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Whom to target - an obvious choice?

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Whom to target – an obvious choice?

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Abstract

There has been an ongoing debate among researchers, policy-makers and development partners in low-income countries on whether and to what de gree non-contributory social transfers should be targeted to the poor or paid out universally to every citizen or to all citizens in a particular category. This paper critically discusses the assumptions behind the political economy arguments of targeting and tests whether a universal m echanism is bound to politic ally excel in a low-income country context. A num ber of authors have argued that going universal is a win-win situation, both for the poor, th e middle class as well as thos e who are in power. W e would therefore expect broad-based support behind a universal scheme, in particular in countries where poverty is widespread and target ing also proves adm inistratively challenging. On the basis of attitudinal surveys with the urban, rural and st udent population in Zambia , we actually detect more support for targeting the poor than the po litical economy models would predict. These findings are corroborated by experim ental evidence from rural Zambia. W e discuss the assumptions of the political economy m odels in the light of these findings and contem plate on potentially decisive parameters that the models currently do not incorporate.

Key words: political economy, targeting, universalism

JEL codes: H53, I38, O15

1 Introduction

There has been an ongoing debate among researchers, policy-makers and development partners in developing countries on whether and to what degr ee non-contributory social transfers should be targeted. Targeting con cerns the allocation an d distribution of resources and services to one particular (sub-) group. In the context of SCT, we refer to the process of granting transfers to recipients who are poor, particularly vulnerabl e or deprived, identified through means-testing, multiple-indicator-targeting or equ ivalent. The alternative to ta rgeting would be to allocate transfers to everybody (universal ap proach), albeit this is usually restricted to certain categories such as the elderly or children. In a strict sense, universal transfers would refer to a basic income, which every citizen in society receives.

Standard economic theory predicts that given a fixed budget for redistribution, targeting is the optimal solution as it re nders the most effective and efficient outcome with the hig hest level of utility for the poor (see e.g. Coady et al., 2004, Besely, 1990, Bes ely and Kanbur, 1990, Atkinson, 1995, Atkinson, 1998). Following this logic, the less resources le ak to the non-poor and the higher the share received by the poor, the better the cost-e ffectiveness of an anti-poverty programme. These models are criticized for ign oring the costs associated with targeting such as disincentive effects, informational constraints like the difficulty of correctly identifying the poor, social costs of asymmetric power and efficiency losses due to leakage and higher adm inistrative costs (Sen, 1995, Atkinson, 1995, Atkinson, 1998). Fu rthermore, they neglect any political economy considerations (Gelbach and Pritchett, 2002, Pritchett, 2005, Moene and Wallerstein, 2001, De Donder and Hindriks, 1998).

The political economy of targeting takes the problems of targeting beyond merely economic issues of selection, information and incentives. It is concerned with the political feasibility of targeting policies (Sen, 1995) and highlights that only a naive policy maker would assume a fixed budget for redistribution (Gelbach and Pritchett, 2002). The political economy models of targeting postulate that the level of targeting and the corresponding budget for social spending are interlinked. By taking into account that the budget is determined through majority voting and voters respond to targeting, the political economy models conclude that a universal transfer is the optimal solution. We would therefore expect broad-based support for universal schemes, even more so in countries where poverty is widespread, targeting proves administratively challenging and lead to substantial costs.

A lot of research has been carried out on the effectiveness and efficiency of different targeting approaches. The existing evidence furthered our knowledge as to how targeting mechanisms of different complexities perform in different country contexts, what kind of costs they involve and which administrative capacity they require (Coady et al., 2004, Slater and Farrington, 2009, Samson et al., 2006). Surprisingly little empirical research has however been conducted around the political economy of targeting in developing countries, despite the growing awareness that politics are not a subordinate but integral element of any targeting decision. There are studies which show that universal social transfers, such as social pensions, are generally better protected against inflation and political pressure than targeted transfers. In Sri Lanka social benefit values eroded by 40 percent as a result of inflation after the introduction of targeting. In Columbia, food subsidies were eventually completely eliminated once universal access was replaced by narrow targeting and the programme became politically unpopular (Pritchett, 2005). Such indirect evidence suggests that the political economy may indeed play a role in the targeting decision.

This paper attempts to enlarge the evidence base by analysing actual targeting preferences of citizens in Zambia and revisiting the assumptions underlying the political economy model in the context of a low-income country.

The paper starts by critically discussing the key assumptions behind the political economy models (Section 2) and hypothesizing on other factors which are currently not incorporated into the models but have been identified by the literature as important regarding targeting preferences (Section 3). Section 4 presents the methodology used to test whether the predictions of the models hold in the low-income country of Zambia with the main empirical findings being presented in section 5. We critically discuss in Section 6 to what extent the assumptions behind the universal political economy arguments apply in a low-income country like Zambia. Section 7 concludes and points towards further research needs.

