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Review

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Notes and explanation of symbols

The following symbols are used in tables in the *Review*:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amount is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise specified.

A point (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1970/1971.

Use of a hyphen (-) between years, e.g., 1971-1973, indicates reference to the complete number of calendar years involved, including the beginning and end years.

Reference to "tons" mean metric tons, and to "dollars", United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual rates of growth or variation signify compound annual rates.

Individual figures and percentages in tables do not necessarily add up to corresponding totals, because of rounding.

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Nature and selectiveness of social policy

Ana Sojo*

It was in the 1980s that proposals for the targeting or focusing of social expenditure on the poor gained ground. These proposals contrast universality and selectivity in terms of a dilemma in a disjunctive relationship: targeting or universal policies, or targeting versus universal policies.

In this article various economic and political arguments are advanced in defence of combining universality and antipoverty selectiveness in a strategy of mutual support in order to ensure that social investment in the welfare of the population can come to maturity.

Section I deals with the evolution of the concept of targeting and criticizes some current proposals, taking into account both the equity and the effectiveness of social expenditure; section II presents some general guidelines for social policy in the 1990s; and section III points out some characteristics of dynamic selectiveness.

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Marco Polo was describing a bridge, stone by stone. "But, which is the stone that supports the bridge?" asked Kublai Khan. "The bridge is not held up by one or another stone", replied Marco, "but rather by the arch line that they form". Kublai remained silent, thoughtful. Then he added "Why do you talk to me of the stones? It is only the arch that I'm interested in." Polo answered, "Without the stones there is no arch".

Italo Calvino

I

Obvious and less obvious aspects of targeting

1. Evolution of the paradigm

"Targeting"¹ is the current proposal that has been most developed and has had most influence for modification of social expenditure. Although promoted by various agencies, the World Bank is the body that has worked it the most. In official documents and in proposals associated with the Bank, e.g., in unofficial studies disseminated or financed by the Bank, two stages can be seen, characterized by their significant shift of conceptual emphasis and by some important recent interpolations.

a) Targeting and redistribution with growth

In the 1970s the redistribution-with-growth debate impressed certain characteristics on the concept: it placed the crux of the analysis on the structural causes of poverty; it did not centre targeting on social policy; it did not propose a reductionism in social policy towards strictly selective programmes. Such intervention was only part of a spectrum of redistributive policies.

The poverty attendant on the concentration of income was related to the lack of skills, capital assets and complementary assets of a sector of the population. It was proposed that, in addition

¹The term targeting or target-oriented does not aptly express the idea of selectiveness and is even tautological, since all policy has a target population, defined as "focus" or "target", including universal social policies, from which targeting policies are held to be separate.

to acting upon employment and income distribution by type of activity, the State should reallocate public investment in such a way as to modify the underlying pattern of concentration of capital assets and human capital over time, in order thus to allow poor people access to such assets (Ahluwalia and Chenery, in Chenery *et. al.*, 1976). The success of the strategy, it was acknowledged, was limited by the resistance to asset-redistribution policies (*ibid.*).

Redistributive objectives, it was stated, should be pursued through a wide variety of areas of intervention: factor market ownership and control of assets, personal income tax and wealth tax, the provision of consumer goods, goods markets, and intervention in technological development. With regard to the latter it was stated: "It is unlikely that a single kind of economic policy intervention can succeed in achieving distributive objectives. Not only is each instrument limited, but also the objectives are typically multidimensional, and certain kinds of intervention would only have an impact on one part of the distribution problem" (Ahluwalia, in Chenery *et. al.*, p. 125) (unofficial translation).

Targeting also included assets as determinants of income. A target group was defined as "... a group of persons which, in addition to being poor, is relatively homogeneous in terms of the effect which a given set of policy instruments may have on it" (Dell and Duloy, in Chenery *et. al.*, 1976 p. 127) (unofficial translation). It was stressed that the concept —by focusing on the causes rather than the symptoms of poverty— facilitated the identification of *specific forms of assets* that could improve the living conditions of various groups of poor people (*ibid.*).

Targeting of social policy, with maternity-infant and nutrition services, was described as "... a necessary supplement of a strategy aimed at investment..." (Ahluwalia and Chenery, in Chenery *et. al.*, 1976, p. 77) (unofficial translation). In terms of public services, the criticism was made that the implicit subsidy would tend to benefit the upper and middle income sectors; it was proposed that the poor *should be afforded better participation and not be discriminated against in policy formulation* so that, by having access to such services, they too would raise their productivity (Rao, in Chenery *et. al.*, 1976); and

it was pointed out that it was necessary to eliminate any trickle-down of benefits to non-target groups in some programmes (Chenery and Duloy, in Chenery *et. al.*, 1976). However, fiscal difficulties were raised concerning the provision of more services to the poor without reducing them for other sectors and the resistance which these sectors would offer to the loss of their privileges (Rao, in Chenery *et. al.*, 1976).

b) *Targeting and structural adjustment*

Over time this position was modified, possibly by the impact of the political resistance already expected, by the debt crisis in the region and by the promotion of economic adjustment programmes to correct the external deficit. Interest then shifted to the symptoms of poverty.

In the 1980s the issue of targeting, as part of the controversy over how to promote social progress, underwent a conceptual change. The importance attached to physical and human assets in the 1970s in a broad series of policies shifted towards social policy proposals focused on programmes to combat extreme poverty. The concept of targeting became essentially synonymous with that of selectiveness in social expenditure; the earlier concept of selectiveness was limited with respect to assets; physical assets were considered only marginally, and in the case of human assets, on numerous occasions minimum thresholds were proposed for the meeting of needs.

