



Munich Personal RePEc Archive

**Principles and Approach to
Targeting: With Reference to the
Indonesian Social Safety Net Program.**

Sumarto, Sudarno and Suryahadi, Asep

The SMERU Research Institute, The SMERU Research Institute

7 June 2001

Online at <https://mpra.ub.uni-muenchen.de/58670/>

MPRA Paper No. 58670, posted 19 Sep 2014 16:07 UTC

Principles and Approaches to Targeting: With Reference to the Indonesian Social Safety Net Programs*

**Sudarno Sumarto
Asep Suryahadi[#]**

Abstract

The potential benefits of accurate targeting are substantial because public expenditures can be concentrated to the needy, thereby saving money and improving program efficiency. However, targeting also entails the administrative costs associated with identifying, reaching, and monitoring potential beneficiaries. In addition, there are also potential costs in the form of disincentive costs, stigma costs, and political economy costs. The experience of the recent Indonesian social safety net programs shows that targeting was one of the most difficult problems in the implementation of these programs. As a result, the programs were plagued by the twin problems of undercoverage and leakage.

* Paper presented at Workshop on Targeting and Rapid Assessment Methodologies, The Australian National University and Insan Hitawasana Sejahtera, Jakarta, 22-23 May 2001.

[#] Executive Director and Senior Researcher at the SMERU Research Institute, Jakarta.

I. Benefits and Costs of Targeting

In social safety net, social protection, or poverty reduction programs, targeting issues are frequently among most difficult problems to deal with during the implementation of such programs. Nevertheless, targeting is almost always a prominent feature of the designs of such programs because the potential benefits of effective targeting are considerable. Targeting can concentrate expenditures allocated to the programs on those who need them most, hence saving money and improving program efficiency.¹ In addition, given the budgetary and time constraints facing program implementers, it is highly desirable that expenditure on social sectors should be fine-tuned and well-targeted.

Figure 1 illustrates the benefits of accurate targeting. In the horizontal axis, individuals are ordered from the poorest to the richest. The vertical axis, meanwhile, measures the levels of income of these individuals. The dashed curve OR maps these individuals to their income levels. The line PS represents the poverty line. Clearly individuals between O and T are poor as their income levels are below the poverty line. Suppose the government institutes a poverty elimination program by giving each and every individual an income supplement by the amount of OP. A program like this, where all individuals receive the benefits of the program, is called a “universal intervention”. As a result of the intervention, the income curve shifts up to PQ so that nobody is poor as no part of the new income curve is below the poverty line. The cost of this program is area A plus area B plus area C.

If the objective of the program is to eliminate poverty, however, a universal intervention achieves “too much”. Consider area C. This is the total amount of benefits given to individuals whose income levels were already above the poverty line even before the intervention. Hence, this area C can be considered as a “leakage”. Now consider area B. This is the part of the benefits given to the poor which makes their post-intervention income levels higher than the poverty line. Hence, this area B can be considered as an “excess”. It is only area A which is considered as “efficient”. This is the part of the benefits given to the poor which is just sufficient to eliminate poverty.

¹ See Grosh (1994) and Hoddinott (1999).