2 Revisiting the arguments for universal transfers

Within the political economy models of targeting the budget for transfers is determined through majority voting with voters responding to the degree of targeting. Assuming three distinct income groups (low, middle and high), the models postulate that the support of at least two income groups is necessary. Since the poor are always in favour of higher taxes[1], and the rich in favour of lower taxes, the vote of the middle income group is decisive in this model. Since the middle class has good and bad times, their support for redistributive transfers depends on their probability of being in need at some point in their life. A shift to a narrowly targeted programme with little leakage to the non-poor can undermine the political support for the programme if the middle-

[1] Low wage workers do not pay taxes in the model of Gelbach and Pritchett (2002), mirroring employment in the informal sector.

class is sufficiently unlikely to receive the transfer. As a result, the budget for transfers is adjusted downwards and the poor are worse off from better targeting. For the poor to benefit from a transfer programme, a certain degree of leakage is therefore necessary. In their model, de Donder and Hindriks (1998) find that three quarter of the population need to be covered for continuous support, which is close to universal.[2]

As with all theoretical models, the political economy models of targeting attempt to break down a rather complex reality into its key elements and draw conclusions on the basis of a set of assumptions. Not all political economy models of targeting depart from the same assumptions and scenarios however: the model by de Donder and Hindriks (1998) experiments with simultaneous voting on tax rates and the budget share, while Gelbach and Pritchett (2002) let the voters decide on the tax rate after they have been presented with a targeting scenario. Within the models of Gelbach and Pritchett (2002) and Moene and Wallerstein (2001) transfers act as a kind of unemployment insurance[3] next to being a redistributive instrument. This aspect is not considered in de Donder and Hindrik's model. Moene and Wallerstein (2001) stress the centrality of self-interest of voters for a universal vote and show that altruism would produce different outcomes while altruism as a motive next to self-interest still leads to universalism in the models by de Donder and Hindriks and Gelbach and Pritchett.

All authors agree that voters decide – even if not entirely – on the basis of self-interest with the expectation to derive direct financial benefits from the programme in the future. In all models

[2] In a slight variation, they let the targeting and tax rate be determined simultaneously. In that case, the poor are the decisive group as they can form coalitions with either the middle or high income group in order to raise taxation and targeting (De Donder & Hindriks, 1998). The argument rests on the assumption that the poor can act as one group. Lower income groups are less inclined to unite and support redistributive policies as a result of last-place aversion which prevents political unity among the poor (Kuziemko et al. 2011).

[3] An unemployed middle income worker is automatically eligible for a transfer.

either the median voter (Moene and Wallerstein, 2001) or a coalition of the poor and middle class (Gelbach and Pritchett, 2002, De Donder and Hindriks, 1998) is decisive for policy making and realizes its interests through voting. Social budget endogeneity, meaning that the budget is not fixed but is responsive to majority-votes, is equally a strong assumption in all three models. If budgets are indeed responsive, a shift to narrow targeting would undermine political support for social spending in the long run. The poor would be worse off. Therefore, universal transfers provide higher utility for the poor. In the following, we review the critical assumptions underlying these theoretical models within the context of low-income countries.

2.1 Self-interested voters

Moene and Wallerstein (2001) demonstrate that as soon as some level of altruism is introduced, the political equilibrium moves towards targeting. If the median voter behaves altruistically and derives utility from a generous transfer to the poor, narrower targeting might not necessarily result in votes for minimal budgets. True altruism may actually lead to an outcome where more effective targeting leads to better results, and where reducing leakage makes the 'good' (i.e. poverty reduction) cheaper. Hence, voters want more of this (Pritchett, 2005). The influence of altruism on targeting outcomes should not be neglected as experimental evidence on collective action problems has shown that individuals act altruistically and not necessarily as the *homo economicus* in the standard micro economic models (Bowles, 2008).

But even if we assume that agents are mainly self-interested, the universal welfare state is not inevitably the only equilibrium of the voting game (Rothstein, 2002, Tabor, 2002). Whether the median voter opts for a universal or selective welfare state depends not only on monetary gains but also on more subtle benefits. Government support to the poor can have positive externalities.

Those among the middle class who presently cater for the poor, those who are more risk-averse and value a more generous unemployment insurance, who sell goods and services to the poor and who appreciate that better support prevents a number of social problems such as high crime rates are all likely to benefit from support going directly to the poor (Tabor, 2002). By supporting the poor, overall social welfare can increase and result in higher utility of the non-poor (Atkinson, 1998).

In addition, if targeting leads to greater cost-effectiveness or if the non-poor benefit sufficiently from spending cuts (i.e. the gain from lower tax rates is larger than the gains from leakage), they may also favour a reallocation of spending to the poor (Ravallion, 1999, De Donder and Hindriks, 1998, Atkinson, 1998). Moving from universal access to targeting is then a Pareto improvement (De Donder and Hindriks, 1998).[4] This effect would be even greater when the non-poor can rely on private markets rather than the state for unemployment insurance (Gelbach and Pritchett, 2002). The question is however whether pro-poor spending would then be sufficiently protected (Ravallion, 1999). Spending for the poor might be better protected in regions with a strong tradition of effective redistribution.[5]

2.2 A coalition of the poor and middle class is politically decisive

The political feasibility of targeting social programmes to a specific group depends on the preferences of politically more powerful groups (Sen, 1995). Most theoretical models assume that the middle income group or the median voter is decisive in voting as the rich always favour lower taxes and the poor favour higher taxes. However, De Donder and Hindriks (1998) show that the

[4] On the other hand, relaxing targeting from very high levels can also make everybody better-off (De Donder & Hindriks, 1998).
[5] This is a rephrasing of the argument made by Graham (2002), where she links the strong faith in individual effort over state redistribution in Latin America to their weak tradition of effective redistribution.

poor voters actually become decisive when the level of taxation and the degree of targeting are simultaneously voted on and the poor form strategic, alternating coalitions with the middle class and the rich.

