

Contents

Foreword *Lyn Squire* *xiii*

Acknowledgments *xv*

Contributors *xvii*

1. Introduction 1

Dominique van de Walle

Part I. Theory and Method 7

2. The Political Economy of Targeting 11

Amartya Sen

Response and Social Costs 12

The Need for Selection 14

Poverty as Capability Deprivation 15

Information and Incentive Compatibility 17

Social and Political Feasibility 20

Concluding Remarks 22

Notes 22

References 23

3. On Targeting Social Security: Theory and Western
Experience with Family Benefits 25

Anthony B. Atkinson

Targeting and the Objectives of Social Security 28

Categorical Conditions and Family Benefits 42

Problems in Targeting: Imperfect Information
and Administration 50

Problems in Targeting: Work Incentives 59

Conclusions	63
Notes	64
References	65

X 4. Measuring the Distributional Impact of Public Goods 69 *Richard Cornes*

Existing Literature	72
"Ideal" Measures of Individual Income	73
The Aaron-McGuire and Brennan Measures	80
An Assessment of the Aaron-McGuire-Brennan Debate	81
An Alternative Operational Procedure	84
Concluding Comments	86
References	88

5. Labor Supply and Targeting in Poverty-Alleviation Programs 91

Ravi Kanbur, Michael Keen, and Matti Tuomala

Labor Supply and the Measurement of Poverty	93
Targeting by Commodities	97
Targeting by Income	101
Targeting by Indicators	106
Conclusions	109
Appendix 5-1: The Derivation of Equation 5-9	110
Notes	111
References	112

6. The Determinants and Consequences of the Placement of Government Programs in Indonesia 114

Mark M. Pitt, Mark R. Rosenzweig, and Donna M. Gibbons

The Analytic Framework	117
The Data Set	122
Estimates of Program Effects	127
How Are Programs in Indonesia Targeted?	138
Conclusions	143
Appendix 6-1: Construction of the Data Set	145
Notes	147
References	148

Part II. Spending on Education 151

7. Measuring the Distributional Effects of Public Education in Peru 154

Thomas M. Selden and Michael J. Wasylenko

Theoretical Considerations	155
----------------------------	-----

Empirical Results for Peruvian Education	164
Conclusions	179
Notes	181
References	184

8. Public Schooling Expenditures in Rural Pakistan: Efficiently Targeting Girls and a Lagging Region 187

Harold Alderman, Jere R. Behrman, Shahrukh Khan, David R. Ross, and Richard Sabot

Importance of School Supply	190
Conceptual Framework	191
Data	195
Estimates	200
Conclusions	211
Computational Appendix 8-1	212
Notes	213
References	218

Part III. Spending on Health 223

9. The Distribution of Subsidies through Public Health Services in Indonesia, 1978-87 226

Dominique van de Walle

The Setting	228
The Methodology	234
The Use of Health Services	241
Public Expenditures in the Health Sector	248
Conclusions	253
Notes	256
References	257

10. Government Health Spending in Indonesia: Impacts on Children in Different Economic Groups 259

Anil B. Deolalikar

Analytical Issues	262
Background and Data	264
Empirical Model	266
Differences in Health Inputs and Health Outcomes across Expenditure Classes	270
Empirical Results	273
Discussion and Concluding Remarks	283
Notes	286
References	287

Part IV. Cash Transfers 291**11. The Targeting of Family Allowances in Hungary 294***Sarah J. Jarvis and John Micklewright*

The Development of Family Allowances 297

Pre-1990 Targeting of Family Allowances 302

Taxing Family Allowances 310

Conclusions 315

Appendix 11-1: Share of Total Family Allowance Expenditure Going
to Each Decile of the Pre-allowance Net Income Distribution 317

Notes 318

References 319

**12. Private Transfers and the Effectiveness of Public Income
Redistribution in the Philippines 321***Donald Cox and Emmanuel Jimenez*Public Transfers, Private Responses, and Targeting
Effectiveness 322The Connection between Public and Private Transfers: Evidence
from the Literature 324