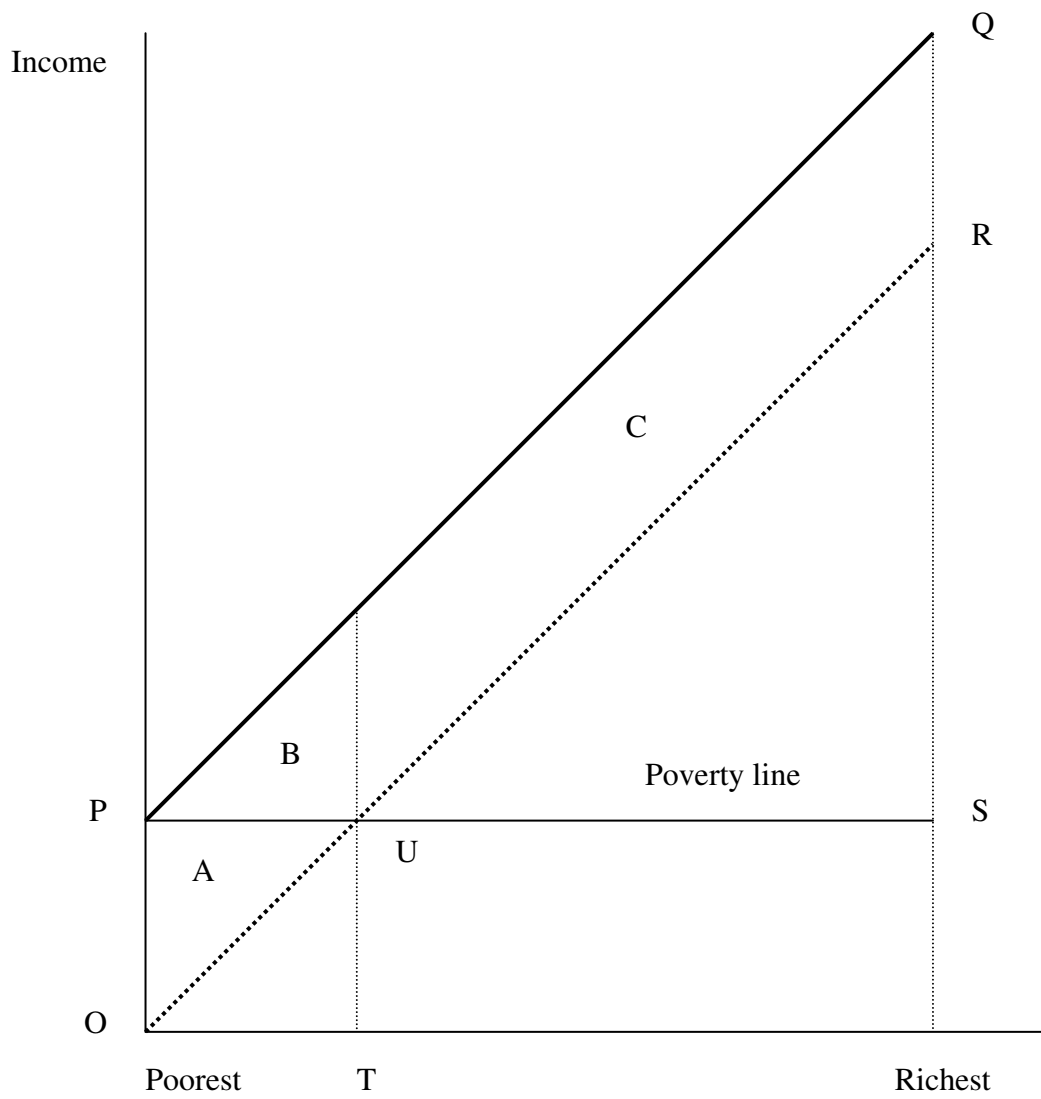


Figure 1. The Benefits of Targeting

Now suppose an alternative poverty elimination program is designed with the following features: (i) only the poor receive the benefits of the program, and (ii) the benefits are just sufficient to lift their income levels to meet the poverty line. An intervention like this is called a “targeted intervention”. With perfect targeting, the post-intervention income curve is PUR and the cost of the program is only area A. This means that compared to universal targeting, targeted intervention gives a saving of area B plus area C, which can be considered as the benefits of targeting.

The examples illustrated in Figure 1, however, are extreme cases. In reality, a universal intervention which gives each and every individual the same benefit rarely exists. Similarly, a perfect targeted intervention is very hard to find. A much more common variant of universal targeting is what is called a “broad targeting” program. This is a program which provides general subsidies to certain goods or basic services which are considered to matter more to the poor than to the non-poor. Experience from Indonesia shows that spending on primary education tends to favor the poor, where the subsidy per capita declines as living standards rise. On the other hand, the spending on tertiary education and hospitals results in the opposite pattern, while the spending on community health center seems to have a neutral effect across socio-economic levels (van de Walle, 1998).

While targeting has large potential benefits, it also always entails costs. The costs include the **administrative costs** of identifying, reaching, and monitoring potential beneficiaries. In addition, there are potential additional costs in the forms of **disincentive costs**, **stigma costs**, and **political economy costs**.² Disincentive costs are possible economic losses due to disincentive effects. For example, a program provides an income supplement of Rp. 20,000 for anybody whose income level is below Rp. 100,000 per month. Those with income levels between Rp. 100,000 and Rp. 120,000 per month may reduce their working hours so that their income levels fall to slightly below Rp. 100,000 per month, making them eligible to receive the benefits of the program. Privately they become better off, but the society as a whole loses from lower output and the increased costs of the program.

² See Subbarao *et al.* (1997).

Stigma costs can arise when program beneficiaries lose their self-esteem because they regard themselves as failures who have been forced to rely on government support. In addition, non-beneficiaries may have negative attitudes toward beneficiaries and treat them as second-class citizens. As a result, some of those who are actually eligible to receive the benefits of a program may refuse to accept their entitlements. Hence, the objectives of the program may not be achieved.

Political economy costs, meanwhile, are any loss of political support for a program which may render the program ineffective. Often the poor are the most difficult and costly to reach. On the other hand, the most vocal and organized groups in society are often not the poor. If a program is well targeted, the latter group may voice their opposition to the program and stifle its implementation. Faced by such a dilemma, there is a danger that government will “go easy”, diverting the benefits to vocal and organized groups, abandoning the program’s poverty alleviation objectives.

II. Approaches and Mechanisms of Targeting

Normally, as the accuracy of targeting increases, the benefits from targeting will also increase, but so will the associated costs.³ Hence, targeting should be carried out only as long as the benefits exceed the associated costs. This, however, is easier said than done. Often it is very difficult to quantify all the benefits and costs that are involved. In addition, there are many practical questions which need to be answered regarding the implementation of targeting. This section specifically deals with the question of what targeting mechanisms are available to reach the intended beneficiaries of a program.

