



# Community-Based Targeting Mechanisms for Social Safety Nets: A Critical Review

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**Summary.** — This paper interprets case studies and theory on community involvement in beneficiary selection and benefit delivery for social safety nets. Several considerations should be carefully balanced in assessing the advantages of using community groups as targeting agents. First, gains from utilizing local information and social capital may be eroded by costly rent-seeking. Second, the potential improvement in targeting criteria from incorporating local notions of deprivation must be tempered by the possibility of program capture by local elites, and by the possibility that local preferences are not pro-poor. Third, intended outcomes may be undermined by unforeseen strategic targeting by local communities in response to national funding and evaluation criteria, or by declines in political support. © 2002 Elsevier Science Ltd. All rights reserved.

**Key words** — safety nets, poverty, targeting, community, social welfare, bureaucracy

## 1. INTRODUCTION

Social safety nets can serve an important role in alleviating poverty and in promoting long-term growth by providing households with the protection that markets and informal networks may not supply. A social safety net may redistribute resources toward disadvantaged groups, or sustain political coalitions to support critical structural reforms. Unfortunately, the growing awareness of the importance of social safety nets in developing countries has not been translated into effective action because of the failure of traditional social welfare ministries to effectively reach and engage the poor. This has led to experimentation with new bottom-up service delivery options and poverty alleviation mechanisms that more actively involve the poor and their communities in program design, implementation and monitoring. Examples include reforms that decentralize the delivery of public services to local governments, community management of forests and other natural resources, and group-based microcredit programs. Demand-driven social funds that aim by

design to elicit community involvement have become increasingly popular with governments and donors, and international organizations such as the World Bank now make community participation an explicit criterion for funding approval for a growing list of projects (World

\* We would like to extend our appreciation to Margaret Grosh, Harold Alderman, Pranab Bardhan, John Blomquist, Henry Bruton, Michael Cernea, Nora Dudwick, John Giles, William Jack, Emmanuela Galasso, Eric Hanson, Simon Harrigan, Daniel Klein, Alexandre Marc, Jessica Mott, Akbar Noman, Albert Park, Tamara Perkins, Jean-Philippe Platteau, Ashok Rai, Vivajendra Rao, Gustav Ranis, Martin Ravallion, Mary E. Schmidt, Endre Stiansen, William Sundstrom, Michael Woolcock and participants at workshops at the World Bank and at FUNDP Namur for providing input, suggestions and material. Nishant Nayyer provided able research assistance. An earlier version of this paper was prepared for the Social Protection unit of the World Bank and we acknowledge their support. Two anonymous referees offered excellent suggestions for reframing the paper. Final revision accepted: 24 October 2001.

Bank, 1996; World Food Program, 1998). In the United States, the Bush administration's faith-based initiative program has been offered, at least in part, as a mechanism to use organized religious communities to better target and channel federal resources for the poor.

Common sense and substantial evidence suggest that community participation can lead to improved project performance and better targeting (Baland & Platteau, 1996; Isham, Kaufmann & Pritchett, 1995; La Ferrara, 1999; Narayan & Pritchett, 1999; Wade, 1988). For example, a study of India's Integrated Rural Development Project found that Indian states that employed village councils to select beneficiaries had a much smaller proportion of non-poor participating households (Copesake, 1992). A recent survey of dozens of country experiences with social safety nets conducted by Subbarao *et al.* (1997, p. 87) for the World Bank contends that programs that involve communities, local groups, and nongovernmental organizations (NGOs) can achieve better targeting outcomes. Perhaps the simplest but most persuasive illustration of the potential benefit of community-based targeting is the increasingly prevalent practice in many poverty-alleviation programs of delivering family and child assistance via a female parent. Many empirical studies now confirm that assistance delivered via a female parent leads to a larger positive impact on child welfare and household investments in health, nutrition and education than the same resources delivered via a father (Beegle, Frankenberger, & Thomas, 2001; Lundberg & Pollak, 1996; Pitt & Khandker, 1998). Thus, the use of categorical targeting of women may be thought of as a form of community-based targeting where children are the ultimate target beneficiaries, and mothers are the chosen intermediary agents within the household community.

The purpose of this paper is to review evidence and propose a framework for thinking about the community-based targeting mechanisms to deliver *privately captured* benefits, i.e., mechanisms that target welfare or relief.<sup>1</sup> For the purposes of this essay, we define community-based targeting as a state policy of contracting with community groups or intermediary agents to have them carry out one or more of the following activities: (a) identify recipients for cash or in-kind benefits, (b) monitor the delivery of those benefits, and/or (c) engage in some part of the delivery process.

Community agents can be social or religious groups, single-purpose NGOs, or local elected officials or governing bodies. The extent to which an agent qualifies or not as a community agent depends on that agent's level of embeddedness in local community affairs. By this we mean the degree of involvement of the group or individual in other functions and activities that imbricate them in poor subcommunities, or their degree of involvement in the day-to-day community life of the poor (through residence, private business, or social activities). Throughout the essay we will often treat community groups and intermediary agents as coterminous, and apply the single label "community agents."

There are numerous examples, both contemporary and historical, of purposeful large-scale community-based targeting for social safety nets. Arguably, one of the earliest and most studied examples of a community-based targeting mechanism was the English system of poor relief. For several hundred years until the reforms of 1834, the English Poor Laws implemented a highly decentralized system of poor relief administered and financed by local parishes. Although the parish began as a local church institution, by the 16th century the estimated 12,000–15,000 parishes in England had assumed many of the functions of local civil government including the administration of poor relief. Each parish was responsible for deciding who was unable to work and deserving of relief, and for financing and delivering assistance. The following account from the diary of Thomas Turner (1754–65) describes how poor relief decisions were made in his day (Mencher, 1967):

The parishioners were accustomed to meet once a week at the parish workhouse, at which meetings all applicants for relief were received and where all laborers belonging to the parish, who had not in the preceding week been in constant employment, attended to give an account of their earnings and received such sums as, with the earnings, should amount to a sum deemed competent to their maintenance in proportion to their children.

The significant externalities that naturally arose in a locally financed system of poor relief meant that the system became increasingly difficult to manage, especially in periods of rising poverty and through the upheavals associated with the industrial revolution and the enclosure movement. This then fostered incentives for restrictions on population move-

ment; no parish wanted an influx of poor persons.<sup>2</sup> Eventually, a rate-payers revolt and changing political tides led to the Poor Law Amendment Act of 1834 which greatly reduced relief, imposed the onerous workhouse test, and led to a much more centrally administered system based on uniform rules (Quigley, 1999).