On structural adjustment and poverty the World Bank stated: "Aside from ensuring that the adjustment programme is aimed at growth and elimination of the distortions that have an adverse effect on the poor, the other opportunities to modify adjustment programmes with a view to reducing losses in welfare of poor groups, without at the same time reducing general economic efficiency, are probably limited" (World Bank, 1987a, p. 25). And again: "The most important way in which financing by the Bank for adjustment purposes can benefit the poor is through scrutiny and review of public spending, in particular spending of a social nature. The rationalization of public expenditure and investment through an adjustment programme may help to eliminate uneconomic

projects, reduce the number of ineffective and costly programmes, and direct social expenditure to a greater extent towards the poor" (*ibid.*, p. 28) (unofficial translations).

Upon establishing that some social services are concentrated among high income sectors or that there is inefficiency in social expenditure, the World Bank generally proposes to focus on high-risk sectors: "...social programmes can be more cost effective and more equitable. If targeting is generally applied to public spending, it will be more effective, in which case there would be no trade-off between effectiveness and equity" (World Bank, 1988a, p. 13) (unofficial translation). Despite the differing characteristics of government social expenditure in each Latin American country and the specific nature of their problems, this position is common in World Bank proposals for Latin America,² and it can be summarized as follows:

- i) to help to resolve the fiscal crisis of the State through social policies;
- ii) to concentrate government social spending on the most vulnerable population through targeting policies;
- iii) to restrict State action in social policy matters;
- iv) negative evaluation of the concept of universality of services and criticism of universal policies because of the problems that they give rise to and because of their failures: it is proposed that the State should slowly drop universal policies through a relative and variable cutback in the instruments used for their implementation;
- v) a relative privatization of social policy is recommended, depending on whether

national or sectoral policy is involved. On occasion it is even proposed that private services should be used for targeting. In this connection, little attention is given to the problems caused by the private delivery of services;

- vi) confidence that the primary distribution of income and raising of the standard of living, as a result of "spillover" and an upswing in economic activity, will guarantee non-target groups the capacity to pay for using private services (ECLAC, 1988; Demery and Addison, 1987, p. 34; World Bank, 1987a).

Within this framework, the tension between universality and selectiveness in social policy becomes a dilemma: targeting versus universal policies.

c) *Some recent critical interpolations*

"...In effect, targeting has become a panacea for alleviating poverty, since it is suggested that policy-making authorities can jump on the bandwagon; in other words, that with improved targeting a greater alleviation of poverty could be achieved with less expenditure. Unfortunately, in the real world things are not so simple! There are good reasons why this paradisaical world is not the one in which policy-makers in developing countries live, and tough decisions will have to be made that weight up the costs and benefits of targeting" (Besley and Kanbur, 1990, p. 21) (unofficial translation).

In some recent studies financed or disseminated by the World Bank and by other agencies, certain difficulties are raised with regard to targeting, in two main aspects: its viability and technical suitability, and the political considerations. Both aspects have an impact on non-selective policies.

Increasing recognition has been given to the importance of political support in determining the effectiveness of structural changes. In the area we are interested in, this recognition has led to the distinction between tight targeting and broad targeting. Although it is argued that the first deals with considerations of effectiveness and social justice, the second is still desirable, for it brings in broader criteria of equity which enlist the political support of the influential middle groups in society and thus facilitate the implementation of sustained strategies of structural

²This does not mean a total absence of nuances in national and sectoral World Bank proposals. In an analysis of the nuances, even if they essentially relate to specific problems and contexts, it would be interesting to see to what extent they also reflect the impact of the ways in which each government negotiates with the Bank. There are, for example, certain claims made about Costa Rica, a country where universal social policies have prevailed and where such points proved controversial in adjustment negotiations. The Bank recognizes progress made in social matters and after analysing the problems of services and resources it proposes sectoral-targeting measures. But when it comes to education, where universal access to primary and secondary schooling and on-the-job manpower training is sought, it is striking that the comparative advantages of labour in Costa Rica are claimed to lie in the quality of human resources and not in low wages (World Bank, 1988b).

change (Nelson, 1989a and 1989b). The principle of broad targeting addresses those areas in which the interests of the poor sectors overlap with those of the middle groups and states: "If targeting is designed both to reduce political risks and to soften the impact on welfare of the subsidy reduction, the target group cannot consist *only* of the poor" (Nelson, 1989a, p. 107) (unofficial translation). Within this framework, when some programmes, such as food subsidies based on individual products or on place of residence cannot be targeted exclusively at the poor, this would prove to be more of an advantage than a drawback (*ibid.*, p. 111).

In addition, the little importance given to the package of antipoverty policies is considered to be a negative factor (*ibid.*, p. 103) and it is recommended that compensatory programmes be designed, as far as possible, in order to support or serve as models for more far-reaching endeavours in favour of the poor, rather than as substitutes or variations thereof (*ibid.*, p. 111). Such a proposal revives the emphasis of the 1970s.

Another recent study calls for the "economics of targeting". It states that, in contrast to the technocratic approach to poverty alleviation, which addresses primarily the information and administrative costs and undervalues there redistributive issues and the political conflict in play, it is important also to take into account the political support that various programmes can enjoy (Besley and Kanbur, 1990, p. 10). To this end, it is important to analyse the specific power structure of each country and its possible realignments: the balance of power determines programme continuity to a great extent; and the poor may be left out of political alliances when universal programmes are substituted for target-oriented ones. Adequate weighting of these factors could result in the exclusion of programmes that benefit only the population located below the poverty line, in order to draw closer to the more universally-oriented programmes that are the source of political cohesion (*ibid.*, pp. 11 and 12).

Both the instruments and the technical thinking on the issue have become increasingly sophisticated (Glewwe and van der Gaag, 1988; Glewwe and Kanaan, 1989). The benefit from targeting is defined as the additional amount

that would be required by a non-targeted budget to cater to the poverty level reached through targeting (Ravillion and Chao, cited in Besley and Kanbur, 1990, p. 14). It has been argued that policies which eliminate the causes of poverty, and not just their effects, can prove to be less costly over the long run, insofar as they allow the productivity of poor households to be raised (Glewwe and van der Gaag, 1988, p. 33).