The intended beneficiaries of social safety net, social protection, or poverty reduction programs depend upon the objectives of the particular program. A food assistance program will want to target its benefits to those within the community who are having difficulties obtaining food out of their own resources. A health assistance program will aim to provide free or subsidized medical benefits to those with health problems who are also poor or who are unable to access medical services without outside assistance. Meanwhile, a public works program will aim to provide employment opportunities to either all of the currently unemployed or those among the unemployed who are also poor. Normally a public works program is not designed to encourage the poor who are already

³ See Besley and Kanbur (1990).

working to switch jobs. The strategy on how to reach these intended beneficiaries should be a central element of any program design.

The targeting mechanism issue is also complicated by the fact that poverty is a very fluid condition, where people frequently move in and out of poverty as a result of various external factors. Many households, while not currently in poverty, recognize that they are vulnerable and that events could easily push them into poverty in the future — for example a bad harvest, a lost job, an unexpected expense, or an illness. Therefore, targeting ‘transient’ or recent poverty may not provide a solution to the time-invariant ‘chronic’ poverty.

In general there are two types of targeting mechanisms, **administrative targeting** and **market-based targeting**. In administrative targeting, the beneficiaries of a program are selected by the program implementers. Two approaches are commonly used in administrative targeting, **geographic targeting** and **household or individual targeting**. Geographic targeting simply means selecting particular regions or areas in which the benefits of a program will be distributed. The selection is usually based on a set of indicators, by which all regions are ranked from the most to the least eligible to be included in the program.

Geographical targeting has its advantages and disadvantages. It is easy to implement and to monitor, typically involves less fraud and much lower administrative costs than other targeting mechanisms, and requires only limited information at the individual or household level. However, some benefits will inevitably leak to the non-poor who reside in the targeted areas, while the poor who reside in non-target areas will not be covered (Bigman and Fofack, 2000).

Household or individual targeting is basically an effort to identify households or individuals who are deemed eligible to receive the benefits of a program. The selection of households or individuals can be based on means testing or based on a set of indicators as in geographic targeting. Means testing is a method of selecting individuals or households based on whether they pass a certain predetermined threshold. The most commonly used threshold is a certain level of income. In the example of disincentive effects mentioned in the first section, a threshold per capita income of Rp. 100,000 per month is used to screen individuals who are deemed eligible to receive an income supplement of Rp. 20,000. The problem with such ‘direct targeting’ is that screening to identify the poor is expensive. It

requires extensive information gathering and verification on the part of government administration.

These problems have led to a variety of schemes using indicator targeting or intervention on the basis of the particular characteristics of the poor ('characteristic targeting'). This can be considered as a form of statistical discrimination where lack of detailed information leads program providers to use average characteristics to target intended beneficiaries. Examples of indicators or characteristics that are useful good predictors of income include, ownership of durable goods, number of children, gender, age, education level, land ownership, housing characteristics, or a combination of several of these indicators. Data on these characteristics are relatively easier to obtain than data on income. Therefore, the administrative costs of characteristic targeting are much lower than the cost of direct targeting. In addition, they are also difficult to manipulate in the short run, and hence have much lower level of leakage than direct targeting.

Market-based targeting is also often referred to as **self-selection targeting**. With this targeting mechanism, a program is designed in such a way so that only those who really need assistance will choose to participate in the program. For example, a food security program can provide in-kind benefits of very low quality food, available to anybody who applies for it. The very low quality food is considered an inferior good, where demand decreases with rising income. Although theoretically every one can apply for the benefits, it is expected that only the poor will apply since such low quality food will not be acceptable or desirable to the non-poor. Similarly, in a public works program which provides a wage rate level below the prevailing market wage, it is expected that only those who are really in need will apply to join the program. Such a low level of wages discourages those who are already working from applying for the program and maintains the incentive to take up regular employment when it become available.⁴ This self-selection mechanism has certain advantages over administrative criteria: it allows individuals to choose to participate or not and is more flexible to unobserved household shocks than administrative criteria.⁵

In practice, a program can use or apply a single targeting mechanism or a combination of two or more targeting mechanisms. For example, a combination of

⁴ See Ferreira *et al.* (1999).

⁵ See Sumarto *et al.* (2000).

geographic and household targeting can be used to reach the poor.⁶ Initially, the government project staff may select those areas where the poor are most likely to be found. Obviously, poverty incidence is an important indicator that can be used as a guide in this selection of areas. Subsequently the government may choose those households which are deemed eligible to receive the program benefits using means testing or particular indicators or characteristics. Using means testing, a household is either included or not included in the program based on the information and the criteria selected to determine participation. In order to do this, a range of methods are available including measured poverty status, community-based identification, and household self-reporting status.

Community-based identification allows communities to categorize households within their own community as poor or vulnerable. This method is simple and inexpensive and accuracy can be gained by the fact that poor households are a part of the local community and can be readily identified. However there are certain disadvantages with community-based identification: communities have a tendency to overstate the number of poor households, community rankings are relative to community measures so that such rankings might not be consistent at the national level, and there is a need for some relatively skilled staffs to oversee this process.

