TARGETING AND UNIVERSALISM IN DEVELOPING COUNTRIES Thandika Mkandawire

Conceptual case

Aid is nowadays understood not so much in terms of helping developing countries, but in terms of helping the poor. This shift has been due to a number of factors that include the loss of faith in local elites and their "developmentalist ideologies"; the growing awareness of the economic cleavages within the developing countries, the rather discomforting realisation that anemic "trickle down" has occurred with economic growth; the ideological shifts on the role of the state in the development process. In addition, in the context of "aid fatigue", it has become politically necessary to argue that (a) aid directly addresses poverty; the "rising tide raises all boats" argument advanced by the World Bank in the much publicized work by Dollar and Kraay [2000] that growth is good for the poor. It is then argued that the policies of the BWIs ensure the requisite growth. An important assumption here is that the SAPs, while promoting growth, do not affect income distribution. reduction". As a consequence, both arguments have led to questioning of the purpose of enhancing growth in the absence of mechanisms to ensure that the poor will benefit. It is partly in response to this argument that BWIs have been at pains to

ideological position that has informed the limits set on social policy and the preferences for "user fees", market delivery of social services or "private-public partnerships" in their delivery. This ideology has also eliminated the equity concerns that have been central to all successful pursuit of poverty eradication.

This mixture of factors behind choices may partly explain why practices in individual countries are rarely as starkly differentiated as a binary choice would suggest. Instead, they tend to lie on a continuum, as each state combines more or less elements of targeting and universalism. The issue, as Sen suggests, is not so much about being selective in one's initiatives, but how much to push discrimination and where to stop (Sen 1995).

Crisis of Universalism

There is a strong case for placing social policy at the core of development, both as an instrument for development, but also as a guarantor that the development process ensures contemporaneous consideration of the ends of development. In the name of developmentalism, socialist ideologies and nation-building, many Third World governments tended to lean to universal provision of a number of services including free health, free education and subsidised food. In practice,

democratic societies where labour was free, universalism was rapidly extended, partly by the necessity of forming coalitions between workers and peasants, as in the Nordic countries.

The Fiscal Constraint and Privatization Arguments

Much of the debate on targeting in the 1980s revolved around "rolling back the state" through "cuts" and restrictions in public spending designed to allow tax cuts, especially on traded goods, that were considered the main cause of the poor performance of exports. Although there was also the claim that these taxes could be replaced by other taxes, especially value added taxes, the actual record is that

to pick winners or to monitor the performance of selected institutions. In

or access to foreign exchange in developing countries, it is necessary to prioritize allocation of resources through "comprehensive planning", targeting, and so forth. Many industrial and trade policy interventions have been premised on such a case for targeting. The recommendation from the BWIs was against targeting, instead proposing "universalistic" policies such as uniform tariffs, "level playing fields", etc.

And yet, when it comes to social policy, such "universalism" is rejected on both equity and fiscal grounds. Instead, selectivity and rationing are recommended—apparently totally oblivious of the many arguments against selectivity raised with respect to economic policy. Suddenly, governments lambasted elsewhere for their ineptitude and clientelism are expected to put in place well-crafted institutions and to be able to monitor their performance. And yet there is nothing to exclude the possibility that "targeting" in the social sector may be as complex and amenable to "capture" as "targeting" with respect to economic policy. It is definitely the case that the criteria for selection are at least as complicated, controversial and ambiguous as those for economic policy.

Social indicators are extremely difficult to construct, and poverty itself is multidimensional. Amartya Sen (1999) has raised exactly the same arguments against targeting in the social sphere. Asymmetry of information and attendant moral hazard would always pose the danger of including the non-needy among the needy, or of not including some really needy. Stigmatisation often leads to high levels of non-take-up, whereby people who are eligible for a benefit or service do not receive it (fully), with means testing causing poverty traps and stigmatization. Or as Van Oorshot notes, "Basically...it is the 'tragedy of selectivity' that trying to target welfare to the truly needy inherently means that a part of them will not be reached" [Van Oorschot, 2000]

One remarkable feature of the debate between universalism and targeting is the disjuncture between an unrelenting argumentation for targeting and a stubborn slew of empirical evidence suggesting that targeting does not work. The case of India, with its long history of interventions aimed at channelling resources to the poor, does not inspire much hope in targeting. According to Srivastava [2004], the impacts have been "very disappointing", presumably because of serious undercoverage, so many of the poor are missed, and serious leakage, so many of the better-off benefit from the schemes. Poor implementation and weak governance are given as the key explanations for the failure of these schemes. In a World Bank study (Coady, Grosh, and Hoddinot 2003) of 122 targeted anti-poverty interventions in 48 countries, the authors conclude that while the median program transfers 25 percent more to individuals, than would be the case with universal allocation, a "staggering" 25 percent of the poor were missed. It should be

recalled that the study does not take into account the administrative costs of such programs and the costs to the recipients of such programmes.

Most of the administrative constraints on targeting apply in both poor and rich countries, but are invariably compounded in the poor countries, where most people's sources of livelihood is in the informal sector, and people's "visibility" to the state is low, and where the state's overall capacity is low. It would indeed seem that targeting is a "luxury" for countries with sophisticated administrative apparatus and substantive state reach². For it does seem that, by the logic of the argument for targeting, countries which need "targeting" (given their limited fiscal resources) cannot do so, while those that can (given their wealth), do not need to.

Political Feasibility

1995). Or as Amartya Sen argues, "Benefits meant exclusively for the poor often end up being poor benefits" (Sen 1995: 14).