Another historical example of community-based targeting comes from colonial experience. The language of Indirect Rule—the use of “Native Authorities” by the French and British to administer their African (and other) colonies—is replete with references to the advantages of community intermediation. Indirect Rulers (chiefs, sheikhs and emirs) were supposed to be more accountable to their “subjects,” to know more about their needs, and were definitely cheaper than expatriate administrators. Delegation of responsibility for targeting benefits was common. For example, during scarcity-situations in WW II the British used Native Authorities in western Sudan to ration sugar, tea, petrol and other commodities.

In recent times, the Uzbek government began an experiment in 1994 to involve quasi-official, quasi-religious community groups known as *mahallas* in the decentralized targeting of child benefits and other types of social assistance to low-income families. The *mahallas* traditionally acted to mediate community problems and conflicts. A unique aspect of the program is that the State has given local *mahallas* considerable discretion in deciding whether a family should receive assistance and the amount. External reviews of the program suggest benefits were targeted relatively well (Coudouel, Marne, & Micklewright, 1998).

Albania, faced with massive unemployment and poverty in a difficult transition period in the early 1990s, introduced the *Ndihme Ekonomika* (Economic Support) safety net. The central government at first administered grants bureaucratically through local ministry offices but found that this formula provided little incentive for local officials to verify eligibility requirements. The program was then devolved to local communes through block grants. Using data from a recent household survey, Alderman (1998, 1999) found local targeting effectiveness compared favorably with safety net programs in other low-income countries although he notes that overall targeting performance could be improved via better targeting of block grants across localities.

Community-based targeting mechanisms sometimes emerge at the initiative of communities themselves, in response to a particular need or funding formula. In Armenia, where chronic public sector financing problems has meant that health and education had become *de facto* fee-for-service programs, parents of children in public schools have been paying for food, for instruction that falls outside the core curriculum, and textbook use fees. Social assessments suggest that this type of fee acts as a barrier to access for the poor (World Bank, 1999, p. 67). A government-established school textbook waiver program allocates to each school a fixed amount sufficient to waive annual textbook rental fees for only 10% of students leaving the remaining 90% of funds to be raised locally by charging parents a rental fee of approximately US\$1 for each textbook their child uses. A study of the program found local schools setting up mechanisms to exempt particular students from the fees, with the decision as to which students would be exempt being made in some cases by the school principal, and in others by the school parent-teacher association (World Bank, 1999, pp. 67–68).

This paper, an interpretative review of the literature, will explore just how well communities in developing countries might use local information and social capital to allocate new program resources toward the poor and vulnerable. We begin with an outline of many of the most important effects and tradeoffs in constructing a community-based targeting scheme. Loosely, these can be classified into three broad, related categories of question. First, will community-based targeting “increase the size of the cake”? In other words, will community mechanisms lower the costs of delivering benefits to a target population? Second, “what size slice of cake” will the poor obtain? That is, what kinds of distributions are likely to result when community-based targeting is employed after taking into account the need to provide incentives, program leakage, and the rents that intermediary agents might potentially capture? An important consideration here is that under devolution local targeting preferences, determined through local political processes, might differ substantially from national preferences or those of a donor. Finally, what will determine the quantities and types of “cake-making ingredients” available to community agents for disbursement to eligible recipients? Here we focus on the national-level political economy and program design issues

that arise while implementing a decentralized policy of community-based targeting.

We conclude with some observations about how to design a community-based targeting scheme. Current experiments have tended to use homogeneous community agents across the country to implement targeting—for example, local town mayors in every poor community. But agents that would empower the poor and be responsive to poor constituencies are unlikely to be the same in all localities, and so a more demand-driven approach to community-based targeting may be recommended in some cases, at least in the short term. **We also believe that in many instances the best community-based targeting schemes will be hybrid mechanisms where the center defines and monitors targeting categories, rather than unconditional devolution to community groups with little basis for evaluation or control.**

## 2. SCHEMATICS OF THE POLITICAL ECONOMY OF COMMUNITY-BASED TARGETING

**Several advantages might be expected from community-based targeting.** There may be **lower costs** of administration simply because community agents, typically living in low-cost rural areas, do not need to be paid as much as educated bureaucrats. Involving community groups as stakeholders may lead to **better screening, monitoring and accountability.** Community groups may have **better information for identification of needs,** and households may in turn have less incentive or opportunity to provide false information on assets, income or shocks. **Local definitions of deprivation may be more adaptable to local conditions and culture than rigid technical national formulas.** Programs may not only harness but may potentially also strengthen social capital and **community organizations,** with positive external effects. This may be especially true for disadvantaged groups who may be **empowered** and become better able to articulate and press demands. **Community mobilization may be an end in itself, but may also confer legitimacy to programs that in turn helps build political support for targeted approaches.**

Despite these advantages, there are **several reasons to question the practicality or wisdom of community-based targeting** in some settings. **Personnel** able to maintain even minimal accounting records may be absent in many rural

communities. Community-based targeting may lead to, or increase, **conflict** and divisions within the community; it may also be subverted to **serve elite interests.** It may impose high opportunity costs on community leaders. Like any other decentralized welfare program, it may fail to take account of important externalities across communities such as differential benefits leading to population movements. Community-based targeting could undermine political support for other, more effective, targeted approaches.

Consider a stylized timeline or model that captures many of the tradeoffs and expected behavioral responses involved in the design and operation of community-based targeting mechanisms. The government starts by announcing a *mechanism*. This is a contract or menu of contracts specifying what *methods* local community groups are to use, which groups are eligible to compete for contracts, the choice of intermediary agents, beneficiary selection criteria, and a longer-term funding formula based in part on pre-defined evaluation methodology. We employ the term targeting *method* to refer to the set of rules, criteria and other elements of program design that define beneficiary eligibility. The broader term targeting *mechanism* is used to refer to the larger elements of program design, including the very important question of the choice of intermediary agents and organizational design. These definitions allow for the possibility that different intermediary agents using the same targeting methods could obtain different targeting outcomes.

Table 1 builds upon Grosh's taxonomy of targeting methods to illustrate the difference between methods and mechanisms (cf. Grosh, 1994, p. 34).<sup>3</sup> The three main targeting methods employed in practice are individual assessment, tagging or categorical targeting, and self-targeting. Table 1 augments this classification by distinguishing mechanisms that employ centralized bureaucracies to deliver benefits from mechanisms that engage community groups as intermediaries, and according to whether the mechanism is used to target private benefits or resources for local public goods and services.