III. Targeting in the Indonesian Social Safety Net Programs

To demonstrate the way targeting be conducted, this section discusses the targeting that has been used recently in the Indonesian Social Safety Net Program. Table 1 lists the various social safety net programs established by the Government of Indonesia to mitigate the social impact of the recent crisis. These programs were launched in early 1998, but many of them did not start until the second half of the year. These programs were intended to help protect the pre-crisis poor as well as the newly poor as a result of the crisis through a fourfold strategy: (i) ensuring the availability of food at affordable prices, (ii) supplementing purchasing power among poor households through employment creation, (iii) preserving the access of the poor to critical social services, particularly health and education, and (iv) sustaining local economic activity through regional block grant programs and the extension of small-scale credit.

⁶ Similarly, geographic targeting at the first stage can also be combined with self-selection or even with broad targeting at the second stage.

In general, the targeting for these programs was based on a combination of geographic and household targeting mechanisms, except for the subsidized rice program which used only household targeting. The targeting for some programs was based on a household classification created by the National Family Planning Coordinating Agency (BKKBN). According to this classification, households are divided into four socio-economic status groups: 'pre-prosperous households' ("*keluarga pra-sejahtera*" or KPS), 'prosperous I households' ("*keluarga sejahtera I*" or KS I), KS II, and KS III. The KS I to KS III categories are often lumped together as the KS or 'prosperous' category.

A household is defined as a 'pre-prosperous' household if it fails to satisfy one of the following five conditions: (i) all household members are able to practice their religious principles, (ii) all household members are able to eat at least twice a day, (iii) all household members have different sets of clothing for home, work, school, and visits, (iv) the largest floor area of the house is not made of earth, and (v) the household is able to seek modern medical assistance for sick children and family planning services for contraceptive users. Suryahadi *et al.* (1999) find that there is a lack of correlation between this official classification and consumption-based measure of poverty. They find that while only 15 percent of the 'prosperous' households were 'poor', 75 percent of the 'pre-prosperous' households were 'non-poor'. On the other hand, 46 percent of the 'non-poor' households were 'pre-prosperous' and 38 percent of the 'poor' households were 'prosperous'.

There have been a number of criticisms of the use of the BKKBN lists for targeting purposes. These lists: do not capture transitory shocks to income as they are based on relatively fixed assets (such as the type of floor in the house, possession of changes of clothing). The lists also draws on non-economic criteria (the capacity of families their to meet religious obligations). In addition, the lists are compiled by relatively poorly trained workers at the village level, so consistency across regions is not assured, and the composition of the list is susceptible to changes by local government officials.⁷

⁷ See Sumarto *et al.* (2000)

Table 1. Areas and Major Programs of the Indonesian Social Safety Net Program

Area	Program Description and Benefits	Targeting	FY 1998/99	FY 1999/00
Food Security	OPK program: sale of subsidized rice to targeted households. Eligible households can purchase 10-20 kg of rice at Rp. 1,000/kg (market price is Rp. 2,500 – 3,000/kg)	Geographic	None	None
		Household	BKKBN list	BKKBN list with flexibility
Community Empowerment	PDM-DKE: a ‘community fund’ program that provides block grants directly to villages for either public works or revolving credit funds.	Geographic	Pre-crisis data	Updated with regional data
		Household	Local decision making	Local decision making
Employment Creation	“Padat karya”: a loose, uncoordinated collection of several ‘labor intensive’ programs in various government departments.	Geographic	None, various ministries	Urban areas, based on employment
		Household	Weak self selection	Self selection
Education	Scholarships and block grants: providing <ul style="list-style-type: none"> ▪ Scholarships of Rp. 10,000/month for elementary (SD) students, Rp. 20,000/month for lower secondary (SLTP) students, and Rp. 30,000/month for upper secondary (SMU) students ▪ Block grants to selected schools 	Geographic	Old data on enrollment	Poverty data updated to 1998
		Household	School committees applying criteria	School committees applying criteria
Health	JPS-BK: a program providing subsidies for <ul style="list-style-type: none"> ▪ Medical services ▪ Operational support for health centers ▪ Medicine and imported medical equipment ▪ Family planning services ▪ Nutrition (supplementary food) ▪ Midwife services 	Geographic	BKKBN pre-prosperous rates	Pre-prosperous rates updated to 1999
		Household	BKKBN list	BKKBN list with flexibility

The subsidized rice and the health programs explicitly used this BKKBN household classification for targeting. The selection of recipients in the scholarship program was also intended to take into account their BKKBN household status. Originally, eligible recipients for some JPS programs were only KPS card holders, but for certain programs, for example the OPK program, eligibility was extended to include KS I households as well.

The *padat karya* programs consisted of quite diverse programs and although specific programs were targeted to particular areas (such as drought areas), the lack of coordination meant that in effect there was little or no systematic geographic targeting of this set of programs. Within these labor ‘intensive’ programs there were a variety of disagreements about the desired characteristics of intended participants but typically the beneficiaries were not chosen according to any fixed administrative criteria. Hence, to the extent that there was targeting, it was primarily through self-selection. Only those who were willing to work should have been able to receive the benefits.