One reason why such an eventuality is not taken seriously is that in many countries where targeting has been effectively implemented, income inequality is already high, so that the segmentation in social provision does not raise eyebrows. In the context of structural adjustment, this reduction in effort (expenditure) was one of the objectives of fiscal policy as more and more governments have come under pressure to reduce expenditure. And as Besley and Kanbur (1990) observe, "Indeed, targeting has become a panacea in the area of poverty alleviation, whence it is suggested that policy makers can have their cake and eat it too, improved targeting means that more poverty alleviation could be achieved with less expenditure!".

For years, this "political economy" approach had little relevance to many situations of developing countries with authoritarian rule. Quite a number of authoritarian regimes, especially "developmentalist" ones, have succumbed to legitimation imperatives and pursued more or less universalistic policies³. The puzzle today would then seem to be why is it that in democracies where the majority is poor, governments have not pursued policies "targeted" for the poor?

Factors that have limited the reach of universalistic polices have included urban bias and elite capture. These factors said to have bedevilled universalistic policies are likely to rear their head with targeting. Or as Figueira notes with respect to Latin America:

"... the problems of social policy in Latin America were not exclusively the result of centralism, the pretension of universalism, or statist and sectoral approaches. Thus, decentralisation, privatisation, and targeting are not their automatic solution. The problem in the region has been centralised authoritarianism, general inequality, rent-seeking political elites, and the bureaucratic weakness of states in coordinating and distributing services. These problems have not disappeared and their structural bases seem more present than ever" [Figueira, 2002].

The "Perverse Incentives" Argument

One other argument against "targeting" is the fear of perverse incentives affecting the labor supply of the poor. This is an idea that goes as far back as Thomas Malthus, namely that support of the poor might encourage indolence and irresponsible behavior. In the contemporary context, the fear is that universalism

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might simply lead to withdrawal of labor by perfectly able men and women without fear of sanctions.

Targeting can also have perverse effects on economic activity—for example, when individuals avoid activities that may so improve their incomes that

Developmentalism/Nation-building and Universalist Imperatives
For developing countries, one factor influencing the "social policy regimes" has been the imperatives of development and nation-building. Nation-building raises the same questions raised in the context of debating social citizenship.

Another common feature of the social policy success story is the universalism with benefits and services treated as "merit goods" available to everyone as a right or obligation (e.g. compulsory education). As for targeting, it became self-evident that where poverty is widespread, "targeting" would be unnecessary and administratively costly. Thus, "universalism" in many countries is in fact dictated by underdevelopment — targeting is simply too demanding in terms of available skills and administrative capacity. The PRSP, on the other hand, is of residual type in which welfare provision is often seen as being for the poor and firmly based on targeting the poor.

In most developmental states, initial social policy attention has been on those sections of the labour force closely associated with industrialisation policy. Thus, for Germany and Japan, rather than extending to all members of the community universal social rights to a minimum level of subsistence, the states cane into existence by granting privileges to groups whose cooperation in economic modernisation and nation-building was deemed indispensable by political and economic elites. These initially exclusive rights were to form the basis of the universalistic welfare state in Germany. The important thing to recall here is that the underlying rationale of social policy in these "successful cases" was universalistic, so that the underlying tendency was to extend initially exclusive social rights for the employed to the rest of the labor force. SAP/PRSP, driven by a "targeting" rationale starts with dismantling the exclusive rights of formal labor on the grounds that this will lead to greater labor market flexibility and will attract donor funds for "pro-poor" policies.

Japanese economists close to the aid establishment have argued that the "pro-poor" focus detracts from the larger development project which alone can address the issue of poverty in a sustainable way. The Japanese argument partly stems from the view that currently the PRSPs and their targeting of the poor diverge significantly from the experiences of the East Asian "success stories" of combating underdevelopment and poverty.⁴

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Indeed, in many countries, the new democracies have tended to pursue rather orthodox economic policies as compared to much older democracies. I discuss this and suggest some explanations in Mkandawire (2004)

Human Capital Argument and Externalities

Most of the arguments assume that that all pro-poor policies only lead to

above, one argument for "targeting" is that it is efficient in distributing resources from the well off to the poor. "Targeting" the poor is not premised on an egalitarian ideology. Indeed, the philanthropic ideology driving it is often distinctly opposed to equity. However, advocates of targeting have often argued that "universalism" is not redistributive, while targeting is. Thus Barry argues

"...the Poor Law by its nature brings about a net transfer between classes, whereas the welfare state has no inherent tendency to bring about such net transfers...By contrast, a welfare state characteristically transfers smoney within income strata" [Barry, 1990]

Universalist policies are, in themselves, not redistributive. Indeed, those supporting targeting have argued their case on both poverty alleviation and redistributive grounds. However, in reality, societies that lean towards universalist social policies have less inequality than tho

to efficiently targeting the limited resources devoted to combating poverty than has been allocated to generating the resources required for the task.

Although in current parlance, the choice between "targeting" and "universalism" is couched in the language of efficient allocation of resources subject to budget constraints, what is actually at stake is the fundamental question of a polity's values and its responsibilities to all its members. One implicit assumption in the policy is that targeting is only about poverty eradication, whereas in many cases, social policy has other objectives such as national or social cohesion, equity, etc. As Atkinson [1993] argues, expenditure involving poor targeting, when judged solely by the objective of alleviating poverty, may well be directed at other objectives of the social security system. Indeed, in a number of countries, the relief of poverty was not even the most important motive for the introduction of transfers. Historically, the choice has been conditioned by a wide range of considerations, including citizenship, nation-building, judgements

Historical Experience

In linear theories of development, it is often suggested that universalism is something countries achieve only at higher levels of development. The initial choice between "targeting" and "universalism" can lead to a political and institutional "lock-in" that can make departure from these initial choices difficult. Study of "late industrialisers" and countries that have done relatively well in terms of social development [in the cont

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