Effective Targeting of Cash Transfer Programmes in an African Context: Lessons Learned from the On-Going Evaluation of Two Cash Transfer Programmes in Kenya

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Abstract

In light of the widely documented success of cash transfer programmes in Latin America, donors and policy makers are exploring ways to introduce similar interventions to Sub-Saharan Africa. Especially in resource-constrained Africa, financial efficiency dictates that cash transfers are effectively targeted to those that are intended to benefit; from a poverty-reduction perspective it is important that this coincides with effectively targeting the poorest households. However, two significant challenges to effective targeting are particularly acute in many African countries. First, the very high poverty rates observed in many African countries complicate determining a suitable target population for a cash transfer programme. In some countries, targeting everyone below the official poverty line could imply targeting well over half the country's population, which may be fiscally unsustainable. The challenge then becomes to determine which sub-set of the poor to target. Defining the 'extreme poor' and distinguishing them from the 'poor' in a reliable and socially and politically acceptable manner may not be straightforward. Second, designing effective and operationally feasible mechanisms to target a given population is technically complex and resource-intensive. The required technical and material capacity may not exist in the institutions responsible for the cash transfer programme, particularly given the traditional weakness of African social welfare ministries.

This paper presents two case studies of targeting challenges by analysing two cash transfer programmes that together form the basis of Kenya's social protection strategy. The Cash Transfer programme for Orphans and Vulnerable Children (CT-OVC) targets poor OVC households in 37 districts of Kenya, and currently provides regular cash transfers to over 25,000 households. Second, the Hunger Safety Net Programme (HSNP), currently in start-up phase, pilots three targeting mechanisms to identify 60,000 'extreme poor/food insecure' households in 13 districts of northern Kenya. Oxford Policy Management, a UK-based development consultancy company, is undertaking the evaluation of both the CT-OVC and HSNP, the latter in partnership with the Institute for Development Studies. Both evaluations will incorporate an analysis of targeting effectiveness (as well as impact and operational effectiveness). Both evaluations are underpinned by a household panel survey (with a quasi-experimental randomised control-treatment design), complemented by qualitative fieldwork.

We describe and analyse the multi-stage targeting process for the CT-OVC. Analyses of the programme's targeting effectiveness shows that it is having difficulties directing resources at the poorest OVC households, for two main reasons. First, the allocation of the numbers of recipients to be included in the programme *between* districts does not closely reflect the distribution of the number of poor OVC households. Second, the recipient selection process *within* each district and location is not sufficiently effective at identifying the poorest OVC households. In the HSNP three alternative targeting mechanisms are being employed to allow a direct evaluation of relative targeting effectiveness: a community-based selection mechanism where communities themselves identify the poorest 50% of households to benefit from the programme; a social pension targeted at individuals aged 55 and over; and dependency-ratio approach. The paper presents first-hand challenges and solutions to effective design, implementation and randomised evaluation of targeting in the HSNP.

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Abbreviations

ASAL	Arid and Semi Arid Lands
CT	Cash transfer
CT-OVC	Cash Transfer Programme for Orphans and Vulnerable Children
DCS	Department of Children's Services, Ministry of Home Affairs
DFID	Department for International Development
DHS	Demographic and Health Survey
EA	Enumeration Area
GOK	Government of Kenya
HIV/AIDS	Human Immunodeficiency Virus/Auto-Immune Deficiency Syndrome
HSNP	Hunger Safety Nets Programme
ID	Identity
IDS	Institute of Development Studies
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
Ksh	Kenyan Shilling
M&E	Monitoring and Evaluation
MC	Managing Consultant
MIS	Management Information System
MOHA	Ministry of Home Affairs
OPM	Oxford Policy Management
OVC	Orphan or Vulnerable Child
OVCs	Orphans and Vulnerable Children
POS	Point of Sale (device)
PPP	Purchasing Power Parity
SCUK	Save the Children UK
UNICEF	United Nations Children's Fund

1 Introduction

Since the early 1990s, development policy has increasingly focused on combating poverty and providing social protection for vulnerable groups. There are many types of anti-poverty and social protection interventions, ranging across health promotion, education, counselling, public works, and food aid. Recently, however, cash transfers have received significant attention after well documented successes of conditional cash transfers in Latin America (see e.g. Rawlings and Rubio 2003) and (largely) unconditional cash transfers in Africa (see e.g. Devereux et al 2005). As a result, many governments and donors are turning to cash transfers as the mainstay of their poverty reduction and social protection policies (see e.g. Government of Kenya 2009; DFID 2005; Fizsbein and Schady 2009).