In the scholarship program, scholarship funds were at first allocated to schools so that “poorer” schools received proportionally more scholarships. In each school, the scholarships were then distributed to individual students by a school committee, which in theory consisted of the principal, a teacher representative, a student representative, the head of the parent association as the representative of community, and the village head. The selection of scholarship recipients was based on a combination of various administrative criteria, which included a number of factors, such as household data from school records, family BKKBN status, family size, and the likelihood of students dropping out of school.⁸

School students in all but the lowest three grades of primary school were officially eligible. In principle, students selected to receive the scholarships were supposed to be from the poorest backgrounds. As a guidance, scholarships were to be allocated at first to children from households in the two lowest BKKBN rankings. If there were more eligible students than the number of scholarships available, then additional indicators were to be used to identify the neediest students. These additional indicators included the distance from home to school, physical handicaps, and those children coming from large or single

⁸ Extensive monitoring of the education program revealed, however, that the parent representative played only a minor role in validating the implementation of the criteria. Decisions were mainly taken by the school officials.

parent families. Also, a minimum of 50 percent of the scholarships, if at all possible, were to be allocated to girls.

In the health programs, meanwhile, the free medical and family planning services program was implemented by giving ‘health cards’ to eligible households. Eligibility was also based on BKKBN household status. A health card given to a household could be used by all members of the household to obtain free services from designated hospitals, clinics, and health care centers for all medical and family planning purposes, including pregnancy check-ups and child-birth services.

IV. Measuring the Outcomes of Targeting

In a program using targeted intervention, the success and failure of the program in meeting its objective is determined very much by the accuracy of the targeting that actually occurs in practice. A simple measure of targeting outcomes is illustrated in Table 2. This reveals that for a program which provides benefits targeted to the poor, there are two possible successful outcomes and two possible negative outcomes. The successful outcomes are when the poor participate in the program and when the non-poor do not participate in the program. Conversely the negative outcomes arise when the poor do not participate in the program (an exclusion error) and when the non-poor participate in the program (an inclusion error).

		Poverty Status		
		Poor	Non-poor	
Participation in Program	Participant	Success 10	Type II (inclusion) error 30	40
	Non-participants	Type I (exclusion) error 10	Success 50	60
		20	80	100

Table 2. Targeting Outcomes

The numbers provided in Table 2 are taken from the implementation of the subsidized rice program in Indonesia.⁹ The figures shows that the “success rate” of this program is $(10 + 50)/100 = 60$ percent, while its “error rate” is $(10 + 30)/100 = 40$ percent. The numbers in the figure can also be used as the basis for calculating two other widely used targeting measures: “undercoverage” and “leakage”. Undercoverage refers to the fraction of people who actually need assistance but who are not covered by a program, while leakage refers to the fraction of program benefits which flow to those who actually do not need assistance. In this subsidized rice program, the undercoverage is $10/20 = 50$ percent, while the leakage is $30/40 = 75$ percent.

Instead of undercoverage and leakage, sometimes it is easier to just assess program coverage among the target and non-target population. For example, Table 3 shows the coverage of the Indonesian social safety net programs across quintiles of per capita expenditure, where the first quintile is defined as the poor. The subsidized rice program stands out as the program with the highest level of coverage. More than a half of all poor households in Indonesia reported receiving the benefits of this program, while more than a third of non-poor households also reported receiving the benefits. The second highest coverage is found in the nutrition program. Around 16 percent of both poor and non-poor households reported receiving the benefits of this program. Meanwhile, two programs with the lowest coverage are the primary and upper secondary school scholarships programs. In both, only around 5 percent of poor students reported receiving the scholarships.

The coverage of the subsidized rice program indicates that nationally 40 percent of over 50 million households all over Indonesia are estimated to have received the benefits of this program during the six months evaluation period. However, the distribution of the benefits of this program does not seem to have been specifically directed towards the poor. The coverage of this program among the poor was 52.6 percent, while the coverage among the non-poor was relatively high at 36.9 percent.

In the employment creation programs, the data indicate that 5.6 percent of households have at least one member who participated in a *padat karya* program. Program coverage among poor households is 8.3 percent compared to 4.9 percent among non-poor households. The significant participation of non-poor households in *padat karya* programs is probably a reflection of the level of wages offered by these programs. The average daily

⁹ See Sumarto *et al.* (2001).

wage received by the participants of *padat karya* programs was Rp. 6,073. While this is significantly lower than the average daily wage in the construction sector, which according to the 1999 National Labor Force Survey (Sakernas) was Rp. 13,755, it was comparable to the daily wages in the food crop sector, which averaged at Rp. 6,350. The level of wages received and the average number of working day of participating households imply that each program participant on average received benefits of around Rp. 27,500 per month from the program.

For the primary scholarships program, Table 3 shows that the program coverage among poor students is only 5.8 percent, compared to 3.6 percent coverage among non-poor students. In the lower secondary school scholarships program, the program coverage among poor students is only 12.2 percent, compared to 7.5 percent coverage among non-poor students. Meanwhile, in the upper secondary school scholarships program, the program coverage among poor students is only 5.4 percent, compared to 3.3 percent coverage among non-poor students.