Notable among the determinant technical factors for assessing the costs and benefits of targeting are the administrative and information costs, for it is difficult to estimate and verify low incomes that are often irregular, and also the marginal tax rates. Although they imply trickle-down effects, a positive evaluation is given to the use of indicators that are sufficiently correlated with income (e.g., regional indicators) in order to lower the administrative costs of other types of measurement (*ibid.*, pp. 12-17). In addition, it is proposed that the individual reactions to targeting should be taken into account: manipulation of information, demand reduced by the programme's content rejection of stigma, self-selectiveness (Besley and Kanbur, 1990).

In light of these technical considerations and of the economics of targeting — factors that act against "fine targeting" of the poor and suggest the advantages of universal schemes — the optimum strategy located between the two extremes is postulated, i.e., between perfect targeting and complete universality (*ibid.*, pp. 3 and 20).

2. Limitations of some targeting proposals

A criticism presented below does not refer to selectiveness as such, in the abstract, but to certain concrete proposals and certain assertions about the relationship of selective programmes to other social programmes.

a) *The fluidity of poverty line boundaries*

Owing to the impossibility of accurately determining the boundaries of poverty lines and to the vulnerability of groups close to the poverty threshold fixed in times of crisis, it is necessary to estimate the alterations produced in the standard of living by a change in the target population of social programmes when non-complementary targeting programmes are introduced. This must be done under very

diverse circumstances: both when the aim is to raise the redistributive effectiveness of social expenditure after it has been minimal, and when it is to eradicate poverty through a given transfer of total income, there having been a good redistributive effect of social expenditure treating the poor as a priority but homogeneous group.

When modifying the target population it is necessary to evaluate the redistributive capacity of existing programmes and to take the necessary steps not to leave the high-risk sectors unprotected or unwittingly create new areas of poverty. It is also important to consider the fate of the intermediate population, for its impoverishment is not desirable either.

b) *The potential ineffectiveness of social expenditure as a consequence of a static view of needs*

Some targeting schemes propose responding to the needs of age groups with a static approach, disregarding the future welfare of beneficiaries within the framework of social policy. Besides going against the goals of equity, this approach is a source of ineffectiveness, since it hampers the maturing of social investment. For example, if attention is focused on the various needs of high-risk persons only during the first years of life, it may happen that when they enter other stages of life—in the absence of suitable economic and social policies—these beneficiaries do not have their needs adequately met. This would be the case if their future depended on the income variable that is determined solely by market forces.

c) *One-sided arguments on social policy*

Targeting proposals tend to use the achievement of equity as an explicit benchmark for judging the effectiveness of government social spending. When equity is not achieved these schemes propose the privatization of services and the channelling of expenditure towards the poorest sectors of the population, and sometimes other social policy objectives are taken into account only marginally.

For example, some World Bank studies on education priorities propose strengthening government spending on primary schooling and drastically cutting back expenditure on univer-

sity education, and even discontinuing it.³ As part of the strategy to obtain the funds that would be required in Latin America to guarantee six years of education for the entire population, the following has been proposed by way of example: "The most obvious way to finance these measures is gradually to phase out higher education subsidies and transfer these funds to primary rural education. In the majority of countries government spending on higher education accounts for half of the expenditure on primary education. A substantial amount of public funds would, therefore, be freed up if higher education became self-financing" (Selowsky, 1979, p. 78) (unofficial translation).

With regard to equity, it is necessary to make some points about more equitable access to higher education if State support for it is maintained. The World Bank proposes promoting students loans and grants for those unable to pay. Redistributive assistance could also be facilitated by matching the cost of enrollment to the family income of the student.

However, in order to evaluate the efficiency of social expenditure it is necessary to consider its various objectives and not just its distributive effect. In the case of universities it is of utmost importance to weigh the consequences of their relative privatization for scientific and technological development (for example, whether weaknesses would arise which in turn would cause blockages in economic development).

d) *Reductionism in distinguishing between public and private goods*

The World Bank tends to differentiate between public and private goods, stressing that the latter should not be an object of government

³See Colclough, 1980, p. 19. A recent study on Brazil proposes, as a fundamental measure in education, to cutback State subsidies of higher education and to increase resources for secondary and university education (World Bank, 1988a, p. 64). In terms of rates of return it has been said ironically: "The reader who is unfamiliar with Bank statistics, particularly Economic Rates of Return as measures of project performance—is cautioned to take these numbers (as well as the somewhat strained distinction between poverty/non-poverty projects) with a grain of salt. Though they are cited as measurements by the Bank, they are indicators (sometimes convenient myths) that often serve to formalize what staff members subjectively know or believe in response to institutional requirements for "the numbers" (Annis, 1986, p. 109).

expenditure and basing target-oriented policies on high-risk groups to which some public goods and even some private goods —such as food— should be provided in the case of extreme poverty. It is recognized that "...while goods are public or private, that is a matter of degree and can vary over time and space. As a result, there are no simple rules for achieving an optimum level and allocation of public spending. It can nevertheless be said that government expenditure is more effective the greater its emphasis on public goods" (World Bank, 1988a, p. 4) (unofficial translation).

In social policy terms it is useful and necessary to distinguish between public and private goods. However, when making this distinction in recent studies the World Bank has shown two systematic biases stemming from a proposed means of privatizing health services and circumscribing access by poor sectors to certain services: i) a dubious correlation, unrelated to the criterion of considering who is the target: in general, the goods that imply higher per capita costs are identified as private goods; and ii) the use of limited yardsticks to measure enjoyment of benefits: limiting the social impact to the utmost excludes the positive externalities of goods and services simply classified as private.