Few governments or donors are willing to transfer cash to entire populations, and prefer instead to transfer cash to sub-sections of a national population. In other words, most cash transfer programmes are 'targeted', usually placing deprived areas, households or individuals in the cross-hairs.[1] Targeting is not straightforward. It can generate significant savings by reducing the number of payments and can make significant contributions to reducing poverty and inequality (by focusing transfers on the poor). However, it can also go badly wrong when the wrong people are kept out or are included, leading to political, economic, and social consequences that can damage both the programme and social cohesion, or can generate perverse impacts.

This paper explores issues in targeting cash transfers in sub-Saharan Africa, where limited budgets make targeting a seemingly attractive proposition. It suggests that poverty targeting in sub-Saharan Africa is fraught with tensions, since limited budgets are often combined with high poverty rates and limited administrative capacity to target effectively. It discusses two examples of targeted cash transfers in Kenya, presenting findings on the targeting of a cash transfer on households containing orphans and vulnerable children, and discussing proposed targeting mechanisms in a cash transfer programme operating in the arid north. These examples generate conclusions on targeting cash transfers in sub-Saharan Africa that indicate the need for further thought on targeting.

1.1 Why target?

There are three principal reasons why targeting is a sensible objective when designing and implementing cash transfer programmes.

First, budgets are constrained, and transfer programmes save money by not making transfers to those (usually the 'non-poor') who do not need them. Targeting therefore improves the efficiency and cost-effectiveness of programmes (Sharp 2001). Higher proportions of non-poor in the population tend to increase the saving from targeting. Related to this, targeting can improve programme effectiveness with a limited budget by providing those who need support with sufficient resources, rather than spreading resources too thinly to make much difference. There is a humanitarian argument for prioritising those most in need of assistance, and targeting is designed to achieve this prioritisation. As the World Food Programme's handbook states, "the purpose of targeting is to identify those most in need and ensure they are covered by an intervention," (WFP 2000, quoted in Sharp 2001: 3).

[1] See Sen (1995) for a discussion of the inappropriateness of targeting as a metaphor for selecting recipients of programmes: it is not only oddly combative but also assumes static passive 'targets'.

Second, effectively targeted transfers reduce inequalities of various kinds, which can have positive effects on poverty reduction and economic growth (Ravallion 2003). Ravallion (2003) details theory and evidence suggesting that reducing inequality (through, for instance, targeted programmes) can have positive effects on growth because:

- Spatial inequalities are linked to growth through market failures, so improving equality across geographic areas can improve growth (Jalan and Ravallion 2002; Ravallion 2002).
- Crime rates stem from inequality and reduce growth (Bourguignon 2001; Ozler 2002).
- Membership-based inequalities reduce growth by perpetuating poverty amongst ethnic groups that are 'poor' (van de Walle and Gunewardena 2002).
- Smaller farm holdings generate higher yields per acre due to factor market failures stemming from asymmetric information, so redistribution from high to low landholdings raises aggregate output (Binswanger et al 1995).
- Theory suggests that growth rates of individual household incomes are increasing functions of their past values, due to credit market failures. Evidence for this comes from panel data in China (Jalan and Ravallion 2001) and Russia and Hungary (Lokshin and Ravallion 2001).

Third, targeting transfers to deprived groups may provide insurance against risks that constrain investment and growth. Ravallion (2003) suggests an example of a worker with no access to finance whose income derives solely from their labour. The worker can work – and therefore earn – only if past consumption is above a critical threshold, above which productivity rises with diminishing returns to consumption. In this model a temporary shock – such as the loss of a job for a week – can result in permanent destitution. But even a temporary transfer could allow the worker to escape permanent poverty and lead to increasing productivity. Ravallion (2003) notes that evidence for this is mixed, since (albeit imperfect) informal safety nets often help individuals to escape this poverty trap by making private transfers to individuals falling below the consumption threshold. However, informal safety nets do not always work, and have broken down in many chronically poor areas or areas where there is significant covariate risk. In addition, there is mixed evidence for the social costs – and better evidence for the welfare costs – of uninsured risk.