In the medical services program, the data indicate that of all the people who underwent medical treatment, 6.3 percent used health cards to obtain free services. Among the poor, the proportion of those who used health cards is 10.6 percent, while among the non-poor 5.3 percent also used health cards to obtain the benefits of this program. Meanwhile, the coverage of supplementary food for pregnant women and for children under three is 15.9 percent. Among the poor, 16.5 received the benefits of this program, while coverage among the non-poor is only slightly lower at 15.8 percent.¹⁰

¹⁰ It seems that there is no relationship between receiving supplementary food and ownership of a health card. Of those who received supplement food, only 17 percent reported owning a health card.

Table 3. Coverage of Indonesian Social Safety Net Programs Across Quintiles of Expenditure

Program	Eligible recipients	Program Coverage (%)							
		Poor	Non-Poor					Total Q ₁ - Q ₅	Ratio non-poor to Poor
		Q ₁	Q ₂	Q ₃	Q ₄	Q ₅	Total Q ₂ - Q ₅		
Subsidized Rice	50,385,444	52.64	46.24	41.71	35.76	24.33	36.90	40.09	0.70
Employment Creation	50,385,444	8.31	6.89	5.79	4.58	2.53	4.94	5.61	0.59
Primary School Scholarships	29,745,369	5.80	4.84	4.02	3.52	2.04	3.60	4.03	0.62
Lower Secondary School Scholarships	10,394,621	12.15	10.31	8.34	6.73	4.85	7.53	8.42	0.62
Upper Secondary School Scholarships	6,430,146	5.40	5.06	3.32	3.04	1.96	3.32	3.71	0.62
Medical Services	27,567,138	10.60	7.24	6.30	4.52	3.09	5.28	6.33	0.50
Nutrition	19,970,948	16.54	16.64	16.38	15.94	14.24	15.79	15.94	0.95

Undercoverage and leakage can be recalculated from coverage among the target and non-target population. Undercoverage is calculated as one minus coverage among the target population. Meanwhile, leakage is equal to coverage among the non-target population times the number of non-target population divided by coverage among the target population times the number of target population plus coverage among the non-target population times the number of non-target population. Overall, Table 3 indicates a large degree of undercoverage as well as with considerable leakage in the Indonesian social safety net programs.

Assessing targeting outcomes based on the coverage among the target and non-target population perhaps does not do justice to the program implementers. The results may also be sensitive to the threshold separating the target and non-target population. Hence, assessing targeting outcomes based on the coverage among several groups in the population may give a more comprehensive picture of the targeting efforts.

Figure 2 shows the coverage across quintiles relative to the level of coverage at the poorest quintile. Hence, a steeper curve indicates a sharper targeting across per capita expenditure. It appears that the best and worst targeting are both found in the health programs. The medical services program has the sharpest targeting, while the nutrition program has the least effective targeting. In the medical services program, coverage dropped sharply in the second quintile and then dropped gradually from the third to the richest quintile. Actually, the coverage of the employment creation program at the richest quintile relative to the poorest quintile was almost as low as that in the medical services program, but the drops in the program coverage across quintiles were more gradual. There was also a notable drop in the coverage of the upper secondary school scholarship program from the second to the third quintile.