These biases prevent enquiry into the positive externalities that are reciprocally created between social welfare and individual welfare. More than determining target groups, they lead to the exclusion of areas of social policy. In education, for instance, primary schooling is identified as a public good and university education as a private good (*ibid.*), establishing a kind of educational polarization that can be made more relative by taking into account for example, positive-sum elements of social welfare.

Moreover, the inadequate use of the concept leads to a limited definition of the so-called needs of the poor, e.g., the proposals on health when the treatment of high-cost diseases, such as heart or kidney disease is ranked as a private good, with the assertion that the cure would benefit only the patient.⁴ Or when it is simply

⁴An analysis of social expenditure in Brazil made by the World Bank shows that a large part of expenditure on health in Brazil is allotted to private goods, such as services relating to heart surgery and dialysis that benefit only individuals, it is claimed, and

asserted that the majority of curative services can be considered to be private goods (World Bank, 1987b, p. 700), and that the poor "tend to be more affected by health problems whose better solution lies in preventive programmes" (*ibid.*, p. 705) (unofficial translation).

To solve the problem of health-service financing in developing countries on the basis of these premises the World Bank proposes to reduce "...government responsibility for payment for health services that provide scant benefits to society as a whole (as opposed to the direct benefits to users of the service). In this way a greater pool of government (or public) resources would be available to fund services that provide substantial benefits to the whole of society. This proposal, by relieving government of the burden of spending public funds to defray health care costs for the rich, would free up resources, and thus more could be spent on the poor" (World Bank, 1987b, p. 696) (unofficial translation).

Thus, instead of defining health as a public good, this causes a kind of epidemiological polarization of society in which rich and poor are assigned a strict place and those diseases that are more typical of developed countries are identified as pertaining exclusively to the rich and their treatment as a private good. Nevertheless, it is important to point out that the poor, whether urban or rural, require more services (both simply preventive and complex treatment) owing to their precarious living conditions (Frenk, 1987, p. 720) and to bear in mind the social externalities of individual health.

e) *Regressive modification of charges*

Neoliberal criticism regards the universal provision of services as unfair because all persons benefit equally, irrespective of their very different needs and resources.⁵ The World Bank

curtail access to other public services (World Bank, 1988a, p. 4). See a similar distinction made in a World Bank proposal for all of Latin America in World Bank, 1987b, pp. 697 and 700.

⁵This expresses a very old perspective on social policy that, paradoxically, has as the consequence of a residual policy with meritocratic goals. Each individual will be able to satisfy his needs in the market-place according to his merit. Hence, the redistributive welfare objectives of the State are termed "egalitarianism" and analysed negatively. As Hayek states (1985, p. 158) (unofficial translation), "while equality before the law —the treatment of all

argues that universality creates inequalities and in some instances it proposes the privatization of services or else differentiation of the charges for public services in order to benefit those groups deemed to have priority. The proposal is generally associated with limitation of State action aimed at priority groups, with a preference for a private system that provides services to the sectors able to pay and even to high-risk groups. This fails to address certain issues, such as:

- i) cost increases within the framework of private provision of services, owing to their profit basis or inefficiency. As a negative example, it is worth bearing in mind the well-founded criticisms of the North American health system, whose private status is associated with high costs, problems of investment effectiveness and discriminatory access to services according to income;⁶
- ii) the probable regressive consequences of modification of service charges. This impact has been the object of concrete analyses, some of them financed by the World Bank. It was recently concluded on the situation in Peru: "It was observed that the introduction of user charges in Peru has the potential to raise cost-recovery income significantly, since the financial burden of the health system (and the associated loss of social welfare) is shifting from taxpayers to users. It was also found that the charges are regressive in terms both of access to the health system and of social welfare". (Gertler *et. al.*, 1987, p. 653).
- f) *Ownership of services and spurious correlations*

The assertion of spurious correlations between the optimum and the private provision of social services—the *ad hoc* rationale for an

by government according to the same laws— would seem to me to be an essential condition of individual liberty, any difference in treatment that is required to put people who are individually very different on the same level would seem to me not only incompatible with personal liberty but also highly immoral. But this is the sort of immorality towards which unlimited democracy is moving".

⁶See Navarro Vicente, 1989. This noted expert, professor of health policy at Johns Hopkins University and President of the International Association of Health Policy, clearly states these and other interesting issues in a comparison of the United States with Canada.

unlimited ideological choice for privatization—is also a serious matter. There is an example with regard to education:

"...there is no obvious indication that State-provided services are the best solution for poor families who cannot pay to educate their children. The needs of these families can be met through student grants or loans systems. As was indicated in chapter 1, public authorities can provide money for a service without providing the service itself. And there are strong arguments in favour of having private institutions serve these people: a private institution is more likely than a government to be more economical in the use of its teachers and other scarce resources and to have more incentives to avoid waste; and private schools are better equipped than State institutions to adapt their methods to new requirements" (Roth, 1987, p. 30) (unofficial translation; see also World Bank 1988a).

Such an option is liable to be broadly rejected in the real world.⁷

- g) *Potential administrative red tape and ineffectiveness*

Targeting implies establishing mechanisms to identify persons entitled to services. Sometimes sizeable sums can be spent from the funds available simply to set up a mechanism to determine the target group (Cohen and Franco, 1988, p. 37). In this case the achievement of the objectives is hampered and the expenditure becomes ineffective.

Let us look, for example, at the demands that the following proposal would imply in this respect: "...plans for mandatory insurance in low-income countries should not cover small and foreseeable costs, such as low-cost treatment, and should only absorb costs that may be considered catastrophic for a person. (Where it is possible to do so, the definition of catastrophic cost should be related to the family income level)" (World Bank, 1987b, p. 702). In this case other difficulties would be added to those already

⁷See the negative views on the North American health system in *The Economist* No. 7630, 1989, pp. 21-24. Also, the problems of social works in Argentina described by the World Bank and by Katz and Muñoz, 1988.

outlined, with the proposal of a virtually *ad hoc* and individual determination of whether a situation is catastrophic or not. The timing of the decision as to whether a situation is catastrophic

is crucial in this case, and yet the situation must be evaluated. In the case of health, even life may be jeopardized while the decision is being made. . .