The 1988 Family Income and Expenditures Survey 325

Descriptive Overview and the Effects of Transfers on
Inequality 326

Estimates of Transfer Functions 333

Policy-Related Simulations 340

Discussion and Conclusion 343

Notes 344

References 345

Part V. Food Subsidies 347**13. Two Errors of Targeting 350***Giovanni Andrea Cornia and Frances Stewart*

Two Types of Mistakes in Targeting 351

The Two Errors in Practice 353

Valuing the E- and F-mistakes 368

The Potential for Claw-back of E-mistakes 378

Conclusions 381

Notes 381

References 382

**14. Incentive Effects on Labor Supply of Sri Lanka's Rice
Subsidy 387***David E. Sahn and Harold Alderman*

The Rice Subsidy and Its Beneficiaries 388

Data 390

Empirical Approach	391
Results	393
Conclusions	402
Appendix 14-1: Definition of Variables	404
Appendix 14-2: Rice Subsidy Equations	405
Notes	407
References	408

Part VI. Public Employment Schemes 411

15. Is Targeting through a Work Requirement Efficient? Some Evidence for Rural India 413

Martin Ravallion and Gaurav Datt

Some Issues in Assessing Workfare Schemes	414
The Cost-Effectiveness of Workfare	416
Evidence on Transfer Benefits from Maharashtra's Employment Guarantee Scheme	418
New Evidence for Two Maharashtra Villages	421
An Assessment of Transfer Efficiency	425
Caveats and Extensions	432
Conclusions	434
Appendix 15-1: The Econometric Model of Time Allocation	436
Appendix 15-2: Testing the Statistical Significance of the Policy's Impact on Poverty	440
Notes	441
References	442

Part VII. Comparing Instruments 445

16. Toward Quantifying the Trade-off: Administrative Costs and Incidence in Targeted Programs in Latin America 450

Margaret E. Grosh

An Administrative Taxonomy of Targeting Mechanisms	451
The Case Studies	453
The Methodology	454
Incidence	464
Administrative Costs	469
Linking Administrative Costs and Incidence	472
Outlier Programs	476
Variations in Implementation of Targeting Mechanisms	477
How General Are the Results Reported Here?	480
Summary and Conclusions	483
Appendix 16-1: Data Sources for the Figures	483
Notes	485
References	487

17. The Distributional Impact of Cash and In-Kind Transfers in Eastern Europe and Russia 489

Branko Milanovic

The Distribution of Social Transfers: Measurement Issues 490

Distributional Incidence of Cash Social Transfers 492

Distributional Incidence of Social Transfers in Kind 502

The World of Welfare Socialism 508

Conclusions: Lessons for the Transition 509

Appendix 17-1: Characteristics of Surveys and Adequacy of Data 512

Notes 516

References 518

18. Distributional Effects of Social Sector Expenditures in Malaysia, 1974 to 1989 521

Jeffrey S. Hammer, Ijaz Nabi, and James Cercone

Background 522

Data and Methodological Issues 523

The Subsidy Incidence in Health 525

The Subsidy Incidence in Education 532

Income Transfers from Social Sector Expenditures 539

Outcomes and Efficiency 541

Conclusions 548

Appendix 18-1: Regression Results for Use of Medical Care 551

Appendix 18-2: Regression Results for Enrollments, by Education Level 552

Notes 553

References 554

19. On Gender Targeting of Public Transfers 555

Simon Appleton and Paul Collier

Evidence on Gender Differences in Welfare 556

Gender Targeting of Generalized Transfers 562

Gender Targeting of Education 565

Gender Targeting of Other Services 571

Conclusions 573

Notes 574

References 575

Part VIII. Toward a Synthesis

20 Incidence and Targeting: An Overview of Implications for Research and Policy 585

Dominique van de Walle

What Is the Welfare Objective? 585

How Are the Benefits of Public Spending Currently Distributed? 588

How Can the Distribution of Public Spending Be Improved?	604
In Conclusion	614
Note	616
References	617