The power of these three arguments for targeting a cash transfer towards a sub-section of the population depends on the distribution of income (or deprivation) in the population in which the cash transfer will take place. The cost savings through targeting is larger when the target group is small relative to the entire population, other things being equal. The value of prioritising a group of needy is larger when a group is particularly needy relative to others, other things being equal. Combating inequality with targeted programmes is more effective when worse off groups are easily identifiable and inequalities and risk can be feasibly removed. Moreover, targeting involves practical difficulties, costs, time, and potential negative consequences on households and communities that must be prevented. Successful targeting requires, therefore, well developed administrative capacity and resources, sustained political support, technical skill, and a receptive social environment.[2]

In Latin America, political support, developed administrative capacity, and relatively small numbers of identifiable poor individuals made cash transfers targeted on poverty feasible and quite successful. Fizsbein and Schady (2009: 78-9), in their review of conditional cash transfers, point out that "targeting results seen to date…reflect the political will and technical

[2] We return to this below.

effort made in the countries concerned." The middle income Latin American CCT programmes, they continue, have "a fairly similar experience in using a combination of geographic targeting and proxy means testing and in devoting considerable effort to implementing these targeting systems well."

Donors and governments attempting to follow Latin America's lead and implement cash transfer programmes in sub-Saharan African countries need to understand the implications of the very different political, administrative, financial, economic and social situations in these countries. With some exceptions, most cash transfer programmes in Africa to date have been quite narrowly targeted – for instance on the elderly, poor children, or individual communities. These have had mixed success in targeting (see Wahenga 2008b for a negative assessment and Devereux et al 2005 for a more mixed overview). Equally, however, most targeted cash transfer programmes envisage going to national scale or learning lessons for national scale targeted transfer programmes.

However, it is not immediately obvious whether targeting cash transfer in most sub-Saharan African countries is sensible. Three factors are in tension with each other. First, most countries face severe budget constraints, certainly compared with Latin American countries, implying that targeting is desirable and perhaps absolutely necessary. Second, however, many sub-Saharan African countries have weaker administrative capacity than in Latin America, raising questions about the government's ability to implement heavy targeting effectively. Third, moreover, most countries have very high poverty rates, and very little difference between the incomes of most poor people (Ellis 2008), which makes it very difficult and often undesirable to define a small target group. Typically, faced with this scenario, governments and donors have either started 1) pilot cash transfer programmes on a small scale (tightly targeted in geographic and sometimes poverty or categorical terms – e.g. on poor orphans in certain districts), or 2) national programmes with high levels of donor funding, and/or narrow targeting – e.g. on the elderly, or on children. These responses beg the question of whether the implementation of the Latin American model of cash transfers targeted on poverty in sub-Saharan Africa is a far-fetched myth, or whether it can be made reality.

1.2 Structure of the paper

This paper sets out the rationale for and problems of targeting cash transfers on poverty in contexts common in sub-Saharan Africa. It provides an analytical framework with which to analyse targeting from a performance point of view (how well do programmes target poverty/other objectives?), and applies this to two targeted cash transfer programmes in Kenya, where cash transfers form the basis of the Government's social protection strategy (Government of Kenya 2009). We then discuss whether these programmes are likely to be viable at a higher scale, and what lessons can be learned for scaling up.

For the first cash transfer programme, the Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC), which is targeted on poor households containing orphans and vulnerable children (OVCs) in certain districts of Kenya, we draw on quantitative data and qualitative research on targeting. We analyse the sources of inclusion and exclusion error that arise from 1) the design of the programme (because, for instance, households containing OVCs may not be most deprived), 2) the implementation of targeting (because, for instance, those targeting the programme included only their friends), and 3) changes over time ('dynamic errors' that arise from changes to households' composition or wealth).

For the second programme, (the Hunger Safety Net Programme) targeted on chronically poor households in northern Kenya, we discuss the three targeting mechanisms that have

been proposed. The programme is testing and comparing three targeting mechanisms: community-based targeting, a social pension, and targeting based on a household's dependency ratio (the ratio of able-bodied adult workers to those who cannot work because they are young, old, disabled, or chronically ill). We present these mechanisms in more detail, indicate how quantitative and qualitative research will assess the performance of these different mechanisms, and discuss their likely effectiveness.