II

General social policy guidelines for the 1990s

1. *Equity: the non-exclusive goal of social policy*

Economic and social policy are dimensions of development whose use to promote investment, employment and redistribution constitute the basis of democracy. Equity cannot be achieved by social services alone: to reduce it to this level implies misunderstanding its true nature and hinders the solution of its problems. Primary income distribution and employment are typical dimensions of economic policy that have major social effects. These and other dimensions show how economic policy determines social policy (ECLAC, 1986, p. 6 and ECLAC, 1987, p. 7). The establishment of co-ordinated goals between the two types of policy can create a virtuous circle, while lack of co-ordination between them makes for inefficiency in both.

To have unrealistic expectations with respect to social policy objectives, whether these have to do with redistribution, equity or social cohesion, means to set impossible tasks (Cohen and Franco, 1988, pp. 25-29). For their part, specific social policy objectives may influence economic policy, and some dimensions of economic policy could well be regarded as part of social policy; this is the case with the extension of social benefits through tax exemptions and through certain kinds of loan. The structure of economic property is also a determinant; it marks out the boundaries of a social policy's rationale and its margins of influence.

For effectiveness and equity it is essential to create functional relationships between production, distribution and redistribution of income. In the case of the poor, this means taking them into account not only because they are high-risk or needy but also because they are economic agents.

2. *Social policy objectives: a normative proposal*

Equity and social security as guiding objectives of social policy imply integrated, active and preventive social policy that does not simply react to emergency or temporary situations or serve as a mere palliative for the inequalities deliberately caused by economic policy in its social co-ordinates.

Universal policies and selective policies aimed at high-risk sectors should promote equal opportunities for access to and enjoyment of social services by modifying the effects of the market on income distribution and use. The complexity of social policy means that its restructuring in the direction of equity and effectiveness must be comprehensive and cannot be reduced to an end objective of a fiscal nature.

Where the beneficiaries are concerned, the universal and selective approaches constitute the poles of social policy whose various specific combinations —depending on the circumstances— form the spectrum of social policy. Any restructuring of services must address both aspects through a suitable interaction of universal and selective policies.⁸

With regard to equity, the regressive or progressive sign of universal or selective programmes cannot be analysed by considering each measure or policy on its own. The sign depends on the overall set of policies and their combination. Selectiveness is regressive —regardless of the concrete performance of some

⁸The matching or interaction of universal and selective policies relates to the strategy, i.e., to the interrelationships of the two approaches within the broad spectrum of social policy. In concrete programmes, taken individually, either approach could obviously be complementary or exclusive.

programmes— when it is part of a strategy of dismantling policies which have had a significant progressive impact. It is problematical when it suffers from some of the problems indicated in the preceding section on targeting or when there is a trickle-down effect. Universal policies are regressive when they do not adequately take into account certain characteristics of the recipients, or as a result of the regressive nature of their funding or of other factors such as inefficiency, trickle-down, etc.

These programmes are no less important for social integration and cohesion. By increasing the capacity to forecast results in the situations in which they operate they help to stabilize the rules of the game among the various players. There are different kinds of solidarity that contribute to cohesion —national, professional, family, religious, associational, etc.— which can be expressed in social policy; for this reason a relative balance should also be sought between the various types of logic and instrument of protection, which are even at times necessarily contradictory.

It is desirable to achieve positive-sum games through social policy, linking the needs of the various social sectors in the programmes. This is possible owing to what Jrgen Habermas calls "generalizable interests"; and in addition to achieving concrete objectives and increasing social cohesion it permits the social support base to be broadened to include the function of equity of social expenditure.

The ravages of the crisis in Latin America and the Caribbean and its serious social consequences make it necessary to set minimum national goals for meeting needs as one of the guiding criteria for the reform of social services; these goals should relate both to programme objectives and to the volume of investment. The constraints due to the crisis should not prevent the setting of such goals: we would point out that many social programmes in the region and throughout the world were developed even prior to the consolidation of post-World War II economic growth cycles.

3. *The dynamic effects of investment in social policy*

The effectiveness of the State is related not only to the immediate effects of its action but also to the long-term dynamic effects that its action produces. Expenditure having long-term effects therefore warrants special treatment. Such expenditure includes —in addition to spending to increase capital assets— investments in human capital in such areas as education, nutrition and health. Both are differentiated from expenditure whose main effect is to increase current consumption by programme beneficiaries (Foxley *et. al.*, 1980, pp. 28 and 29). The effectiveness of investments by the State in human capital should also be evaluated in the light of their long-term effects.

It is not advisable for State programmes to count only on increased current consumption in fighting extreme poverty. It is very important that the long-term dimension of nutrition, health, education and housing services, in conjunction with adequate pay and employment policies, should contribute to meeting the basic needs of the beneficiaries and act against the transfer of poverty from one generation to another.

On the other hand, State social policy should not be limited only to the fight against the manifestations of extreme poverty. This would restrict at several levels the dynamism produced by State investments in human capital. For example, preventive actions could be neglected in such areas as health and nutrition; there is also the risk of eliminating the externalities of State social policy represented by investments in human capital which go beyond equity, understood as guaranteed satisfaction of minimum needs, and can contribute to systemic cohesion, social mobility and technological development.

4. *Forward and reverse linkages in social policy*

The effects of forward and reverse linkages in social policy *vis-a-vis* the economy are usually recognized. It is then stated that some programmes, by affecting demand and broadening

the market, can create strong reverse linkages with production and income (World Bank, 1988, p. 67). Reverse linkage would result from the impact of demand growth on supply sectors or of the decline of other sectors; and forward linkage would result from the supply of social services insofar as they serve as an input in some activity.

