent of the budget of an average targeted programme disappears in legal administrative costs and corrupt practices. Regardless of programme outcomes, this raises several questions with regard to cost effectiveness. Undertaking simulations of safety net transfer in low-income countries, Smith and Subbarao (2003) calculated total administrative costs for targeting programmes at 30 per cent

(compared with 15 per cent for universal programmes). At the time of writing, total administrative costs for selected targeted programmes in Latin America are somewhere in between Grosh (1994) and Smith and Subbarao's (2003) estimates.

In many cases, targeted programmes cost even more, as several studies outside the World Bank have indicated. An Asian Development Bank Institute paper on the cost effectiveness of various targeted antipoverty programmes in India includes several studies that focused on the cost effectiveness of alternative targeting programmes and provides examples of several large targeting programmes costing more than the actual benefit reaching the poor. Approximate estimates suggest that the cost of transferring a rupee to the poor in the Maharashtra Employment Guarantee Scheme, which was introduced in 1972, was 1.85 rupees[5] per rupee transferred in targeting administration costs in its early years, while the later national employment scheme, Jawahar Rogzar Yojona, cost 2.28 rupees and the targeted food subsidy programme cost 6.68 rupees. A separate evaluation of employment guarantee schemes in three Indian states found the cost per daily job to be between 200 and 300 rupees, while the benefit itself was just between 35 and 50 rupees (Weiss 2004). Despite being one of the most famous self-targeting programmes due to its high administrative costs, Imai (2004) concluded that the Maharashtra Employment Guarantee Scheme is less equitable and efficient in reducing poverty than similar universal schemes.

Thus, an important issue is the cost of effective targeting. The Temporary Assistance for Needy Families (TANF) scheme, which Lindert (2005) referred to as the gold standard for targeting, is the most effective verified means testing scheme in the United States, with extremely low levels of leakage but with quite high rates of undercoverage.[6] The identification cost is $86 per screening process on the basis of interviews, which in a Latin American context would be equivalent to $25 per application process. To this should be added the costs of administrating the programme, including money transfers, fraud control and so on. At the time of writing, there are no numbers on total administrative costs of these programmes in proportion to the total cost of the programmes; however, an earlier study indicated screening administrative costs of 15.6 per cent (Grosh 1994).

Another question, however, is whether there is a difference in administrative costs between targeted and universal programmes. Although administrative costs often consume an important part of allocated funds, there is no clear and standardized way to report and evaluate costs. Earlier comparisons between universal and targeted programmes in the United Kingdom indicated administrative costs of 3.5 per cent for universal programmes and between 5 per cent and 15 per cent for means-tested programmes, while studies from the United States found 2.5 per cent versus 13 per cent for universal programmes as compared to means-tested programmes (Cornia and Stewart 1993). In simulations that included "standardized" administrative costs, Smith and Subbarao (2003) calculated 30 per cent administrative costs for targeting programmes and 15 per cent for universal programmes. Although clear conclusions cannot be drawn on the exact differences in costs between means-tested and universal provision, it could be safely assumed that targeting always signifies a substantially higher cost.

With regard to effectiveness (or lack of effectiveness), there is a greater need for more complete reporting on the costs of targeting programmes. The problem is that most studies and evaluations lack an overview of all costs involved. A coherent and standardized methodology in this field would facilitate comparative cross-country studies of targeted schemes (as well as universal schemes) and would clarify the differences in costs between different models. By only applying a cost-effectiveness analysis, as promoted by the World Bank for evaluating the impact of programme interventions, there is no doubt that most of these programmes would fail due to their high direct and indirect costs and high rates of exclusion. Given that such

[5] 1 Indian rupee is equal to approximately $0.02 (January 2007).

[6] The coverage for TANF is "about half of the eligible" and for the food stamp programme "just above 50 per cent", numbers that have been constantly falling since the 1980s in spite of the growth of poverty and presumable beneficiaries. A considerable amount of the excluded are considered "hard-to-serve", with barriers to employment and great need of assistance (Lindert 2005:14).

approaches also lack the capacity to evaluate the direct costs (for society and the poor) of those excluded from the interventions, the level of failure could be even higher (Baker 2000).