Individual assessment mechanisms require program agents to decide eligibility on a case-by-case basis. This may involve a direct means test, proxy means test, and/or subjective evaluation by a social worker (Glewwe, 1992; Ravallion & Sen, 1994). The design of any

Table 1. *A taxonomy of targeted poverty alleviation methods and mechanisms, with relevant examples or issues*

Targeting method	Intermediary agent/type of benefit or project			
	Bureaucracy → beneficiary		Bureaucracy → community group → beneficiary	
	Individual cash or kind benefits	Creation of local public goods	Individual cash or kind benefits	Creation of local public goods
Individual assessment	Means-testing with questionnaires	Variable access fees	Informal means-testing using local deservingness criteria	Local club goods boundary enforcement
Self-selection	In-kind transfers, nonpecuniary costs (stigma, waiting)	Employment guarantee schemes (with low wages)	Competitive grants for community groups	Social fund projects (cofinancing and other participation costs)
Categorical and geographic	Tagging by social characteristic (ethnicity, gender, family status) or geographic region	Women's projects (for selected regions or eligible participants)	Social exclusion at local level	Neighborhood allocations, Empowerment zones (in the US)

social service or benefit delivery program is of necessity shaped by the informational asymmetries involved in determining beneficiary eligibility and monitoring the welfare agents whose task it is to determine eligibility. While a social safety net could in theory be administered via a single central income tax office that would make transfers based on self-reported income or other household or individual attributes, in practice all programs rely on welfare agents to assess eligibility and deliver benefits. One reason is obvious: even in industrialized countries where the income tax base is broad, self-reported data are not very reliable, and a welfare program generates incentives for dissimulation.

Given the cost and difficulty of audits, benefit eligibility tends to be conditioned on personal or household characteristics or "tags" that are thought to be less manipulable and easier to ascertain by welfare agents, such as employment status, age, gender, or number of dependents (Akerlof, 1975; Besley & Coate, 1995; Boadway & Keen, 1999). Tagging, or categorical targeting, offers eligibility to all members of a group defined by an easily identifiable characteristic or trait. This includes geographic targeting (Baker & Grosh, 1994; Bigman, Dercon, Guillaume, & Lambotte, 1998) and the restriction of benefits to identifiable social groups such as single women with children, ethnic groups, or the elderly (Appleton & Collier, 1995; Buvinic & Geeta, 1997; Case & Deaton, 1998; Cornelius, 1995). In developing countries where income tax systems are often weak or nonexistent, and where information asymmetries can be severe, tagging is widespread.

Finally, self-targeting methods take advantage of differences in program participation costs across households to get nontarget households to self-exclude. Examples include employment guarantee schemes with low wages, and price subsidies for "inferior" goods such as sorghum (Besley & Kanbur, 1991; Blackorby & Donaldson, 1988; Jacoby, 1997; Munro, 1992a,b).

Community-based targeting is not a separate targeting method, but rather an element of the mechanism that places community agents in charge of assessing eligibility and/or implementing delivery. An agent or local institution's preferences and values and the time and effort they exert will be crucial for determining the quality of the tag and therefore targeting outcomes and costs of a given

method, and, depending on the degree of devolution, may even determine the local method of targeting.

Returning to our stylized timeline, once the government announces its choice of mechanism, coalitions will form in communities to create new groups or to obtain power in existing groups and then vie for contracts or allocations of benefits. Resources are used and social capital is changed in the process. Population movements may occur. Government then allocates funds to intermediary agents, who in turn re-allocate funds within their communities, in ways possibly unanticipated and unspecified in the original contract. Government and civil society monitor and evaluate new levels of well-being and other outcomes. Community groups, bureaucrats, international financial institutions, policy advisers and political entrepreneurs, the press, and population lobby government and the electorate. Finally, government implements a new policy.

The design challenge is to choose the mechanism that best achieves the welfare objectives of the program designers while taking into account the constraints imposed by the possible strategic responses of households, intermediary agents and other stakeholders to the policy and to each other, and how these responses lead to new group formation, population movement, lobbying, etc.

The framework glosses over several complications. First and foremost, it begs the prior normative question of whose welfare criterion should be maximized. A genuine commitment to community participation would weigh local community criteria much more heavily than the center's objectives, but the center may well be reluctant to allow full discretion in the setting of program objectives and eligibility criteria, and this may lead to the choice of a more centralized delivery mechanism, and/or to stricter, guidelines governing local community choices.

A second important concern in the design of any safety net program, regardless of the targeting mechanism, is the extent to which state policy might crowd-out or displace existing private safety net programs (Cox & Jimenez, 1995; Subbarao *et al.*, 1997).

Third, a more dynamic view would address such questions as how policy and community actions might evolve as the economy changes over time, and what policy rules the government might adopt when responding to foreseen and unforeseen contingencies (i.e., does the

government commit not to finance cost overruns or to bail out failed contracts?).

Fourth, the government has a further layer of decision in determining at what geographic scale to locate the community, and indeed defining community in the first place. In fact, the very notion of "community" sometimes glibly employed in the literature demands greater scrutiny. Communities are often discussed as if they were well-defined geographic entities, as opposed to geographically overlapping ethnic or religious entities.<sup>4</sup> Harragin and Chol (1999) describe the serious problems that international famine relief agencies in Southern Sudan encountered as they attempted to build a community-based distribution network by using chiefs of traditional grazing groups as intermediaries, rather than the more natural (but to outsiders less visible) kin-based networks through which existing local safety net had been managed. A related point is that communities may not always exist at large enough geographic scales for cost-effective delegation (e.g., widows). Inevitably, program officers themselves will become involved in the creation of new community institutions and boundaries.

Despite these omissions, the framework usefully highlights several important tradeoffs. For instance, if communities are to be specified along geographic criteria (i.e., according to residence), and residents of different regions have different preferences or different interests, then the resulting variety in community targeting criteria may lead to large movements of population. In addition, depending on how competition between community groups seeking contracts and participation is structured, resources could be either used up in wasteful rent-seeking or, preferably, new social capital might be created which improves the performance of local governments in other functions.

Perhaps more important, the framework helps understand a potential limitation of many existing community-based targeting schemes. These are almost invariably homogeneous. That is, the same community entities or agents are used across the breadth of the country. The "endgame" for these programs seems to be increased or eventual incorporation of community agents into the social welfare bureaucracy. Community-based targeting thus appears as a formula for rebuilding a bureaucratic social safety net with a new bureaucracy. Given the emphasis on community-based targeting as a potential method to empower marginalized groups and encourage participation, it seems

unlikely that a uniform program would accomplish this goal effectively in all cases. Especially in the absence of participatory democracy, municipalities or uniform community entities are not likely to be appropriate purveyors of community demands as they have already been captured or coopted by an undemocratic state.