These considerations can make a twofold contribution: on the one hand, to identify the major beneficiaries of social projects, who do not always coincide with the target population; and on the other hand, to evaluate the attainment of project objectives and determine their coincidence with national priorities (Cohen and Franco, 1988, pp. 222 and 223).

At the risk of speculating, we want to use the metaphor of linkages in order, giving it another connotation, to identify the interrelationships of social policies and the relationships of social policy with the economy.⁹ We thus wish to highlight the importance of promoting the ripening of investment in social policy through effective relationships between the various programmes that help to increase welfare. The relations are termed necessary owing to the complementary nature of the various aspects of welfare which implies the simultaneous consumption of the relevant goods and products. Maturity is expressed in the joint effect of the programmes which enhances the impact of what the individual and isolated effects of each programme would have been. This produces an accumulated effect in social policy quite apart from the progress attained in a limited area over a limited period of time.

We define reverse linkages in social policy in its own field as the negative or positive effects

that a measure or programme produces on demand in comparison with other social policies or programmes. Forward linkages—positive or negative—are the effects on other social programmes—either promotion or hindrance—of the supply of services deriving from a measure or programme. These linkages are internal.

For their part, reverse linkages of social policy with economic policy describe the positive or negative demand effects that social policy requires from economic policy. Forward linkages describe the positive or negative conditions that the supply of social services creates for the adoption of economic policy measures. These linkages are external.

The linkages are inherently determined by the characteristics of the goods produced and by the way in which they are produced. But here they are not understood strictly as productive inputs for a good. In this area, an attempt could be made to use terms such as fiscal links (as in Hirschman, 1984) or income links.

Some linkages are determined by the various needs of individuals which viewed dynamically, give rise to social policies with permanent effects, e.g., health and education programmes suited to the various life stages. Others are conditioned by the simultaneous care afforded various sectors of the population. An example of a reverse linkage of education is that a good educational yield requires a healthy and well-fed population; an example of a forward linkage of education is that, with the achievement of certain habits and knowledge, it helps to improve nutrition and health; this implies intersectoral linkages of social policy (repercussions of decent housing on health and education) and intrasectoral ones.

Social policy has a reverse linkage with economic policy, via the funding required, and a forward one because it creates a better base on which to increase income by raising labour productivity. Potential or effective (active) linkages may be the subject of social and economic policies or not. A conscious attempt must be made to reduce the negative ones and promote the positive. In our opinion, disregard of them could lead to failures and to greater outlays due to possible unforeseen negative effects caused by the reciprocal blocking of different measures. But, if positive linkages are reinforced, suitable

⁹Our aspiration, perhaps unrealized, is to engage in a directed speculation. When using the concept of the effects of reverse and forward linkages in another field, we borrow only its higher-order predicates, i.e., those that "predicate something of properties or relationships. Examples of these higher-order predicates could be "symmetrical relation" and "biological property" (Bunge, 1986, p. 268). Looking into homologies of relationships we "export" these predicates of order and relationship to another field (*ibid.*, p. 226). In this way the concept, assigned a new meaning in another field, serves to create a new concept. We select the original concept because its connotations provide an adequate background for what we wish to express; thus, the new concept evokes relationship aspects of the original one which can promote dialogue on social policy. Of course, some formulations of the new concept paraphrase formulations pertaining to the original one made by Hirschman (1973 and 1984).

interrelationships between social policies will be consciously promoted. In the relationship between economic policy and social policy this is equivalent to creating a virtuous circle.

Within the domain of social policy itself, it is fundamental consciously to reinforce potential positive forward and reverse linkages to promote different programmes on a reciprocal basis. Such reinforcement can help to ensure: a) the efficient and effective use of social expenditure; b) social policy continuity which allows for sustained maturing of expenditure over time; and c) fuller achievement of equity goals. This means determining the amount and kinds of linkages within social policy, i.e., their interdependence, and their linkages with economic policy. The characteristics of the problems to be solved and the classification of needs or shortfalls can be the focus for analysis of the importance and viability of linkages. The direct and indirect impacts of social policy can then be ascertained, as can the relationships to be promoted in the light of their potential importance and viability. This will help to establish priorities in programmes with strong linkage effects and reject those with undefinable or unlikely linkages or those that are unsuitable in terms of the established objectives.

What is involved is a dynamic perspective, for the promotion of suitable linkages requires a period of development and is subject to change owing to cumulative effects.

5. The volume and rationalization of social expenditure

Social services can be defined as the institutionalization over time of a given resource distribution pattern (Mishra, 1984, p. 33).

Selectiveness relates strictly to the identification of specific target groups; it is not synonymous with the limitation of social expenditure. So much so that in critical situations attending to the high-risk population can imply increased social spending. Given the political will, the increase in social expenditure would be unavoidable in those countries that have allocated a minimal budget for this purpose. When cuts in public social spending have been associated with a deterioration of the living conditions of the population, it is imperative to make

an effort to restore adequate levels of spending. Also, in some cases resources could be reoriented towards social policy, e.g., in countries where military spending is very high. This obviously implies complex political processes relating to peace-keeping and the establishment of democratic and stable rules for coexistence.

In all cases unmet national demands that cannot be covered by setting up mechanisms for rationalization of expenditure force an extension of public social spending. To do this it may possibly be necessary to enlarge the State's resources, and this brings us —among other things— to debt relief, to fiscal reforms to increase the progressivity of taxation, and the redistributive assistance in the funding of social services.

When resources earmarked for selective purposes are not new but reallocated from other programmes, it is necessary to safeguard against detriment to other useful social policy objectives, for example when preventive action in health and nutrition is transformed into curative action.

Better co-ordination with private social policy initiatives (of non-governmental organizations and others) is also required. These initiatives should not be confused with the private delivery of services through the market, since they are non-profit. To improve the effectiveness of programme coverage it is necessary to introduce reforms at various levels. The possibilities of broadening the spectrum of target groups through resource reallocation and organizational changes should be explored. The more efficient use of resources through the introduction of expenditure rationalization mechanisms offers various means of broadening social services or improving their quality.