The high rates of the poor that are excluded from these programmes, as discussed in the previous section, raise even more concerns. Similar figures with regard to costs and effectiveness in a private company evaluation would certainly draw attention. Furthermore, focusing on poverty indices does not take into account the various non-economic costs of targeting, of which the issue of sustainability of the system, as discussed in section 4, is probably the most important. Including such costs would probably change the conclusions of many studies since non-economic costs could result in serious real economic losses for the poor.

3. The Problem of Institutional Capacity

Since good targeting requires good statistical information and powerful institutions, it is natural that it is very difficult, if not impossible, to generate good results in countries where such institutions or information are missing. Even the fiercest supporters of such programmes have recognized the difficulties of implementing targeted social programmes in low-income counties. Grosh (1994:53) stated, for example, that "the institutional capacity in very poor countries tends to be very limited, making targeting mechanisms even more difficult to administer".

Other authors, outside the World Bank, advocating for targeting commiserate on the difficulties of identifying the poor in the poorest developing countries. Tekleselassie and Johnstone (2004:135) discussed targeting benefits regarding higher education in Africa and described the gigantic difficulties of implementing means-tested targeted programmes:

> With limited or non-existent information on either income or assets; with no cultural tradition of voluntary disclosure of such information; and with little risk of sanctions for underreporting, the difficulties of creating reliable verifiable and cost-effective systems for means testing in developing countries are formidable.

It is noteworthy that, in this context, programmes designed to be targeted to the poor, such as those in Africa, actually "target" less effectively than universal schemes, even before the economic costs of poverty identification, targeting management and control have been included, and without including the non-economic costs and considering the levels of undercoverage of the poor. When the available figures for Africa in Coady et al. (2003b, 2004) are analysed, it can be seen that:

- the median targeting programme in sub-Saharan Africa transfers 8 per cent less resources to poor individuals than universal programmes (0.92); and
- the median targeting programme in Africa transfers 8 per cent less resources to poor individuals than universal programmes (0.92).

Developing and developed countries with stronger institutions seem in this case to manage targeting schemes more effectively. Grosh's (1994) data from Africa indicate that there is a correlation between levels of institutional development and targeting efficiency. Grosh opposes this viewpoint, however, arguing that the efficiency that could be expected from targeted programmes may have little to do with how poor a country is. Based on the experience from "successful" targeted programmes in low-income countries, including Bolivia and Peru, that have managed to produce similar outcomes in richer Chile and Costa Rica, Grosh suggests that targeted social programmes could be useful in poor countries with weak administrative capacities, as long as the institutional systems are similar to those in Bolivia and Peru.

Grosh may be right in that a country's poverty level may not *always* be linked to its institutional capacity, but there is significant evidence that shows that more developed developing countries

are better able to implement somewhat efficient targeting programmes. Leaving the discussion on hidden costs and exclusion aside, there are no programmes from sub-Saharan Africa among the most successful targeted programmes in developing and transition countries (using the definition of "successful" that allows for a high level of exclusion). The most "successful" cases come from Latin American states and transition countries with better-developed institutions. As Weiss (2004:7) concluded in an analysis on targeting in Asia, "in all the country cases weak governance helps explain relatively high levels of leakage, as funds intended for the poor are diverted to others".

Without drawing overly broad conclusions, it is also clear that the evidence from Bolivia and Peru is of little relevance when discussing African countries. Although these two Latin American states are among the poorest in South America, they still have a significantly higher GDP and institutional development than most sub-Saharan countries. In addition, many sub-Saharan countries are not only poorer, but also face a far more complex reality, particularly in the health services sector where the institutional capacity is far weaker, while they cope with a far more difficult health situations in terms of high HIV-prevalence, the migration of medical staff and so on.[7]

As the discussion on coverage shows—also discussed in the following section on political costs—policy recommendations for targeting are still designed without taking into account the lessons learned from actual implementation. This paper shows that no targeted programmes managed to achieve perfect targeting. As stated by Ravaillon (2003), this means that, in practice, one can rarely explain more than half the variance in income and consumption, even using highly advanced surveys.