At the heart of the mechanism design problem is a judgment regarding the relative importance of delegation versus devolution. A center or principal *delegates* responsibility for beneficiary selection and benefit delivery to local community groups when the principal contracts to use the delegated intermediary agent's better information and access to local networks to carry out the principal's objectives. Imperfect monitoring and the fact that local agents may have different welfare criteria give rise to the possibility of moral hazard: by the center's criteria localities might misdirect or misuse resources unless given proper incentives.

By way of contrast, when the center *devolves* responsibility to local communities, it transfers not only resources but also responsibility for setting the criteria by which eligibility and assistance level will be judged. In this case, we cannot clearly speak of moral hazard, nor can we assess program performance, without first specifying by whose criteria the program is to be evaluated. Complete devolution is not very common in practice except for the case of fully autonomous regions. Most community-based targeting mechanisms provide local communities a variable amount of discretion within a set of rules and regulations.

### 3. INCREASING THE SIZE OF THE CAKE: HOW COST-EFFECTIVE IS CBT?

A growing literature has established that community involvement can lead to improved project performance in social funds, micro-credit projects, natural resources management, public health, and in local public goods provision. But community involvement is not always and everywhere the optimal policy. In managing small irrigation facilities in India, for instance, the pendulum has swung from state management to local management and in some cases back again to state management (Baker, 1997). There are simply no automatic guarantees that a community group or agent who lives and interacts with the local population, will

perform better than a bureaucrat, across the range of measures of performance.

What exactly might make a community agent more cost-effective at identifying beneficiaries and monitoring and delivering benefits? In other words, how does this mechanism make "the cake" larger by lowering administrative costs and mobilizing local resources that might otherwise have remained idle or engaged in less productive uses? What characterizes localities or local agents that could not be reproduced by central government? Could not central state employees living in the locality perform as well as community agents? Obviously, relocated state employees might need higher salaries than local implementers or community groups, but such persons might be more educated and effective in managing funds than local agents.

Three sources of advantages seem worth discussing: better information, better enforcement, and positive spillovers. These advantages may come at a cost, however: the superior abilities of local agents may generate rents that divert resources away from the target group, or worse yet, give rise to costly rent-seeking activities that drain other community resources.

#### (a) *Better information*

Local community agents often have better information on household characteristics, needs and recent events upon which to condition beneficiary eligibility than do outside welfare agents who must often rely on crude and outdated proxy indicators (Cremer, Estache, & Seabright, 1996). Better information allows for fewer targeting errors of inclusion or exclusion. Better information may also greatly reduce administration costs and total deadweight loss compared to programs administered by less informed welfare agents who must rely on screening and monitoring devices such as costly audits and indirect incentive systems that place constraints on the amount and types of benefits delivered.

It should be noted that even though local community groups may have superior information about each other and are enmeshed in dense local social structures of accountability, it is not always apparent how to make these resources operational. For example, a study of group informant food security ratings in Honduras questions the reliability of using community ratings as a guide to policy (Bergeron, Morris, & Banegas, 1998). The main concern was that when different randomly selected

subgroups of community members were asked to arrive at community wealth and vulnerability rankings the authors discovered a fairly weak correspondence between the rankings. Based on this and other evidence they conclude that the method of group informant ratings is at best a useful complement rather than an alternative to other assessment approaches. On the other hand, Adams, Evans, Mohammed, and Farnsworth (1997) found that group ratings in Bangladesh were quite consistent with rankings arrived at from proxy means indicators constructed from a much more expensive household survey.<sup>5</sup>

#### (b) *Useful local social capital to control corruption*

Local community agents will also be part of extensive and dense local networks of social interaction. Such overlapping ties of actors may reduce the cost of cooperation and coordination. If we think of the allocation of benefits as the outcome of an ongoing game between local intermediary agents and members of the community, the more the agent overlaps with local community members who might react in other dimensions of social interaction, the less likely the agent is to "cheat" on any one dimension. In other words, local social capital, or local structures of accountability, can make a difference.

If we follow Spagnolo (1999) in thinking of social capital as the degree to which agents are enmeshed in other kinds of social interactions that rely on cooperation and coordination, then it is easy to see why many authors have emphasized a connection between social capital and accountability and also view open political competition as a form of social capital. The basic idea again is that if performance in one arena is closely linked to outcomes in other arenas, such as multi-issue local politics, cooperation and accountability are more likely. Of course, a dark side to social capital exists, as mafias use local trust to perpetrate crimes. But researchers typically link better community performance to social capital (Brown & Ashman, 1996; Collier, 1998; Putnam, Leonardi, & Nanetti, 1993).

Another aspect of social capital is the presence of norms encouraging, enabling, and respecting political competition. Competition can take place within local community groups as well as between groups. Both kinds of competition presumably can make local delivery of



private benefits more efficient (we address the question of preference aggregation below). Seabright (1996) develops a model that speaks to this question. He notes that when the goals of targeting are poorly defined and noncontractible, a bureaucrat will have little accountability. His or her superior will not have the information to evaluate performance, and a national electorate may be too diffuse to discipline the ruling government. Decentralization (or devolution, properly speaking), on the other hand, then offers the natural mechanism of local voting to discipline the agent.<sup>6</sup>

Whether in practice political competition leads to efficient program implementation is however an open theoretical and empirical question. Selden and You (1997) and Wang (1997) suggest that in China, where reforms are creating more representative village structures, electoral competition promotes the enhancement of local capacity that will be more effective in implementing state-local contracts. Studies from Latin America (Fiszbein, 1997; Herzer & Pirez, 1991; Lundberg & Pollak, 1996; Nickson, 1993; Peterson, 1997; Veltmeyer, 1997) reach similar conclusions. Electoral competition is not the only institutional prerequisite for responsiveness and effective targeting, however. An econometric study of World Bank projects carried out by Isham, Kaufmann, and Pritchett (1997) found that there was also a strong link between civil liberties and project performance even after controlling for other factors affecting performance. They suggest the causality runs from civil liberties to citizen voice and accountability to economic performance.