This assumption of the median voter being decisive presumes a democratic setting in which the government is accountable to its constituency and voting actually translates into policy-decisions.[6] It might be questionable to what extent democratic structures of this nature have taken root in low-income countries. Citizens have often little means to influence policy-making, even through the election process. This proves particularly challenging for groups such as the poor who are often not sufficiently organized in large numbers to see their interests represented (Myles and Quadagno, 2002). Even if elected representatives were interested in translating voters' interests into action, they would face difficulties in regimes where the role of the Parliament is curtailed to the benefit of the executive. This means that in low-income countries with a lower degree of democratization, the rich could be strong enough to force a decision in their own right.

2.3 Budget endogeneity

The political system also affects the assumption of budget endogeneity. In a dictatorial or patrimonial political system, the budget might be (near) fixed as the public has no influence on government decisions. Even if we assume that budgets are actually voted on, most low-income countries will face difficulties to sufficiently increase the budget for a particular transfer programme, either through additional revenue or shifting government spending from other sectors.

[6] In Gelbach & Pritchett's model (2002) targeting is the optimal outcome in the special case that political considerations do not matter.

It is undoubtedly true that there is leeway in most low-income countries to improve tax-regimes and increase the government budget; whether feasible tax reforms however suffice to fund programmes in the order of magnitude of 2-4% of GDP [7] remains debatable. Broadening the tax base is particularly challenging in countries where the majority of the population works in the informal sector which is difficult to tax, the marginal costs of taxation are high and where further taxation might also discourage much needed private investment. Hence, as long as the tax base cannot be expanded and the budget is fixed, narrow targeting may be the politically more sustainable policy option (Pritchett, 2005, Graham, 2002).[8]

The political dynamics become even more complex when we consider funding a more broadly targeted programme through budget reallocations instead of a tax increase. This would mean that voters do not decide on particular interventions in isolation but decide jointly on whether they would like an increase in unemployment insurance for a decrease in funding for another programme. The middle-class might be less supportive of a universal transfer if this results in budget cuts for other interventions such as fertilizer subsidies from which they largely benefit.

3 Looking beyond the model assumptions

The political economy models ignore a number of factors that other authors have raised in the debate on universal versus targeted transfers or in the literature on redistributive preferences.

[7] For cost calculations of a categorical child grant, see for example ILO 2008.
[8] This also applies in the case of donor funding. However, the argument is linked to altruistic preferences of donors which are in favor of sharp targeting (Pritchett, 2005).

3.1 Attitudes towards the poor

Electoral support for targeted programmes depends on attitudes and perceptions about the targeting criteria (Gelbach and Pritchett, 2002, Pritchett, 2005, Van de Walle, 1998). Attitudes towards the poor influence the voting behaviour for redistributive policies, in particular when countries face great fiscal constraints (Graham, 2002). Poverty seen as a result of bad luck and exogenous factors, rather than lack of effort, garners more support for social spending and redistribution (Fong, 2001, Alesina and La Ferrara, 2005, Boarini and Le Clainche, 2009). A policy which hence favours the poor is politically more sustainable if they are perceived as *deserving.* According to Graham (2002: 10), "the distinction between deserving and non-deserving poor may be a more important determinant of public support for welfare in the United States than is that between targeted and universal programmes." There is also evidence from experimental economics supporting the view that *merit* is a determining factor as to who receives support (Hoffman et al., 1994, Cappelen et al., 2011, Cappelen et al., 2007).

3.2 Norms about social justice

Ideological orientations or institutional structures can equally have a bearing on the acceptance of welfare programmes (Graham, 2002, Mkandawire, 2005, Korpi and Palme, 2004, Alesina and Fuchs-Schündeln, 2007). While countries where the state has only played a residual role in welfare support might be more reluctant to accept broader and more expensive welfare programmes, countries where the state has traditionally provided comprehensive welfare packages, tend to oppose closely targeted programmes. People's understanding of social justice can prove influential in determining whether they are more inclined to targeting or universalism. Those societies who accord more importance to a justice of performance rather than needs-based justice and who believe in the equality of opportunity rather than in the equality of outcome

might favour a more targeted approach.[9] They would be more likely to subscribe to the subsidiarity principle with the welfare state only coming in when individuals face difficulties providing for themselves.