> Policy makers seem often to have over-optimistic views on how well they can reach the poor by administrative targeting based on readily observable indicators (Ravallion 2003:18).

In addition, due to the complexity of identification and transfer, there are always additional costs involved when targeting a programme. One should ask how important a policy recommendation that does not take into account these local dynamics and experiences should be considered.

While researching ageing and poverty in sub-Saharan Africa, Kakwani and Subbarao (2005) investigated the effects of universal and targeted poverty interventions for the elderly through simulations on universal social pensions in relation to targeted interventions. They compared the implementation of universal pension systems with a system that targets only the poorest among the elderly, and compared different retirement ages, pension levels and the budget necessary for each intervention. The simulations show some superiority in poverty reduction through targeted interventions over universal provision, which led Kakwani and Subbarao to advocate for targeted social pensions in Africa. The experiences of the poor from countries with low administrative capacity were, in practice, taken into account. Furthermore, in accordance with the usual practices of reporting on targeting schemes, possible exclusion rates and higher administrative costs were not taken into consideration when creating and evaluating the simulations. Considering the historical record of failed targeted interventions in Africa, the high administrative costs of these schemes and the low institutional capacity for advanced targeted means test, it is remarkable that the simulations do not take into account the standards variations of exclusion in similar programmes. Allowing such factors when evaluating targeted programmes provides indicators that are closer to reality.

[7] Mackintosh and Koivusalo 2005; Mbaga Kida and Mackintosh 2005; Mensah 2005.

In table 5, adding an exclusion rate of 35 per cent to Kakwani and Subbarao's (2005) results (the two examples on the left) changes the figures in an interesting way.[8] Without making claims for exact values, and recognizing that universal schemes may also suffer from undercoverage due to low take-up, this nevertheless gives a rough idea of the poverty reduction impact when the effect of undercoverage is taken into account. As observed, changes in the poverty ratio between the two models decrease notably and, in some cases, are uniform or smaller. Adding administrative cost estimates would result in an even smaller difference between targeted and universal models for provision.[9]

Table 5: Pensions in Africa

(a) Percentage change in poverty gap ratio by targeting 0.5 per cent of GDP				
Country	**All elderly (universal)**		**Poor elderly (perfectly targeted)**	
Pension age	**60+**	**65+**	**60+**	**65+**
Burundi	–0.92	–0.91	–1.46	–1.39
Burkina Faso	–2.78	–2.56	–4.25	–3.53
Côte d'Ivoire	–3.99	–3.16	–5.34	–3.59
(b) Percentage change in poverty gap ratio by targeting 0.5 per cent of GDP including exclusion errors				
Country	**All elderly "universal" with 5 per cent exclusion**		**Targeted to the poor elderly with 35 per cent exclusion**	
Pension age	**60+**	**65+**	**60+**	**65+**
Burundi	–0.87	–0.86	–0.95	–0.90
Burkina Faso	–2.64	–2.43	–2.76	–2.29
Côte d'Ivoire	–3.79	–3.00	–3.47	–2.33

Sources: (a) Kakwani and Subbarao 2005; (b) Author's calculations based on Kakwani and Subbarao (2005).

Given that a large part of the development debate centres on how to achieve poverty reduction in Africa, it is important to note that available evidence from the World Bank's research demonstrates that targeting schemes have *not* succeeded in generating more resources for the poor in the region. Targeting schemes have instead been regressive, arbitrary and, most significantly, have not reached those they were intended to help.