#### (c) *Generating social capital*

By raising the rewards to participation, programs could perhaps not only harness but also strengthen social capital and community organizations, with positive external effects. Particularly in countries coming out of central planning, a history of state action has often displaced private and informal coping mechanisms and safety nets. In these countries the hope is that community-based targeting mechanisms could help to "crowd-in" rather than crowd-out new civil society groups and private safety nets. The possibility is often discussed in the context of local public goods projects. Granting communities ownership over new local public goods projects, and requiring community co-financing requirements, generates

incentives for members to mobilize private effort, resources and vigilance, for the common project.

There is considerable anecdotal evidence that community-based targeting does increase local social capital. Fox (1996) reports how, in indigenous communities in Mexico, waves of decentralization in provision of public goods and services, followed by crackdowns and reassertions of control, nevertheless expanded the reach and capacity of local social institutions. A study by Gugerty and Kremer (1999) paints a more complicated picture however. When community-organized and funded schools and self-help groups in Kenya (Harembbee) received additional outside support in randomized trials, there was little evidence of an increase in measured social capital, as captured by a number of different indicators. If anything, there was some evidence that some receiving groups responded by limiting eligibility for benefits along non-economic criteria. Those excluded or who stopped attending group meetings were typically behind on paying contributions toward group membership, and this most likely suggests that targeting toward the poor did not improve.

#### (d) *Rent-seeking*

As previously noted, the superior information and monitoring technologies in the hands of a local intermediary also means that there are potential information rents to be captured. Program design may be able to limit the level of rent capture, for example, by establishing competitive bidding for contracts or by a system that assures local political accountability. But as new and existing community groups compete for control of available rents, they may also end up spending real resources that then offset the benefits of the program. Political markets fail when the outcome of local political processes is costly rent-seeking.

Given the absence or weakness of community institutions in many localities, a program of community-based targeting changes the incentives for political entrepreneurs to create new institutions. In order to create the appearance of participation entrepreneurs might use spend resources to build community centers, hold rallies, and initiate showcase labor-intensive activities. Some cynics view the rapid rise of NGOs around the world, as little more than an opportunistic response by downsized bureaucrats, and entailing no real new participation or

local empowerment (Bebbington, 1997; Bebbington & Sotomayor, 1998; Meyer, 1995; Reilly, 1998).

#### 4. SLICING THE CAKE: WHAT KIND OF DISTRIBUTION MIGHT RESULT?

Community agents may be in a position to employ more socially desirable, or locally adapted, criteria for assessing need. On the other hand, the community agent may be in a better position to "capture" the program and direct resources away from intended beneficiaries. The distribution of rents, and intended benefits, will vary greatly across communities because of variation in the distribution of local preferences and ability of local groups to influence local political processes.

##### (a) *Aggregation of community preference*

Local communities sometimes share broad principles of social justice and deservingness that influence the level of willing support for safety nets and targeted benefits. But there is no reason to believe these principles will be the same as those developed by a national welfare agency. In China, Chan, Madsen, and Unger (1992, p. 189) report that in Chen village during the 1960s,

though production teams were required by law to provide food, shelter, clothing and a coffin for any needy childless elderly, the amount was a pittance, providing only for the barest subsistence. Other team members looked down upon such welfare recipients as a drain on the production team's resources.

Davies (1968), Peterson and Rom (1990) and Wolpert (1993) argue that variation in local preferences is responsible for much of the variation in safety nets across localities in industrial countries. King (1997a,b) also believes that there was considerable variation in local preferences for relief in England during the time of the Poor Laws.

Individual preferences are aggregated into local social preferences by the particular political process at work in each local context. There are few theoretical or empirical generalizations that can be made about how heterogeneous preferences are aggregated (Sen, 1999). Even narrow models of political competition that concentrate on how inequality and polarization affect preference aggregation

obtain few unqualified results (Cremer & Gahvari, 1995; Esteban & Ray, 1994; Persson & Tabellini, 2000). In some analyses more poor persons generates more votes for redistribution while, under slightly different assumptions, more poor persons may generate more intense resistance to redistributive taxation by the middle and upper class (Peterson & Rom, 1990, p. 53).

##### (b) *Capture and exclusion*

Preferences may be aggregated through open, participatory democratic processes, or through less open and more manipulable ones. The term "capture" has come to denote situations where power is used to influence political outcomes through manipulation of information or perceptions, or by limiting the voice of others. The term runs the range of electoral or political practices, from ballot-rigging and other illegal manipulations, to vote buying and use of "big money" to cynically sway the voting behavior of naïve voters, to ideologies that grant different "rights of participation" to different members of a community even though all may be citizens and formally of equal status. The issue is complicated because capture may have the effect of changing the formal mechanisms themselves. In a study of community heterogeneity and inequality in rural villages in Tanzania, La Ferrara (1999), found that higher inequality was associated with less democratic forms of group decision making.

Bardhan and Mookherjee (2000) analyze the factors that might determine whether under political competition capture by elites is more likely to occur at the local or national levels. Capture at different levels of government then determines the targeting impact of expenditure decentralization reforms. They argue that local capture is more likely the higher is income inequality and the less mobilized (informed) are voters at the local level. They warn, however, that generalizations on the basis of theory alone are hazardous. Abraham and Platteau (2000) are rather skeptical about the potential benefits of devolving social programs in many existing communities, noting that

rather than idyllic village democracies (these are often in fact), repressive societies where mutual control is constantly exercised, suspicions are continuously entertained about others' intentions, inter-personal conflicts are pervasive, and a rigid rank-based hierarchical structure governs people's life (p. 20).

Unfortunately, the empirical literature on the matter is also far from settled. Anecdotal evidence abounds.<sup>7</sup> Scheffél's discussion of Roma (gypsies) in a Slovakian village is illustrative (cf. Scheffél, 1999). Benefits were distributed by both central and local government (the latter consisting of local village council representing the dominant Gadjo majority). The council denied the Roma access to village land for housing. Ironically, the central government requirement that they be members of a village in order to acquire benefits exacerbated local tensions. Many Roma would have left the inhospitable village if they had not been tied to a locality in order to receive benefits.

In India, Echeverri-Gent (1992) suggests that 1978 electoral reforms which allowed new political parties to compete in local elections in West Bengal resulted in better pro-poor targeting of rural employment programs, after poverty alleviation programs were devolved to the local, elected governing councils (*gram panchayat*). Fox (1999) has addressed differences between communities in Chiapas compared with Oaxaca, arguing that local elites have captured programs in Chiapas but not Oaxaca.