3.3 The importance of cohesion

The greater the similarity between the poor and middle class, the more likely is the support for poverty programmes (Graham, 2002). Stated differently, the higher the level of inequality in a given society, the stronger the arguments for universal transfers as the distance between the poor and non-poor may just be too large. The distance may not only be defined in financial but also in geographic terms or with respect to individual characteristics. If the majority of the poor for instance lives in remote areas, i.e. they are not visible, support may dwindle. The impact of proximity to people in need on redistributive preferences is also confirmed by other authors. Luttmer (2001) distinguishes between the negative exposure effect and the racial group loyalty. An increasing share of benefit recipients within the local community decreases the support for welfare. On the other hand, support for welfare spending is higher if a larger share of beneficiaries belongs to one's own social group.[10] Societies with high demographic heterogeneity are less supportive to redistributive policies as the share of beneficiaries in each group is relatively small (Luttmer, 2001).

3.4 Procedural justice & effectiveness

Whether targeting can be implemented in a procedurally fair way without too many negative side effects and whether it actually produces an effective outcome are also important considerations.

[9] Here we do not refer to a single programme but to the way the welfare state is structured and whether the focus is in general on universal provisions for citizens without a specific poverty-focus or whether interventions are mainly tailored to satisfy the needs of the poor.
[10] Pritchett (2005) calls this mechanism 'framing'.

Targeting can lead to substantial costs at different levels, which the electorate might not be willing to accept such as a high level of stigmatization or fraud and favouritism on behalf of the administration or communities involved in the process (Rothstein, 2002, Tabor, 2002). At the same time, targeting might also contribute to greater fairness if it leads to actuarial soundness, reduces leakages and establishes a clear link between transfers and poverty reduction (Tabor, 2002).

The effectiveness of a programme or at least people's perception of it can also influence political support. Many targeted programmes such as public work programmes, in-kind transfers or CCTs are politically popular because they are perceived as effectively reducing poverty, changing recipients' behaviour and promoting human development. The objective of a programme might also determine whether targeted or universal transfers are considered more effective and enjoy greater political popularity: a different target group might be considered relevant for a safety net programme with an equity perspective when compared to a safety ropes programme with an insurance perspective (Pritchett, 2005).

3.5 Path dependency

We can also expect a certain path dependency of targeting regimes, meaning that preferences are pre-determined by targeting choices made in the past (Mkandawire, 2005) as well as regime types and their underlying understanding of social justice (Alesina and Fuchs-Schündeln, 2007). Path dependency might be large for universal transfers such as subsidies, where reforms are difficult to launch (Grosh et al., 2008). Reforms are difficult as a move from universalism to targeting is not likely to generate any tax reductions for the rich or the middle class, which means that everybody loses out unless there is compensation offered.

4 Data

In the remainder of this paper, we empirically test whether the predictions of the political economy model hold in a low income country context, assessing the relevance of the assumptions underlying the political economy models as well as other contributing factors. We chose Zambia as a case study for the following reasons: the country is currently debating on whether to introduce targeted or universal benefits, meaning that we are unlikely to observe a strong path dependency. Both approaches are being piloted. It is also a country that shares a number of characteristics with other low-income countries such as a strong prebandalist approach to policy-making, a limited resource base as well as a relatively high poverty incidence.

In a first step, we elicited targeting preferences through an attitudinal survey[11], asking respondents which target group they would prioritize as a policy maker given the choice between children, the elderly, people with disability, the extremely poor or nobody. While this question only refers to the preferred target group without taking into account the financial implications, it allows people to make an unrestricted choice based on their preferences. The political economy models also presume that individuals from different strata consider all the possible trade-offs for themselves when voting on the budget. Using background information about the respondents, information about their perceptions and attitudes as well as further information about the Zambian context, we analyse in a second step which factors appear to have predominantly influenced their preferences.

[11] The structure of the questionnaire was partly inspired by the world value survey as well as the questions asked by Graham (2002).

The survey[12] was administered among 435 urban respondents in Lusaka, 396 students of the University of Zambia (UNZA) and among 500 rural participants of Monze district in Southern province. While the 500 rural participants were randomly selected,[13] urban respondents and students were purposefully sampled. Care was taken to guarantee sufficient variation among urban respondents and students by choosing different geographical locations in Lusaka [14] as well as different years and faculties at the University[15]. This approach assured that the sample covered respondents of different locations, background and educational status, even though it is not representative for the entire population of Zambia.

Among the urban respondents to the attitudinal survey, we find slightly more men (55%) than women (45%). The group of respondents is 31.5 years on average, mirroring quite closely Zambia's demographics. The respondents to the urban attitudinal survey have relatively high educational levels (close to 40% have a tertiary education level completed). The majority are also in stable employment (government, self-employment, other wage-employment).[16] In terms of poverty status, most of the respondents characterized themselves as belonging to the middle stratum (58%), with 26% characterizing themselves as (very) poor and 16% as upper middle and rich. The composition of the urban sample confirms our expectation that the urban population is