As observed earlier, universal programmes in some cases even seem to "target" better than targeting programmes, supporting Weiss's (2005) results from Asia that find a significant correlation between low institutional capacity, and high leakage and exclusion of the poor. Without making overly significant conclusions based on these figures, it is clear that targeting is not a "one-fits-all" solution. The African case suggests that targeting methods in poverty reduction programmes are not a matter of course. Universal schemes for poverty reduction in countries with low institutional capacity could in some cases be a more effective and pro-poor approach to combating poverty, even in the context of a given budget constraint.

But more important to take into consideration is the need to include other parameters in simulations and evaluations. Social programmes to combat poverty in low-income countries are too vital to experiment with desk products that have not been adjusted on the basis of lessons learned from years of targeted social programmes in the affected region and elsewhere. Targeted programmes that, in practice, "target" the poor worse than universal programmes would have are, if anything, an example of weak predictions. Given the strong evidence that a significant portion of total funding in a targeted programme is consumed by administration, poverty identifying mechanisms and so on, it follows that higher administrative costs should be

[8] This is a relatively low estimate of undercoverage if we look at other programmes in low-income developing countries. As an example, the median undercoverage level in 12 proxy means tested programmes examined by Grosh and Baker (1995) in Latin American medium-developing countries was 44 per cent exclusion.

[9] See, for example, Smith and Subbarao's (2003) earlier calculation of 15 per cent of the total budget for universal programmes and 30 per cent for targeted programmes.

taken into account in such simulations as well as a minimum standard correction for coverage and leakage. Allowing for different standard variables when analysing the impact of poverty alleviation programmes would facilitate comparison in the poverty reduction impact between different provision models. If one were truly committed to combating poverty, then such an approach would be useful for finding the most effective model to reduce poverty.

4. The Political Sustainability of Targeting

While there are many economic costs involved with targeting, there are also other, more difficult to grasp, non-economic costs. When discussing social interventions, one of the most important issues is the sustainability of social programmes. It is widely recognized that there are no quick solutions for eliminating poverty; rather, it is a problem that requires long-term strategies. The causes of poverty can be enduring, a result of structural social problems and social exclusion (through vertical and horizontal inequalities). Accordingly, poverty alleviation requires long-term commitments by institutions and interventions that benefit from local political support.

On that basis, it would be useful to gauge the effects that targeting has on political sustainability and on a society's social capital. To what extent are there hidden political costs associated with targeted programmes? In the literature on targeting and universalism there is considerable evidence pointing to issues of sustainability in targeting programmes. When targeting models are implemented in the context of local political reality, especially in cases when antipoverty programmes are locally funded, the support for such programmes and the chances for survival change considerably.

Generally, when a programme is set up or changes to a targeted programme, the number of people receiving benefits decreases, which in turn decreases the political support for such programmes. The conversion of a benefit from being a right to a subsidy changes the public's view of that benefit. It increases the difference between those paying for and those receiving programmes and as a result beneficiaries are stigmatized, which may lead to political backlash in the form of underfunding or the abolition of benefits. As Cornia and Stewart (1993:24) concluded in a study of eight different targeting schemes,

> it seems that the switch [from a general to a targeted subsidy] also leads to a reduction in the real value of the subsidy over time. Less strong political support for the targeted schemes probably accounts for this.

In other words, the implementation of targeted programmes creates a "cost" in the form of increased risk to economic shocks caused by political backlash to a specific programme. When using targeted systems, the traditional focus aimed at minimizing leakage can be very dangerous since it undercuts (often politically stronger) support for a specific programme, leaving beneficiaries as a (politically weak) minority. Contrary to the traditional perception, leakage could in this case be good for the poor since it expands the political base. On the basis of this observation, strong efforts to reduce leakage in poverty reduction programmes could be counterproductive for the poor in the long run.

The difference between what Lindert (2005) considered the gold standard of targeting and the highly negative public perception for the food stamp programme in the United States could be used as an example of how effective reduction of leakage is not a guarantee against social stigmatization of a programme.