A number of recent econometric studies have attempted to measure the degree and timing of local program capture. Lanjouw and Ravallion (1998) estimate the odds of participation by income quintile for various public works projects in India. There are large differences between the average and marginal odds of participation. If a program has high average odds of rich quintile participation, but low marginal odds, then one might conclude that the program is captured early on, and only after coverage of interested nonpoor households does the program spread to the poor.

Galasso and Ravallion (2000) obtain similar results from an examination of Bangladesh's Food for Education program, which operated in several village in each of the country's 400 districts (see also Wodon & Ravallion, 1998). The central Ministry, in cooperation with district officials, chose the participating villages but the actual targeting of beneficiary families within each village was left to local school committees. Families whose children continued to attend school received substantial benefits in-kind. Galasso and Ravallion find that greater inequality in the village distribution of income *reduced* the incidence of poor households receiving targeted benefits.

## 5. GETTING THE INGREDIENTS FOR MAKING CAKE: NATIONAL-LEVEL ISSUES

The end result of a program to target resources through decentralized community-based targeting is influenced not just by the cost advantages and the nature of local preferences and capture, but also by national choices about funding. National funding is in turn determined by at least three processes. First, decentralized democratic political processes may tend to be less favorable to narrower targeting (the "paradox of targeting") and community targeting may result in cooptation from above and less overall relief for the poor in the longer run. Second, the financing modality of the national scheme, in terms of the rules for allocating funds across communities, may induce strategic targeting behavior by the community agent. Third, local targeting may lead to population movements.

### (a) *Paradoxes of targeting*

The literature on the political-economy of expenditure decentralization in developing countries is in its infancy (see Jones, Sanguinetti, & Tommasi, 2000; Tommasi & Weinschelbaum, 1999; Treisman, 1999). The few papers that do model the process in regards to poverty alleviation take as their starting point the paradox of targeting. Better targeting policy may well end up undercutting political support for social spending programs (Benabou, 2000; Casamatta, Cremer, & Pestieau, 2000; DeDonder & Hindriks, 1998; Gelbach & Pritchett, 1997; Perotti, 1993; Sen, 1995).

Cremer and Palfrey (1996) point out an additional consideration in a simple model of decentralization. They abstract from incentive considerations, and focus on the issue of preference aggregation. If citizens have preferences over a policy (in this case targeting), and preferences are aggregated via majority voting, then there are circumstances where citizens would prefer to have the policy decision taken at the national or central level, rather than at a district level. Citizens may be worried that local majority preferences will differ considerably from their own. Since national preferences aggregate over all preferences, the median preference in the country is less likely to be an "extreme" preference. Thus, while one might think that local decisions are better in that they respond to local preferences, this may not be

the case if there is wide dispersion of preferences within localities.

The point, as far as targeting is concerned, is that national targeting may be an equilibrium arising naturally out of a political process. Attempts to alter that equilibrium may then meet with considerable resistance, and may well be overturned.<sup>8</sup> Besley (1997, p. 125) has observed that more effective performance by community groups need not translate into larger benefits for the poor; the efficiency gains may be captured entirely by the government or wealthy taxpayers.

Decentralization may also lead to competition and rent-seeking that may erode local capacity to challenge national leadership. Cooptation is the watchword here; Cleary (1997), for example, is extremely critical of the possibility of NGO independence under authoritarian regimes. A very common concern in the literature is that,

as the voluntary/community sector becomes increasingly involved in public-sector contracts to provide services... the focus has to be upon those services... rather than upon broader "watch-dog"-type function, let alone advocacy and campaigning functions... (Mayo & Craig, 1995, p. 8).

A related concern arises when community groups are more radical than the government; for instance in many countries with large or predominant Muslim populations, opposition Islamic groups have strategically developed large social service programs (Clark, 1995). Governments then have been very reluctant to decentralize authority over welfare.

There are numerous examples of occasions where administrative decentralization and devolution of power was accompanied by the centralization of political power. Under apartheid the South African government took a number of initiatives with the stated objective of devolving power to local governments. Many observers interpreted this as a strategy to de-politicize the population, coopt local political leadership, and deflect popular protest from national to local levels (see Klugman, 1994, p. 46). The military dictatorship in Chile devolved responsibilities for basic social services to regional governments and municipalities at the same time that it was replacing once elected officials with presidential appointees. Quiroz, Rodriguez, and Rodriguez (1997) suggest that decentralization was more about de-politicization than empowerment.<sup>9</sup> Finally, in China

residents' committees and street offices are supposed to provide opportunities for participation but have been criticized as vehicles for a "top down" approach to development aimed at garnering support for policies handed down from the center.

#### (b) *Allocating funds to communities and evaluation criteria*

Rules concerning the amount and form of financing that community agents should receive for disbursement to the local poor are at the heart of any community-based targeting scheme. Ravallion and Wodon (1999) have argued that any reasonable program for funding decentralized community groups ought to incorporate evaluation results into the funding formula. Thus formulas should incorporate not just how poor the locality is in relation to other localities, but also assessments of current local targeting efforts.

Evaluation of community-based targeting by the center or outside funding agencies is likely to encounter numerous challenges. One immediate philosophical concern arises: if the locality and center have different social welfare functions, on what criteria is community-based targeting to be judged, the center's or the locality's? If local agents can identify the poor better than conventional survey methods or means-testing because they use difficult to observe indicators such as capability deprivation, functioning, status, access to networks, etc. (Sen, 1984, 1995) then evaluation of targeting according to standard criteria may suggest it is not working. Villages and communities may be much more concerned with preserving a sense of inclusiveness (in terms of rich and poor) and much more willing to exclude certain segments of the poor (always, of course, on the justification of deservingness). Finding that many of the poor are excluded and many of the rich included would then be judged to be poor targeting by the national standard and excellent targeting by the local standard.

Alderman (1998) discusses the difficulties of evaluation in his study of local knowledge in the community-based Albanian safety net. He finds that households already receiving state pensions are less likely to receive additional benefits, but households that receive both pensions and an additional transfer from local authorities do not get transfers that are statistically any smaller than households without a state pension. This may indicate that com-

mune officials are privy to special circumstances of households, but is also consistent with commune officials not knowing that households are already receiving pensions. As Alderman (1999) has succinctly phrased it, there is an "inherent irony" in the search for more effective decentralized targeting mechanisms. That irony is that while local community groups do have better information about local conditions and preferences than the central government, unless local bodies have incentives to truthfully reveal and act on that information, the center will remain largely in the dark about the key decision of how to allocate resources across localities.