[12] See Schüring (2012) for the questionnaires.
[13] Participants from rural communities of Monze district were randomly selected for participating in the allocation and conditionality experiment that also included an attitudinal survey. They were chosen from a pool of volunteers which was clustered into very poor, poor and better-off participants. The sample consisted of 30% percent very poor, 40% poor and 30% better-off.
[14] Markets, mini-bus and intercity-bus stops and shopping malls were selected as interview sites in order to maximize the likelihood of encountering people of different backgrounds. Enumerators were instructed to ensure some variation in respondents, approaching people of different gender, age and poverty status.
[15] Selected lecturers were asked by their faculty to administer the questionnaires to students in their respective classes. Students came from all across Zambia, with Lusaka, Copperbelt and Southern province being most represented. Students were enrolled in different study years and disciplines with predominantly 2nd, 3rd and 4th year students from Humanities, Natural Sciences and Agriculture responding to the survey.
[16] As opposed to piecework, unpaid family worker and people who cannot participate in the labor market.

likely to be better educated, wealthier and more in formal employment than the rural population, constituting a higher proportion of taxpayers rather than welfare recipients.

Students are expected to be the best-educated group, belong to the richer stratum of Zambia's society and become the future elite as well as future taxpayers of Zambia. They would be least concerned with acquiring insurance against poverty or any adverse events in life. Similar to the urban population, the majority of students characterized themselves as belonging to the middle class (57%), with 12% characterizing themselves as (very) poor and one third characterizing themselves as upper middle class and rich. Students come from different backgrounds in terms of their parents' occupation even if the occupation does not appear to be correlated with students' perception about their poverty status. About the same percentage of female and male students participated.

The rural population is predominantly poor but also includes better-off individuals. The better-off would neither be entitled to welfare benefits nor constitute a large group of taxpayers as employment in rural areas is mostly informal. Among the rural participants, 59 percent of the respondents were female. With an average age of 51 years, the rural population is significantly older than the urban respondents. Most of the respondents are subsistence farmers who mainly live on their own produce. Despite the fact that 10 percent of all respondents are cash transfer beneficiaries, only two percent claim government assistance as their main source of income.

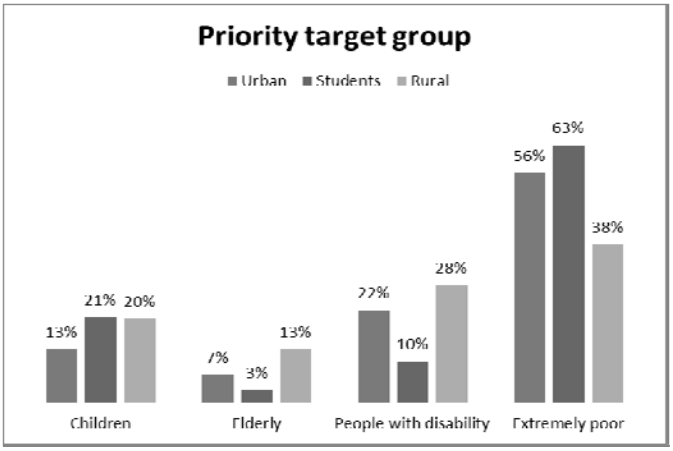
5 Results

5.1 Targeting preferences

When faced with the choice of giving social transfers either to all children, all elderly, all people with disabilities, to those in extreme poverty or nobody, only two percent of all respondents to the attitudinal survey opted against any type of transfer. As mentioned before, both the students as well as the urban population have the largest share of people who consider themselves as middle class with a certain probability from switching between the informal and formal sector. Following the logic of the political economy models, we would expect them, in cooperation with the poorer group, the rural population, to prioritize more universal models such as the child grant or the social pension, where the middle class has a high likelihood of benefitting themselves and the poorer class has a higher probability of benefitting more generously.

Figure 1: Priority target group selected by urban, student and rural respondents

Question: If you were a policymaker in Zambia, would you give social transfers (government assistance) first to all children, all elderly, all people with disabilities, all those in extreme poverty



Source: Attitudinal surveys with the urban population, rural population & students

The majority of respondents across all groups prioritized, however, the extremely poor (figure 1). Among the urban respondents and students, more than 56% opted for the extremely poor, three times more than for any other target group. Even if we add up votes for a child grant and for a pension and compare those to the other target groups, the group of the extremely poor is still favoured. Although to a lesser extent, the very poor are still the preferred target group of the rural population. There might be different reasons why targeting preferences for the very poor are nevertheless lower: either previous experience in targeting SCT in Monze communities has sensitized respondents more on the difficulties of actually targeting the very poor and/or the higher age among rural respondents and greater family size pushes households more strongly towards universalism.