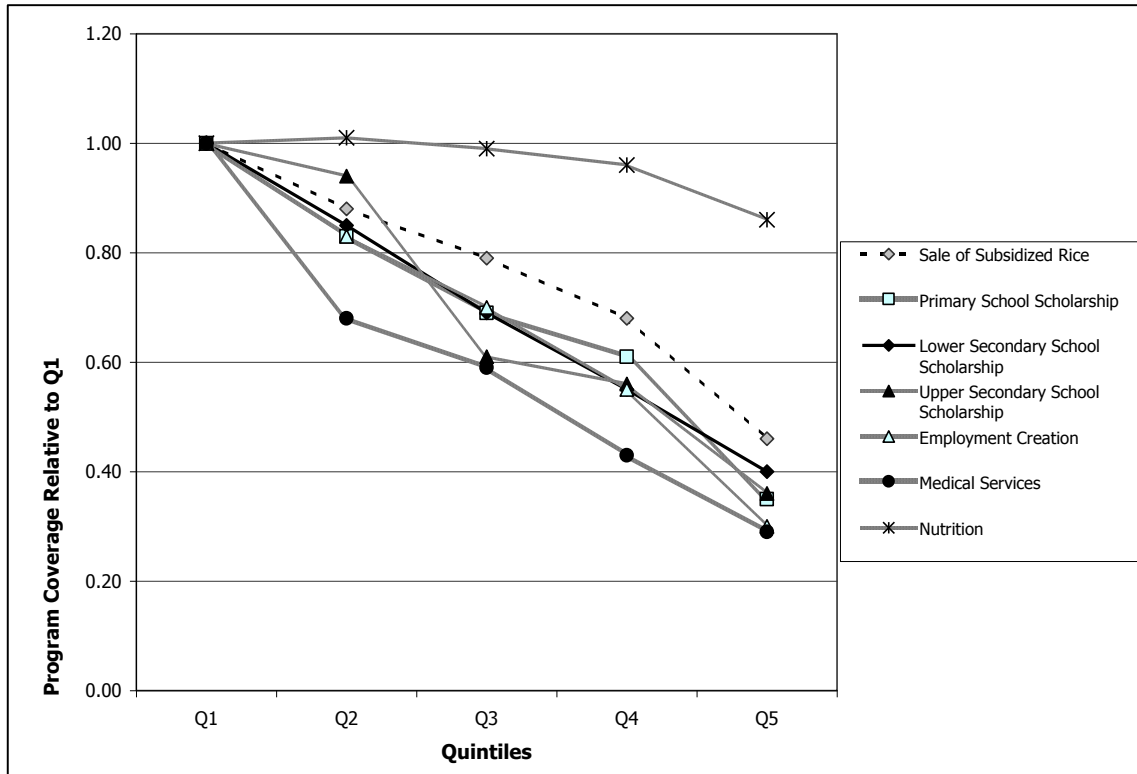


Figure 2. Program Coverage of Various JPS Programs Relative to Q1

In the sale of subsidized rice program, coverage at the highest quintile is still quite high, with almost a quarter of the households in the richest group still receiving the program benefits. This is almost half of the level of coverage at the poorest quintile. Meanwhile, the proportion of households at the richest quintile that participated in a *padat karya* program is 30 percent of the participation at the poorest quintile. For other programs, coverage at the highest quintile relative to coverage at the lowest quintile is 35 percent for primary school scholarships, 40 percent for lower secondary school scholarships, 37 percent for upper secondary school scholarships, 29 percent for medical services, and 86 percent for the nutrition program.

V. Lessons Learned from Indonesia's Targeting Experience

Targeting the beneficiaries of social safety net, social protection, or poverty reduction programs requires detailed administrative guidance as well as community involvement if it is to be both effective as well as socially and politically acceptable. The previous section, which discussed the issue of targeting in the Indonesian social safety net

programs, suggests that there are several useful lessons to be learned about the ways in which targeting does or does not have the desired effect.

First, the Indonesian experience shows that the capacity of the government or donors to respond to shocks with effective geographic targeting was hampered by a lack of up to date, complete, and accurate data. This is why reliable information is vital. Static administrative targeting is unable to catch the newly poor or shocked households. When the crisis hit Indonesia, there were conflicting projections and differing assessments of the probable social impact. A well-designed, publicly accessible, real-time information system could have assisted those efforts to address the needs of either the traditionally poor or the newly poor resulting from the crisis. Such a system, complemented by data from other organizations, including NGOs and donor agencies, could play a key role in combating the negative effects of a crisis.

Second, designing and implementing large social safety net programs in a crisis situation requires institutional commitment at the central government level, supported by clear objectives and simple design. Implementation in the regions depends upon the capacity of local government and local community groups. At this level, clear targeting criteria and a reliable decision-making process are crucial to the effectiveness of the program.

Third, although a simple design is important, there must still be some allowance for local flexibility in countries of the size and complexity of Indonesia. The OPK program is an example of a crisis initiative that worked relatively well. It had a simple design using the BULOG distribution channels to provide rice at subsidized prices to those with a BKKBN 'poor card'. However, the experience revealed that centrally planned administrative guidelines often proved socially unacceptable at the community level. Pressure at the local level for a 'fairer' distribution of the rice was overwhelming, since the 'almost poor' or the 'newly poor' families had no official entitlement to the subsidized rice. These arguments are quite compelling and raise important questions about the structure of 'optimal' targeting. It may well be that communities knew better than the central government and that the official classification may not have captured those who really needed the rice within any given community. Hence it is possible that some of what was recorded as going to those who are "non-eligible" is not really mis-targeting, but is a justifiable correction of the official eligibility criteria.

However, it is also possible that local social pressures have led to uniform or equal distribution simply as the only allocation that is perceived to be 'fair'. The danger is that this may result in a simple 'equal' distribution which, given the fixed total amount of rice available, results in a lesser benefit for the poor. In the fiscal year 1999/2000, the procedures for determining eligible households were expanded to allow for local flexibility and the addition of households to the list, combined with procedures for publicizing such a list (for example, through discussion at a local open meeting). This was intended to allow necessary local flexibility while at the same time preventing a completely uniform distribution. It appears that the emergence of flexibility during the implementation of this program actually improved targeting and in April 2000 the program design was changed to take this into account.

Fourth, one lesson to emerge from the employment creation programs in Indonesia is that in order to be effective wage rates should be set below the prevailing market rate. This will allow for the element of 'self selection' since only those in serious difficulty will be willing to work for the low wages being offered.

Fifth, a notable feature of the coverage and targeting of the various social safety net programs in Indonesia has been the heterogeneity of performance both across programs as well as across regions. Three factors have presumably contributed to this: (i) different types of program design, (ii) variation in the scale of budget allocations across programs and regions, and (iii) local or regional capacity in program implementation. In addition, other factors such as active monitoring and supervision by communities may also enhance the performance of a program in a particular region.

VI. Conclusion

We have discussed briefly that targeting is very important but it is not nearly as easy as is often suggested. Besides administrative cost, targeting also entails additional costs including disincentive costs, stigma costs, and political economy costs. Therefore, it is possible that targeted intervention is more costly than universal one. Targeting is only consider beneficial when the benefits outweigh the costs.