Ravallion (1998) and Ravallion and Wodon (1998) develops a simple model assuming that localities work within a given budget and optimally allocate services and benefits between the rich and poor. Then, if given an extra dollar to spend, poorer localities will pass on a smaller fraction of that dollar to the poor, in part because they will be spending a larger fraction of their budget on the poor to start with. The point is that poorer localities may appear to be less effective at targeting than the richer communities, but not because of lack of capacity. Ravallion tests this implication in a statistical analysis of targeting performance in Argentina's Trabajar work program. He concludes that, "the incentive to reach poor areas within the province was duller for a poorer province," but the center took this into account and allocated resources to provinces that were more effective in reaching poor areas (Ravallion, 1998, p. 22). He suggests that the project selection criteria that the federal government has put in place was an important complement to a system of allocating grants on the basis of a national poverty ranking.

### (c) *Population movements*

Many community-based targeting programs will be small-scale, and so their behavioral effects will be small. Larger programs will have bigger effects. One concern is that because program implementation will vary, population movements may follow; as the Chinese proverb has it, "water flows lower, the poor flow higher." The externality this creates across jurisdictions may invite uncoordinated compensatory adjustments at the local level, particularly when local revenues are raised (Cremer *et al.*, 1996).<sup>10</sup> Population movement has been an important topic in debates over

decentralization of the US safety net, with some authors arguing that variability in state benefit levels generates inefficient incentives to locate residence (see Peterson & Rom, 1990). The debate over the magnitude of the effects of "welfare magnets" and a "race toward the bottom" is by no means settled, however as many researchers find no effects or very small effects using US data (see Allard, 1998; Cebula & Belton, 1994; Enchautegui, 1997; Frey, 1997; Frey, Liaw, Xie, & Carlson, 1996; Schram & Krueger, 1994; Schram, Nitz, & Krueger, 1998).

Although interjurisdictional externalities are less of a concern in a centrally-funded safety net program, community agents may be reluctant to extend safety nets to new migrants.<sup>11</sup> Haenn (1999) discusses membership and exclusion decisions in agricultural *ejidos* in southeastern Mexico. Formal *ejido* members imposed conditions for receiving benefits, ranging from access to village land to participation in government and NGO-sponsored development projects upon migrants fleeing civil war, or marginalized *ejido* members. In one case, indigenous *chola*-speaking refugees requested permission to become members of a village and agreed to pay an entrance fee, but then waited for two years before becoming finally convinced that their admission would be vetoed by the non-*chola* speaking faction within the *ejido* who feared their local power would be undermined. The refugees were denied benefits of the village, even though they were clearly the most in need of benefits.

## 6. DESIGNING A COMMUNITY-BASED TARGETING SYSTEM

To empower marginalized groups community-based targeting may need to incorporate some of the lessons of the social fund approach, and adopt a demand-driven, menu approach that broadens the diversity of participating community agents, perhaps using detailed and transparent public consultations and analysis before decisions are taken regarding contracts with given community groups.<sup>12</sup> The "local community" to be considered could then include semi-formal or informal village councils, school boards, churches and mosques, organized NGOs, or perhaps ethnic groups and traditional leaders, assisted perhaps by institutional organizers. Depending on the context each of these community institutions will vary

in terms of their superior information, embeddedness in monitoring institutions, willingness to engage in rent-seeking, and their propensity to be responsive to the poor. Choosing among them is of course not an easy task, but Smoke and Lewis (1996) report on one practical exercise to construct measures of capacity of local government in Indonesia.

Moreover, if there is strong likelihood that dominant community groups will exclude weaker groups, one possible way to target excluded groups is to explicitly use categorical targeting or quotas. For example, in the state of Karnataka in India the composition of the *mandal panchayat* (group of villages) reserves a quarter of all seats for women, and 18% for members of scheduled castes. Vietnam seeks the adequate representation of poor peasants on the governing bodies of production cooperatives by reserving two-thirds of the seats for low income groups (Majeres, 1985 cited in Klugman, 1994, p. 48).

The uninformed center's need to provide an intermediary agent with incentives may create a tension between achieving good targeting and other program objectives. The problem is that it is usually easier to tie performance to readily measured and observed variables, such as the number of clients attended, or the number of clients who find jobs, yet rewards solely along these dimensions may provide incentives against reaching out to the poorest or most vulnerable, who may sometimes be the most difficult to attend. For example, loan staff at microlending organizations are often placed on high-powered incentive contracts which tie remuneration to borrowers' repayment performance and some argue that this dulls incentives to target poorer and more vulnerable residents. Microlending organizations that have achieved relatively good targeting outcomes, such as Grameen Bank, seem to have accomplished this in part by also insisting on categorical targeting, such as targeting women and imposing wealth ceiling eligibility requirements (Conning, 1999).

The best community targeting outcomes are likely to be achieved within hybrid systems which allow for significant local community agent discretion but also stipulate clear rules and targeting guidelines and which keep local agents accountable through external auditing and evaluation, and institutions such as mandatory public meetings, and competition among groups for contracts and elected office.

## 7. CONCLUDING REMARKS

We have highlighted four key points in discussing community-based targeting: (a) communities vary in their ability to mobilize information and implement effective monitoring systems, and this will influence whether community-based targeting leads to cost saving advantages or just opens up more opportunities for local-level corruption and costly rent-seeking; (b) local communities will vary in their willingness to target the poor; (c) national political economy effects are likely to be complex and can at times result in paradoxical undermining of safety nets; and (d) evaluation and funding of community-based targeting poses several special conceptual and practical problems.

Community-based targeting is likely to offer advantages over other targeting mechanism when communities can be clearly defined, say by region or social group. One may want to avoid situations where people are members of multiple communities, first to avoid double-dipping for benefits, but also to avoid creating frictions within communities by forcing beneficiaries to choose among them in terms of primary membership. To be cost-effective, community-based targeting may need to take place at a large enough scale, but this is not always practical. Many tagged groups are often not organized communities (for example, women and widows). Here creating community may be useful and empowering, but is not a task easily accomplished.

Many, if not most of the examples of community-based targeting involve a state contracting with homogenous community entities on a national or regional scale. But this suggests that community-based targeting is almost by definition a transitional phenomenon as the ultimate aim of most of these programs seems to be to build a new social welfare bureaucracy with more responsive community agents. While this should perhaps be the ultimate goal and is itself laudable, we have suggested that in some cases, especially in those cases where an absence of democratic participation is likely, one may want to experiment by encouraging heterogeneous community entities to compete to provide different social safety services.