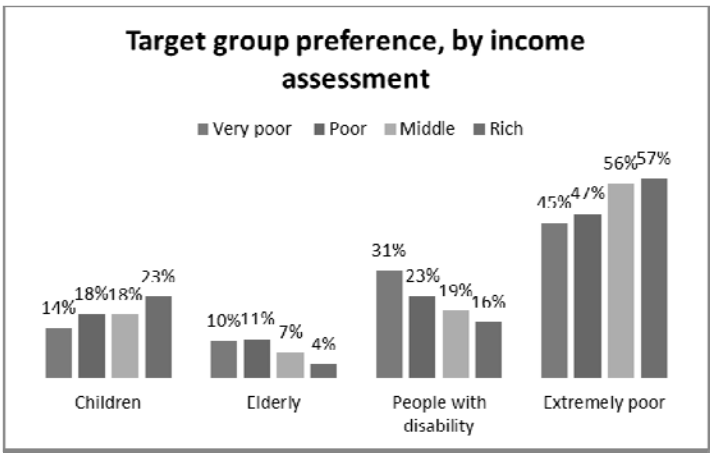
Previous exposure to targeted SCT with potentially negative experiences does not explain the difference in preferences with other respondents. Comparing targeting preferences across communities with and without a targeted SCT scheme[17], rural respondents from SCT communities have a six percentage points higher preference for the extremely poor as a target group. Even if the difference is not statistically significant, it means that the targeting experience in SCT communities must have at least been neutral, in the sense that it did not change people's targeting preferences towards universalism. When it comes to the correlation between age and targeting preferences, we observe a stronger inclination among those above 65 to vote for a social pension than among those below 65. The difference is statistically significant at the 5% level. The opposite is however true for targeting preferences for children: respondents without any children were more in favour of a child grant than respondents with children. Again the difference is statistically significant. This shows that other forces than self-interest must play a role.

[17] About 60 percent of rural respondents are from pilot communities that are on the SCT scheme.

Even if we disaggregate targeting preferences by the self-assessed income of respondents (figure 2), we cannot find support for the predictions of the political economy models. All groups, from very poor to rich prefer the group of the extremely poor and no coalition between any of the groups would subsequently change this result.

Figure 2: Priority target group selected by respondents, by self-assessed income

Question: If you were a policymaker in Zambia, would you give social transfers (government assistance) first to all children, all elderly, all people with disabilities, all those in extreme poverty



Source: Attitudinal surveys with the urban population, rural population & students

5.2 Corroborative evidence

One reason why we obtain targeting preferences that are not in line with the predictions of the political targeting model is that surveys may not be the most appropriate tool to elicit targeting preferences. Köhler et al. (2009) find for instance for Nepal that targeting preferences of people changed from targeting to universalism when they carried out focus group discussions (FGD) instead of a survey. We would, however, argue that FGDs introduce their own bias as peer pressure within the group might motivate participants to make choices that are in line with the expectations of other group members rather than their own preferences. Experimental data from

an allocation and conditionality experiment actually supports the assumption that decision-making at the group level tends to equalize outcomes (see Schüring 2012).

We can triangulate our findings with the data from the rural allocation experiment where participants had to make decisions on whom to target given real monetary pay-offs (see Schüring 2012). Strictly speaking, this data source doesn't allow us to test the validity of the political economy models as the experiments operate under a fixed-budget assumption. The triangulation is nevertheless useful as it helps us to see whether the outcome of the survey is just incidental or in line with preferences expressed through an experimental approach.

The data from the experiment corroborates the findings from the survey that targeting the extremely poor is a preferred choice. We first of all observe a greater preference for targeting rather than distributing universal benefits among the rural population, in particular in communities with prior targeting experience. Out of different recipient characteristics, the poverty status of the recipient has the greatest effect and also proves more statistically significant than characteristics such as age or the number of young children. We can thus conclude that across different methodologies used, targeting preferences seem to be consistent.

6 Discussion of results

In section 1.2 and 1.3 we discussed some of the potential shortcomings of the political economy models of targeting. These might also explain why the population in Zambia did not opt for a universal scheme. In order to have a better idea of potential factors that made people decide in favour of the extremely poor, we now revisit the assumptions of the political economy models as well as some of the other decisive factors identified in section 1.3.

6.1 Revisiting the assumptions of the political economy model

In some political economy models of targeting, it matters whether the voter is purely self-interested or pursues altruistic motive. The rural allocation experiment in Zambia offered some participants the opportunity to allocate money to themselves and allowed us to see to what extent selfishness or altruism prevailed as an allocation motive. 43% of participants were selfish in terms of allocating a higher amount to themselves than they would have been entitled to according to their poverty status. Only 3% of participants, however, allocated all of the money to themselves. In addition, 89% of participants agreed to the principle of giving without getting anything in return and 42% had actually given support during the last year to another person without getting anything in return. This demonstrates that people are not selfless but at the same time consider the welfare of others and might potentially be more altruistic than the models would suggest.

Moreover, countries like Zambia where the government is currently not the main actor in social protection provision and support is still predominantly provided by the family and communities probably set a different context for a potentially selfish voter. Even voters from the middle class who would not benefit directly from the transfer would gain from a shift in welfare provision from the family to the state level. This would free up their own financial resources and eliminate the need for ad-hoc support.