If it is a matter of dismantling public services (e.g., self-financing of higher education) and not of reforming them, it is important to consider whether tax avoidance by high-income sectors would increase in response to a goal of channelling social spending very strictly towards target-oriented policies. This is crucial when the tax rate is low and social expenditure scant.

Within the framework of the universal provision of services or services directed to broader sectors, selectiveness criteria could be applied to alleviate poverty when payment for services is not uniform: the redistributive aspect

can consist precisely of combining the same kind and quality of services with payment differentiated according to income. From the point of view of redistributive assistance, unequal contributions based on income levels should ensure basic services for all (ECLAC, 1988).

6. Social policy, technological innovation and productivity

In periods of transition towards a new phase of economic development geared to technological innovation and increased productivity, the role of social policy is vital with respect to employment. In the face of changes in technology, resource allocation, industrial retooling and restructuring of the State, all promoted in order to raise productivity, the vulnerability of labour can be affected by economic and political constraints that lower job mobility. And this for obvious reasons: in the absence of other measures, overcoming the constraints simply causes unemployment.

It is possible to increase labour mobility and to pursue equity if the State promotes manpower-training policies and subsidizes unemployment, within the framework of industrial refitting, the promotion of new exports and reform of the State. In countries with an extensive informal or underground economy these policies are essential means of raising industrial productivity.

In the area of education and human resources it is possible to combine innovations which work against technological development in relatively less developed countries, help to develop the productive sector, and promote democratization by putting technologies within the reach of low-income children.¹⁰

Improvements in productivity should contribute, for their part, to a lowering of service delivery costs, which would have a positive impact on social spending.

7. On public and private goods

According to the classical definition of a pure public good formulated by Samuelson, individual consumption of this type of good does not reduce

or impede another individual's consumption—in contrast to what occurs with private goods that are divided and distributed to different individuals. The debate on the virtual inexistence of any public goods thus defined led to the assertion that public goods are an extreme and that goods possess various degrees of publicness and various levels of non-exclusiveness in price and non-competition in consumption.

It is useful to distinguish between public and private goods in order to identify suitable areas for public expenditure: the greater the actual publicness of the goods, the greater the effectiveness of public spending. Since there is no objective distinction between the two, to establish a distinction inevitably involves ethical and value judgements. It is essential to consider the interrelation of individual welfare and social welfare, i.e., to examine the reciprocally positive externalities that generate social and individual welfare. Otherwise, a criterion for public action becomes a source of exclusion of areas of social policy.

It is also useful to remember a characteristic of public goods highlighted by Hirschman: "it is not only that all can consume them, but that *one cannot avoid using them* unless one exits the community that provides them. Consequently, whoever says public goods says public ills" (Hirschman, 1977, p. 100). For this reason, and because of the public dimensions of private goods, "it is impossible to avoid them completely. Despite one's exit, one continues to be a product user or at least of its external effects from which we cannot escape" (*ibid.*, p. 103).

These ideas constitute a good argument against zero-sum views in social policy. It is unrealistic to think that poor conditions of health, education and employment *exclusively* affect those who suffer them in the flesh. As Hirschman points out, "Obviously, a private citizen can "exit" public education by sending his children to a private school, but at the same time *he cannot* exit it, in the sense that his life and that of his children will be affected by the quality of public education. There are many goods of this nature that are ostensibly private that we can purchase or not purchase; but they entail a public good dimension (what economists often refer to as 'external economies'), such that *their mere production and use by others, affects, dignifies or*

¹⁰ See Fonseca, 1989, on the computer education programme in Costa Rica.

degrades the life of all community members" (*ibid.*, p. 101) (author's emphasis) (unofficial translation).

Over and above the unmet needs of a broad sector of the population, the increase in crime, political polarization, civil war, and social disintegration in which some countries virtually find themselves, or the impossibility of recovery of output owing to the lack of skilled labour, are

irrefutable proof of the national repercussions of restricted use or denial of goods with public dimensions on large sectors of the community. On the other hand, enjoyment of public goods, such as social integration in democracy, good health and education indicators, and high capital and labour productivity in a society, among other elements, represent forms of synthesis of proper community enjoyment of various kinds of goods.

III

Some guidelines for dynamic selectiveness

Selective programmes will be more effective and avoid dependence on the State by the needy to the extent that they are co-ordinated with measures to combat the structural causes of poverty. The design of such programmes implies: a) evaluating the redistributive characteristics of public social spending; b) identifying areas of selective spending; c) using suitable instruments; d) taking account of their interrelation with universal programmes or those intended for other sectors of the population.

1. *On the quality of selective services*

By definition, selectiveness in social policy presupposes the exclusion of certain income groups from certain programmes. It is essential to safeguard against the exclusion leading to poor quality of services owing to the weak political clout of poor sectors. In Hirschman's words (1977), we can postulate that "a proper exit" or an exclusion of non-incorporated social sectors is essential: the "absentees" should continue to ensure the quality of the selective public good; when ceasing to consume a public good directly, people should not behave as if it were a private good, for in that case an "exit" or ending of consumption, in turn, ends the relation between the client or member and the product or agency that is being dropped.

In social policy the direct users determine only partially the quality of the service. The social sectors with greater political and economic power are the ones which can have a greater influence on the quality of public services. If

selectiveness is not to be synonymous with low-quality stratified services for the poor, the excluded sectors should continue to care about the quality of services, even if they are not direct users. The rationale for such conduct can be based on what Hirschman says: "total exit is impossible" since, in a sense, the excluded continue to use the product (*ibid.*, p. 99).