On the other hand, social programmes that receive strong support due to a solid political base of beneficiaries are not unknown; this consideration is often taken into account when designing social programmes—for example, in the Scandinavian countries. Creating strong welfare systems has often relied on universal programmes. The manner in which targeted and universal

transfers and provisions shape the opinion and generate powerful social alliances should not be underestimated. The strong support for the universal child allowance in Sweden demonstrates how social programmes benefiting all social sectors can make a programme politically sustainable.[10] It is well recognized that proposals to eliminate this grant are akin to political suicide. The difficulties in introducing fees for university education in Latin America, which to a certain extent benefits the middle and upper classes, in relation to other services through the 1980s and 1990s, is an example of how politically powerful groups have managed to mobilize and defend certain social transfers in the context of decreased social spending. But ensuring support from the majority of the population is also a road to politically viable programmes. The introduction of universal health programmes in Mexico City rapidly achieved strong support from various groups within society, ensuring long-term sustainability for the health sector (Laurell et al. 2005).

Another important "non-economic cost" of targeted social programmes is related to the issue of social capital. Redistributive policies often involve a sense of common citizenship and solidarity. Empirical research from the Scandinavian countries shows that the use of universal welfare state institutions tends to increase social capital, in the form of social trust, while needs-tested targeting programmes tend to undermine social capital because of the problem (or lack) of procedural justice. This is a more complex issue than the more well-known problems of sustainability and stigmatization.

According to Kumlin and Rothstein (2005), the needs-testing procedure associated with targeted programmes is to a greater extent subject to suspicions of cheating, arbitrariness and discrimination, as compared to universal institutions. They explained this interlink with social trust not only in relation to public institutions, but also on an interpersonal level. Continuous use of such arbitrary practices erodes the intrapersonal and institutional trust. This research suggests that the universal type institutions could be a way for governments to make investments in social capital, while the use of targeted intervention could affect this factor in a negative way.

Some of the World Bank's researchers have recognized the problem of political sustainability and procedural justice of targeted programmes. When discussing the design of targeted programmes, Pritchett (2005:32) argued that

> beyond 'self-interest' models of political support, targeting needs to take into account perceptions of targeting legitimacy, including, at a minimum, horizontal equity, process fairness and effectiveness.

This is not new knowledge for the Word Bank; 10 years earlier, van de Walle (1995:35) stressed that

> the fact that a program is well targeted does not ensure that it is a cost-effective way reduce poverty since the extra costs incurred by targeting and the political-economy responses may actually worsen the final distribution of living standards when compared to untargeted programs.

It is a pity that this knowledge has not been translated into practice when designing, evaluating and analysing programmes. Too many programmes are still interpreted without any consideration of the political sustainability of targeting.

[10] Korpi and Palme 1998; Hort 2001; Kangas and Palme 2005.

Conclusion

This paper discusses the "evidence" on targeting efficiency and costs in poverty alleviation programmes and identifies four problems associated with targeting design, reporting and evaluation.

Four problems–Four solutions?

The first serious problem is that targeting schemes often do not manage to target the poor: the problem of efficiency and reporting on efficiency. In spite of advanced systems for identification of the poor, even the most effective targeting models exclude large groups of the poor completely, leaving them outside social protection due to misinformation. Exclusion of high numbers of the poor from poverty reduction programmes, in particular given the high rates of undercoverage that are currently being measured, is a failure for the state and for the international commitments on poverty reduction. But more important than statistics is the human disaster and political failure behind extremely poor persons being excluded from aid programmes as a result of inevitably imperfect targeting.

Advocates of targeting are correct in arguing that more resources should be given to the poor, but when actual help becomes only a likelihood of being helped (which can be very low), it is better for most of the poor to receive a small benefit than risk not receiving any aid at all. As a consequence, the traditional focus on leakage of resources to those less in need and the neglected incidence of undercoverage must be changed. New designs and evaluations on targeting must consider exclusion from social programmes much more seriously than has been done so far.