While local democratic participation is to be encouraged as a mechanism to insure greater transparency and accountability of local officials, leaving the decision over how to target

and redistribute funds entirely to local voting is quite unlikely to guarantee targeting of the most vulnerable and underprivileged groups. If the existing "community" has already failed to make the existing flawed safety net bureaucracy responsive to the needs of the most vulnerable, then why believe that same community would target the most poor and vulnerable?

This perspective is brought out by Sen (1984, 1995), who has long argued that rather than focus on income deprivation, poverty ought to be understood as a deprivation in a minimum acceptable set of functionings. These include not only basic physical functionings such as being well nourished, having adequate clothing and shelter, or avoiding preventable disease, but also social functionings such as being able to participate in the life of the community, to be in public without feeling shame, etc. The problems of social exclusion and entitlement failure that dictate and condition a person's capability deprivation are often deeply rooted in local social divisions and the way the com-

munity operates and regulates access to resources.

Changing these structures and breaking down social divisions often requires challenging established structures and mobilizing the disadvantaged. Building a more effective social safety net will not just be a matter of finding better information or proxy indicators, but of opening valid and lasting opportunities for participation through which the poor can establish and press for claims against national and local government when this becomes necessary. The best community agents may be activists and entrepreneurs; people who can engage the poor in the political process to obtain greater say and control over how community resources are allocated to those in need.<sup>13</sup> While this does require allowing for more local community discretion in deciding resource allocations, carefully chosen national targeting rules, criteria and national political support can help strengthen the position of disadvantaged groups in these local contests.

## NOTES

1. Many useful lessons can be drawn from existing studies of community participation in programs where project benefits are shared such as social funds, the decentralized provision of local public goods (Narayan & Pritchett, 1999; Reddy, 1998), or community management of natural resources (Agrawal & Gibson, 1999; Baland & Platteau, 1996; Leach, Mearns, & Scoones, 1999). We believe, however, the program design and political considerations that arise in targeting *private* benefits are sufficiently distinct as to merit their own separate analysis. Harnessing community participation to manage a common forest area, to deliver a local public good such as a health clinic, or to maintain a collective reputation *vis-à-vis* a micro-credit program, are all activities where the participants are at the same time beneficiaries and intermediaries. When delivering cash or in kind benefits however, the intermediary and the beneficiary are typically no longer the same (and indeed may have quite different interests) and so a different set of incentives must be provided.

2. Brown and Oates (1987), in fact, cite the experience of the Poor Laws and this externality as an example of the presumption for centralizing poverty alleviation programs.

3. Other recent surveys of the literature include Besley and Kanbur (1991), Rashid and Townsend (1994), and van de Walle and Nead (1995).

4. Many purported "communities" may in fact not be communities at all (in the sense of sharing a common set of values or even sharing common problems and resources). Sardan (1999) is particularly blunt on this point and is worth quoting at length: "In numerous regions of Africa, despite appearances, there is no village property, or any equivalent of the former 'communal holdings' of rural European societies. If such holdings do have 'proprietors' or 'masters', who act in the interests of a 'group', these 'groups' are usually private ones, so to speak, claiming their rights against other groups of the same village, by asserting their own supremacy: the lineage of the descendants of the first settlers, or the founders of the well, or the first conquerors, or the last conquerors, or the first chiefs of the colonial administration, or the last chiefs of the independence administration, and so forth. Village infrastructures are not usually 'communal' or public, even if their usage happens to be public (and though there are strong moral constraints governing their accessibility)." See also Sharpe (1998, p. 31).

5. Hoddinott (1999) raises similar concerns in a review of targeting methods for food security and Abraham and Platteau (2000) discuss a number of reasons for why local information flows may be limited and local informants may be reluctant to provide information to outsiders. Rai (2000) approaches the issue theoretically, arguing that mechanisms designed to get community

members to truthfully reveal information about others are vulnerable to collusion, particularly under a soft budget constraint.

6. See also Coate and Morris (1995) and Wittman (1989).

7. Baland and Platteau (1996, 1997, 1998) provide some interesting theoretical propositions, with numerous examples of actual commons, and conclude that there is little *a priori* basis for judging the effectiveness of community decision-making.

8. The difficulties in planning for these national political economy issues were illustrated at the recent second Micro-Credit Summit. An exchange on the floor, summarized in the summit newsletter, went as follows: "In discussing a \$105 million World Bank loan to the Bangladesh government for PKSF, [Ismail] Serageldin said, 'Autonomy wasn't easy...credit to PKSF was blocked for about seven or eight months because the minister of finance insisted that they would name the head of the agency. Dr. Yunus [of Grameen Bank] and other microfinanciers said, 'No,' that the board had to name the CEO or else there would be no autonomy. ... I am happy to say that the World Bank, in fact, sided with the microfinanciers and as a result we do have PKSF and \$105 million went there. But there aren't many such examples.'"

9. Since in the return of democracy in 1990, however, the government has introduced several initiatives to integrate organized community groups into targeting programs. These include making local governments more accountable to local neighborhood committees, and rewarding organized community group projects through programs such as the FOSIS social fund (Graham, 1994).

10. In fact, the English poor law administrators developed an extensive body of regulations, known the

"law of settlements" that severely limited geographic movement between parishes and aimed to greatly further stigmatize those who accepted relief. Forty days witnessed residence without objection became the basic criteria for eligibility but those in charge of poor relief would, of course, often object to residence of poor persons, and send them back to their original parish. This then led to systems of certificates, so that officials could know where a person was originally from. Adam Smith, who became a vocal critic of the system, exclaimed at the time that "there is scarce a poor man in England of forty years of age, I will venture to say, who has not in some part of his life felt himself most cruelly oppressed by this ill-contrived law of settlements" (Smith, 1789, pp. 240–248).

11. Consider another angle on this same question, applied to peer-group microcredit programs. It is argued that many recent programs have succeed in achieving good repayment records because they use the poor themselves as financial intermediaries, for example, by using solidarity groups to encourage peer-selection and monitoring. But both theory and evidence suggests that in forming groups, borrowers have no particular incentive to choose poorer, more vulnerable partners. To the contrary, some evidence suggests positive assortative matching and a tendency to exclude poorer members (Ghatak & Guinnane, 1999).

12. Graham (1994) reports wide variability in social funds, with some programs (Zambia and Chile) doing reasonably well, and others doing very poorly (Senegal and Peru). See also Narayan and Ebbe (1997), Reddy (1998) and Tendler (2000).

13. We recognize, of course, that this type of intermediary agent—local leaders who are willing and able to challenge existing institutional structures—may be in short supply (see also Abraham & Platteau, 2000; Tendler, 2000).

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