We have shown how targeting practice was applied to Indonesia. The Indonesian social safety net programs were intended to protect both the traditionally poor and the newly poor who were unable to cope with impact of the crisis without external assistance. The programs were based on four strategies: (i) ensuring the availability of food at

affordable prices for the poor, (ii) supplementing purchasing power among poor households through employment creation, (iii) preserving access to critical social services, particularly health and education, and (iv) sustaining local economic activity through regional block grant programs and extension of small scale credits.

In general, the targeting for these programs was based on a combination of geographic and household targeting mechanisms, except for the subsidized rice program which used only household targeting. The targeting for some programs was based on a household classification created by the National Family Planning Coordinating Agency (BKKBN). According to this classification, households are divided into four socio-economic status groups: ‘pre-prosperous households’ (“*keluarga pra-sejahtera*” or KPS), ‘prosperous I households’ (“*keluarga sejahtera I*” or KS I), KS II, and KS III. The KS I to KS III categories are often lumped together as the KS or ‘prosperous’ category.

The success of individual programs can be summarized as follows: the subsidized rice program secured the highest coverage, while the upper secondary school scholarship program had the lowest coverage. In terms of targeting, the medical services program has the sharpest targeting, while the nutrition program has the least targeting. It is also important to note that the findings of this study apply to a given period of time. Program performance may change — either improve or worsen — across time.

As a result of our analysis of the relative success of meeting the program objectives, the following two key conclusions can be drawn:

First, when a crisis hits a country without a history of effective social security programs, people will rely on traditional coping strategies such as families, friends, communities and their own individual initiatives. These informal coping mechanisms are often insufficient to mitigate the worst affects of a crisis and spending on formal social safety nets during a time of crisis must rise. The future direction of social safety nets in Indonesia will continue to be key challenge.

Second, and unfortunately, in many cases the target groups of beneficiaries have been largely missed by the programs, both in terms of low coverage and being only loosely targeted in practice. All programs were plagued by the problems of how to target the beneficiaries and how to deliver benefits effectively to the intended target groups. Except for the subsidized rice program, there was a serious problem of undercoverage, as a large number of the poor were simply not covered by the programs. At the same time, all

programs faced the problem of leakage, since a large proportion of program benefits went to the non-poor.

References

- Besley, Timothy and Ravi Kanbur (1990), *The Principals of Targeting*, Policy Research and External Affairs Working Paper Series No. 385, The World Bank, Washington, DC.
- Bigman, David and Hippolyte Fofack (2000), 'Geographical Targeting for Poverty Alleviation: An Introduction to the Special Issues', *The World Bank Economic Review*, 14(1), pp. 129-145.
- Ferreira, Francisco, Giovanna Prennushi, and Martin Ravallion (1999), *Protecting the Poor from Macroeconomic Shocks: An Agenda for Action in a Crisis and Beyond*, World Bank, Washington, DC, mimeo.
- Grosh, Margaret E. (1994), *Administering Targeted Social Programs in Latin America*, The World Bank, Washington, D.C.
- Hoddinott, John (1999), *Targeting: Principles and Practice*, Technical Guide No. 9, International Food Policy Research Institute, Washington, D.C.
- Pritchett, Lant, and Sudarno Sumarto (2001), *Safety Nets in Trouble Times: Lessons from Indonesia's Crisis*, Syndicated Publications, Harvard University.
- Subbarao, K., Aniruddha Bonnerjee, Jeanine Braithwaite, Soniya Carvalho, Kene Ezemenari, Carol Graham, Alan Thompson (1997), *Safety Net Programs and Poverty Reduction: Lessons from Cross-Country Experience*, Directions in Development, The World Bank, Washington, D.C.
- Sumarto, Sudarno, Asep Suryahadi, and Lant Pritchett (2000), *Safety Nets and Safety Ropes: Who Benefited from Two Indonesian Crisis Programs—the "Poor" or the "Shocked?"*, Policy Research Working Paper No. 2436, September, The World Bank, Washington, DC.
- Sumarto, Sudarno, Asep Suryahadi, and Wenefrida Widyanti (2001), *Designs and Implementation of the Indonesian Social Safety Net Programs: Evidence from the JPS Module in the 1999 SUSENAS*, SMERU Working Paper, March, The SMERU Research Institute, Jakarta.
- Suryahadi, Asep, Yusuf Suharso, and Sudarno Sumarto (1999), *Coverage and Targeting in the Indonesian Social Safety Net Programs: Evidence from 100 Village Survey*, SMERU Working Paper, August, Social Monitoring & Early Response Unit, Jakarta.
- Tim Dampak Krisis SMERU (2000), *Laporan Perkembangan Pelaksanaan Program Operasi Pasar Khusus (OPK): Januari 1999 – Maret 2000*, Laporan Khusus SMERU, April, Social Monitoring & Early Response Unit, Jakarta.
- van de Walle, Dominique (1998), 'Targeting Revisited', *The World Bank Research Observer*, 13(2), pp. 231-248.