Second, this paper shows that targeting efficiency seldom takes into account the costs of targeting related to administration and transfers. These costs often can be very high and in order to be effective require considerable resources for continuous poverty mapping, administration and control. In light of these costs, targeting may not always be the most cost-effective method to reduce poverty within a limited budget; there are even examples where universal schemes are more efficient because of their cost effectiveness.

A more pragmatic approach to develop effective methods is needed. For example, poverty reduction evaluations use widely diverse methods for reporting administrative costs, which limit comparisons between different targeted schemes and alternative universal models of provision. A more coherent system of reporting administrative costs, especially from the World Bank, which include "hidden costs" as described in this paper and which are taken into account in simulations, would help to identify more effective methods for reducing poverty.

Using the example of Africa, it can be seen that targeting is not a one-fits-all solution. Many African countries, with low-income and poorly developed institutions, have not managed to implement targeting schemes that actually target the poor, in practice, due to a lack of institutional capacity. Effective targeted programmes are very demanding on institutions, even in highly developed countries. As seen earlier, universal schemes in Africa actually manage to "target" the poor more effectively or the same as targeting schemes, partly because of the cost and efficiency problems with administration and fraud control of targeted programmes.

Taking these facts into account, it should be accepted that social programmes need to be designed and evaluated in accordance with regional variations, historical evidence and success stories in social development. Looking at historical evidence and success stories, it is difficult to ignore the important fact that countries with less targeting in their social systems have been more successful in combating both poverty and inequality, even starting from relatively low levels of social development.[11] Also, the recent rapid reduction of poverty in many advanced

[11] Korpi and Palme 1998; Kangas and Palme 2005; Mkandawire 2007.

developmental welfare states in East Asia has been accompanied by a "universalization" of social services (Kwon 2005).

On this basis, universal solutions have to be regarded as possible alternatives, together with different forms of targeting, until the empirical evidence on successful targeting schemes in least developed countries is clear. Universal programmes, however, are often discarded in pursuit of fiscal constraint. This might be an appropriate approach in very poor countries, but for middle and high developing countries there is often room for improving social funding. This is a broad theme that goes far beyond the scope of this paper, but examples in many medium-developed countries, such as in Latin America, show that the collection of taxes leaves much to be desired. Decreasing the high levels of tax evasion in countries such as these could help to mobilize important resources for development (De Ferranti et al. 2004).

And third, targeting can be politically unsustainable and increase the risk of high costs for the poor in the form of political backlash against social programmes. Although difficult to measure, there is evidence that the use of targeting schemes decreases political support for welfare programmes and negatively influences the social capital in a country. In cases where poverty reduction programmes are designed for longer periods, and especially if they are locally funded, the issue of sustainability cannot be disregarded. In this context, designing programmes with broad bases of support and rethinking the values of leakages and undercoverage are key issues.

To conclude, this paper shows that the efficiency argument for targeted programmes in poverty alleviation is a misleading argument. Targeted programmes might be more cost effective, but not necessarily. Taking into account the particular conditions of a country together with more careful evaluations in designing programmes would help to develop more effective models. But even more important is the fact that in the design of targeting programmes there is no connection between social protection and economic development. In the targeting discourse, the poor are more often regarded as a problem (in need of benefits) rather than as a resource for the country's development.

This paper evaluates targeting as opposite to universalism. Targeted schemes may have a role to play, for instance, as complements to basic universal social schemes, and possibly as instruments for alleviating horizontal inequality. However, this paper points out some important problems when targeting becomes a method used for basic welfare and major poverty alleviating programmes. The high level of arbitrary exclusion of the poor from the programmes, political unsustainability, the inadequate record of targeted programmes in poor countries, and the high costs of transfers and other non-economic costs involved—such as stigmatization, loss of social capital, clientelism and corruption—should be enough arguments for policy makers to be concerned about widespread use of targeted schemes, especially if there is a genuine commitment for poverty reduction toward and beyond the United Nations Millennium Development Goals.

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