2. *The importance of identifying poverty*

Perfect selectiveness requires total transparency of expenditure levels by individuals. In the real world selectiveness is imperfect: it is carried out on the basis of faulty information on eligible beneficiaries.¹¹ Depending on the identification of poverty, two basic kinds of selectiveness can be distinguished.¹²

Selectiveness is direct when the choice of beneficiaries is made individually, on a case-by-case basis, determining whether the persons or family groups meet the requirements of the programme objectives. This means obtaining specific and detailed information on groups or households that is generally obtained from the households themselves. A very detailed profile of poor households is required in order to deter-

¹¹We have taken the distinction originally proposed for targeting from Glewwe and Kansan, 1989, p. 22, an unofficial study financed by the World Bank.

¹²With very slight changes, for the purposes of this distinction we again use the one originally proposed for a targeting strategy in Glewwe and van der Gaag, 1988, pp. 28 and 29.

mine their eligibility; owing to the imperfections of the information, the greater the degree of selectiveness intended, the more difficult selectiveness becomes. This mechanism also demands that information be updated every so often; moreover, the evaluation of programme results should essentially be done on an individual basis. It may be inappropriate to make the selection only on the basis of data obtained directly from the potential beneficiaries because of the possible biases, especially if these biases can influence the potential use of data (*ibid.*, Glewwe and van der Gaag, 1989, pp. 31-33).

Selectiveness can also be based on general information on possible beneficiary groups or households (e.g., through a household survey), from which one identifies the beneficiary group, region or community and their needs. In this case the ways in which the programme operates are also changed. Selection criteria can include variables of territory or region or mode of occupation (informal or precarious jobs in workshops, co-operatives, etc.); different combinations of criteria could also be made.¹³

Clearly, to opt for direct selectiveness or selectiveness according to certain general criteria, we must have various kinds of information available. When choosing a type of selectiveness, it is wise to ascertain what kind of information is available whether it is possible to obtain additional information, and what the costs are. It is advisable to draw on the store of information on coverage and quality of services and their effects which has traditionally been handled by public agencies responsible for sectoral social policies (Vergara, 1990), and to organize a comprehensive social information system.

In terms of the effectiveness of social spending determined by cost-benefit analysis, it is imperative to ascertain what information is worth gathering. This decision is affected by the poverty line selected, the definition of poverty used, the amount allocated to poverty alleviation, and the initial information available. If poverty can be reduced to a great extent with a fixed amount of resources by using additional information, and if the savings due to selectiveness exceed the cost of obtaining the additional

information, then it should be corrected (Glewwe and van der Gaag, 1989, p. 22).

The identification of the key characteristics of the poor and of feasible policies for fighting poverty requires competent and timely research; in some cases this can constitute a constraint (Glewwe and van der Gaag, 1989, p. 34). If, paradoxically, there is a correlation between the greater extent and intensity of poverty and the various constraints on such research on selectiveness (infrastructure, skilled personnel, adequate budget), it is better to opt for indirect selective mechanisms.

The poverty indexes used should be suited to the kind of vulnerability or basic needs that are to be addressed. It is not advisable to develop a global poverty index to serve as a basis for granting very diverse subsidies: its use prevents specific solutions and excludes persons who display acute needs in some respects owing to the overestimate of values in other variables.¹⁴

The kind of need detected will have to be expressed in the programme profile. The way in which the poverty is to be alleviated will then determine the use of the appropriate mechanisms, the introduction of measures that are outside the field of social policy, the relationship between individual transfers to beneficiaries or the promotion of regional and community programmes, etc.¹⁵

3. On sectors excluded from selectiveness

To draw a poverty line presupposes a value judgement, as does the setting of goals. In this case it must be determined whether, with the policies adopted, the aim is to eradicate poverty or whether a level of poverty shall exist and only poverty in excess of that level shall be fought.

When non-selective programmes are eliminated or cut back, it will have to be decided whether they have benefitted those sectors adjacent to the poverty line which are to be the focus of the whole effort. In order to prevent new areas of poverty it is necessary to consider changes that may occur in the standard of living as a result of changes in the target populations.

¹³Criteria offered by Vergara, 1990, as alternative approaches to targeting in Chile which we believe to be of general interest.

¹⁴See footnote 13.

¹⁵See footnote 13.

There are several reasons for this: a) the fluidity of poverty-line boundaries; b) the relative inability of these lines to indicate the depth of poverty; c) the vulnerability in crises of groups located slightly above the cut-off poverty lines.

It is also imperative to evaluate the repercussions that all this has on the intermediate population (e.g., for the third income quintile). If one of the social policy objectives is to promote social mobility and equity, it is not advisable to cause—through selectiveness combined with the abandonment of these sectors—their impoverishment by the cost of paying for access to private services. The deterioration of their living conditions through lack of access to services such as health and education, among others, would stem from the income elasticity of private spending in such areas.

In order to exclude sectors is not enough to prove that sectors with relatively good incomes have benefitted; it is also necessary to consider the tax contribution made by the different sectors. It is advisable to exclude those which while able to do so, do not make any contributions, or else to raise their contributions. Exclusion is not right when the tax contribution of those that are eventually excluded is essential. In Chile, for example, middle-income groups

paid substantial contributions at the end of the 1960s and obtained State benefits in almost equal proportion to their contribution to revenue; i.e., they self-financed such benefits through taxes (Foxley *et. al.*, 1980, pp. 183-188).

4. Changes in the sectors chosen and in the population in general: challenges for selectiveness

Various reasons compel us to consider the dynamism of the population at the time the target groups are established:

- i) the effects on the population of the social policies themselves, or of economic policy on employment and wages;
- ii) the simultaneous care of needs relating to the various areas and stages of the life of the population, in order to reinforce welfare and ensure that investment in social policy comes to fruition;
- iii) the goal of helping to create positive reverse and forward linkages of selective policies; and
- iv) the objective of making the reciprocal promotion of the various social policy programmes feasible by acting on the interrelated manifestations of poverty.

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