Even if the median voter was in favour of a universal scheme, it is questionable to what extent his/her preferences would realistically translate into policy changes. Political representatives in Zambia are not necessarily voted in and out of power based on past or expected performance; material benefits provided just before the election often have a greater impact than the political

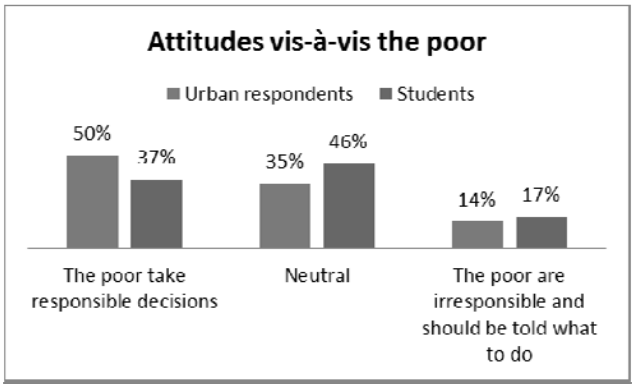
platform of the representative and his/her party. [18] Although the Zambian Parliament has to officially approve the budget, it effectively still has limited power to change it according to their voters' preferences (Inter-Parliamentary Union, 2009, Mudenda et al., 2005). Interest groups that might lobby politicians and in this way influence policy-making often neither have the mandate of the people themselves nor the power, in particular with the NGO bill that the Government of Zambia passed to better control NGO activities [19]. All of these factors might explain why the voter turnout has been relatively low (45% in the last election) and why voters in Zambia might not act as strategically as portrayed in the political economy models.

It is also debatable whether people in Zambia assume budget endogeneity when they express their targeting preferences. While a recent study on tax reform highlights avenues for Zambia to improve the efficiency of its tax regime (Mwila et al., 2011), the potential for big leaps still appears limited. With tax revenues of around 15% of GDP (IMF, 2010) Zambia has a narrow tax base that cannot easily be expanded to finance a programme consuming an additional 2% of GDP. Two percent of GDP or roughly an additional 18% income tax on formal salaries would be required to fund a rather modest monthly transfer of 15 US$ per month to every household in Zambia.[20] Additional tax revenues are not easy to identify: the taxation of the informal sector is still in its infancy and the government's concern about further investments in the mining sector made the windfall tax disappear soon after its introduction in 2008.

[18] The comment by Former Minister of Finance, Mr. Magande, on the 2011 election is telling in this regard: "Most of the voters changed their minds one week before the elections, in the last five, six days, and what made them change it's just the money they were given, the chitenge they were given, the sugar, the cooking oil, that went round" (http://www.postzambia.com/post-read_article.php?articleId=23319).
[19] http://www.ms.dk/sw139035.asp
[20] Based on the following assumptions: Total population of 13,046,508 (CSO, Population Projections Report 2011), Average household size of 5.3 (LCMS 2008), a monthly transfer of 15 US$ including admin costs of 15%, 511,338 formal workers (CSO, Labour Force Survey 2008), average annual salary of 4908 US$ (CSO, Labour Force Survey 2008).

6.2 Revisiting other decisive factors

Figure 3: Opinion of respondents on whether the poor take responsible decisions or whether they are irresponsible and should be told what to do[21]

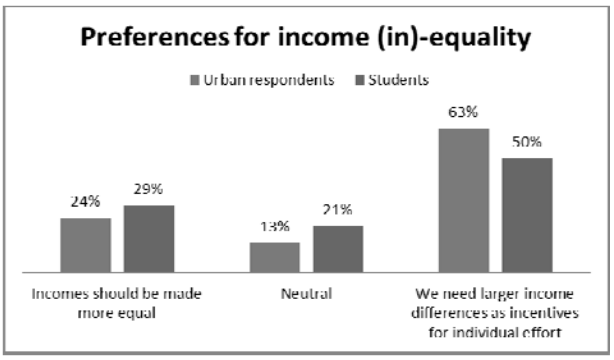


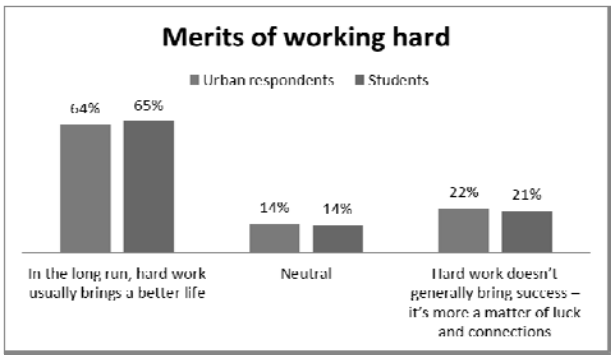
Source: Attitudinal survey for the urban and student sample

People's attitudes towards the poor may have an impact on targeting preferences. Respondents' attitudes towards the poor in Zambia are quite sympathetic. The lack of initiative and the mindset of the poor do not feature as prominently as other causes of poverty such as the lack of opportunities and wrong government policies (Schüring, 2012). The majority of urban respondents think that the poor take responsible decisions, while the students are rather indifferent to the question. Only a minority thinks that the poor are irresponsible (figure 3). This indicates that the poor are not regarded as undeserving; the better-off understand that the poor have to deal with a number of adversities that they cannot influence and are in general considered trustworthy. These are all favourable pre-conditions for a social assistance programme targeted to the poor.

[21] This question was not asked to the rural population for practical reasons. As the rural population participated in an allocation experiment and responded to several surveys, the attitude questionnaire had to be shortened and reduced in complexity.

Figure 4: Preferences for income (in)-equality and perception on the merits of working hard

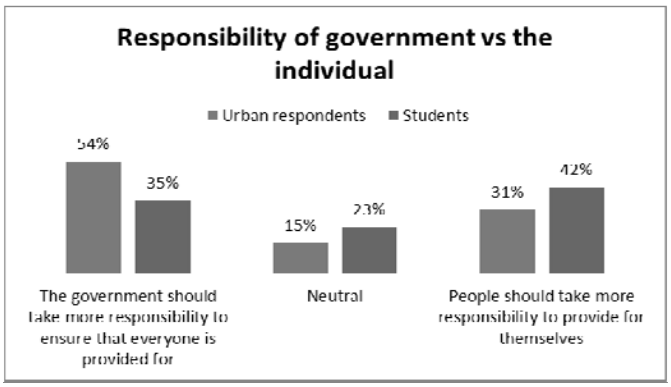




Source: Attitudinal survey for the urban and student sample

When it comes to ideology or institutional structures, the results of the attitudinal survey furthermore testify that most respondents believe in encouraging individual effort. When asked about preferences for income-equality, the majority of respondents favoured larger income differences as incentives for individual effort (Figure 4). There is also a belief in work effort paying off and not resulting in arbitrary outcomes. These beliefs might explain why there is less support for universal transfers: the individual is seen in charge of making provisions, in particular for phases that might be easier to anticipate such as old age and children, and is also expected to have a realistic chance of doing so. In line with this argument, those who opted for a universal transfer were less prepared to accept income inequalities than those who voted for a disability or poverty grant. The difference is statistically significant.

Figure 5: Respondents' opinions on whether the government or individual should take more responsibility



Source: Attitudinal survey for the urban and student sample

Encouraging individual effort does however not rule out a role for the state, even if this role might be more residual than encompassing. With the burden of social protection lying on the individual rather than the state in the Zambian society, the majority of the respondents expect government to increase its efforts (figure 5). Interestingly, the government is seen by far to have the largest responsibility to cater for the poor, even stronger than the family and the community (table 1). The combination of wanting to encourage individual effort while accepting that the state has a role to play in supporting the individual in adverse situations in life might explain why there is such great acceptance for a poverty grant.

Table 1: Respondents' opinion on whether the following stakeholders have some form of responsibility to take care of the poor

	Urban			**Students**			**Rural**		
	Agree	Rank	*No of obs.*	Agree	Rank	*No of obs.*	Agree	Rank	*No of obs.*
Family	69%	4	*432*	69%	**2**	*373*	71%	6	*498*
Community	61%	5	*429*	56%	5	*366*	73%	5	*497*
Entire society	55%	6	*428*	63%	4	*365*	67%	7	*497*
Government	93%	**1**	*428*	83%	**1**	*376*	90%	**1**	*499*
Church	70%	**3**	*427*	64%	**3**	*365*	90%	**2**	*498*
NGOs	73%	**2**	*424*	55%	6	*363*	88%	**3**	*496*
International CPs	47%	7	*427*	32%	7	*363*	75%	4	*481*

Source: Attitudinal survey for the urban, student and rural sample

Most of the respondents had no prior exposure to universal or targeted transfer. Their answers were not influenced by any positive or negative experiences with the targeting process. Only part of the rural population had prior exposure to targeted transfers which did not negatively impact people's preference for targeting as shown above. It would certainly be interesting to see how preferences differ among the districts in Zambia that are currently piloting different targeting approaches.

7 Conclusion

This study has shown that it might not necessarily be such an obvious choice for low-income countries whom to target. Even though the political economy models of targeting are right to suggest that political considerations are central and not subordinate to technical concerns, it might not be such a straightforward relationship between political considerations and targeting as suggested. Drawing on attitudinal survey data from Zambia, we have highlighted that some of the central assumptions of the political economy models might not necessarily hold in the context of a low-income country and that other factors could equally have a bearing on voters' attitudes towards targeting such as attitudes towards the poor, their understanding of social justice, cohesion, experienced procedural justice and effectiveness as well as the fact whether a programme is designed from scratch or has already been in existence.

The extent to which these different factors matter in different country contexts and whether we can establish any trends would be subject to further research. On the basis of the existing

literature and the case study of Zambia, we hypothesize that countries with a stronger preference for targeting would be countries with a rather homogeneous society with relatively low economic inequality. Voters in these countries would believe in the collective responsibility of protecting the poor and they exhibit a certain level of altruism, while still believing in the principles of subsidiarity. These countries might be characterized by limited democratic accountability and a nearly fixed budget, potentially supported by donor financing. Universal preferences might resonate more with countries with high levels of economic inequality, a heterogeneous society with a strong belief in comprehensive state provision, populated by self-interested voters and a democratic government accountable to its constituency.

In order to get a better understanding of these political determinants and their relative importance, it would be recommendable to carry out a cross-national study. This would help to strengthen the political economy models of targeting and ensure that policies around targeting are based on the right set of assumptions and factors.

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