The final section concludes with implications of these examples for scaled up targeted cash transfers in sub-Saharan Africa. Overall the likely model for national cash transfer programmes in Africa will be to keep targeting reasonably tight and therefore the programme affordable. It would appear that in the current context the most viable option for doing so is actually to not explicitly target poverty, rather to use a categorical plus means-testing approach. Another key lesson is the importance of high levels of administrative capacity in ensuring effective targeting. A well designed targeting mechanism (i.e. with low errors of inclusion and exclusion in design) can fail if its implementation is not effective in identifying and enrolling eligible households and minimising fraud and corruption. This is a very important consideration because targeting errors can seriously undermine the social and political support for a cash transfer programme, both in the country in which it is being implemented and also in the donor countries. Finally, it is clear that targeting mechanisms need to be dynamic. People are not passive targets, but move about once the initial snap-shot has been taken (Sen 1995). In the absence of effective re-targeting systems, significant dynamic targeting errors will arise. If they are not doing so already, the problem of designing and implementing effective graduation and exit systems is something that current generation of African cash transfer programmes will soon be grappling with.

2 Targeting cash transfers in sub-Saharan Africa – a theoretical framework

This section first applies the costs, benefits and feasibility of targeting to sub-Saharan African countries more closely and second presents an analytical framework for assessing targeting.

2.1 Are targeted cash transfers in sub-Saharan Africa desirable and feasible?

It is far from clear that targeting cash transfers is desirable or feasible in sub-Saharan Africa. Low budgets and high inequality make targeting attractive, but high poverty rates mean that targeting poverty implies targeting half the population, rending anti-poverty programmes extremely expensive. Domestic financing is further jeopardised because political support for targeted programmes is typically low. It is possible, but not terribly likely, that in some sub-Saharan African countries the high levels of poverty might create opportunities for forging political consensus around targeted anti-poverty programmes, as has occurred in India.

This uncertainty is reflected in findings by Coady et al (2002). They review documented findings on 111 targeted anti-poverty programmes in 47 countries. Only 12 of these are in sub-Saharan Africa (the smallest number of any region), despite high poverty levels there. Moreover, sub-Saharan African programmes fell in the bottom 10 programmes ranked by targeting performance.[3] Cash transfer programmes appeared in both the top and bottom 10 programmes ranked on targeting performance, implying that there is significant variation in the quality of the implementation of targeting – driven by administrative capacity.

The cost savings of targeting in countries with very high levels of poverty, such as in Kenya where 46% of the population live below the national poverty line and 19% of people live in extreme poverty, are smaller than in countries where poverty rates are very low and targeting can be very narrow. For example, in a country of 40 million people (roughly the population of Kenya), and 8 million households, a universal $10/month transfer[4] (roughly the size of the HSNP and OVC transfers) to each household would cost $80 million per month, plus 5% administration fees, totalling $84 million/month or $1008 million per year. Programmes that target a transfer on 20% of the population would cost $202 million and save $800 million each year. However, where the poverty rate is closer to 50%, the programme costs are $300 million each year more than this, costing $500 million each year. In Kenya, the entire social protection budget in 2006/07 was only around $350 million and total government expenditure was $6,000 million. Thus on the one hand saving from targeting is very important, but on the other, the higher poverty rates may mean that even a programme targeted on poverty is prohibitively expensive.

Furthermore, inequalities, associated market failures and uninsured risk retard growth and harm welfare across the sub-Saharan region. In Kenya, the Gini coefficient is 42.5 and the richest 20% consume 49.1% of GDP (Government of Kenya 2009). In various parts of

[3] Targeting performance was measured by deviation from a random allocation. These worst programmes were actually regressive (i.e. targeted poverty worse than a random allocation).

[4] It should be noted that $10/month is probably far too low to have a significant effects on poverty rates, since the prices of basic commodities (especially food) in Kenya have increased substantially since this value was set (by 300% in some areas). Thus these costs would be much higher for programmes that attempted to transfer households out of poverty – though the value required to do this would depend on the poverty gap.

Kenya, malnutrition rates are extremely high and raise questions about the basic metabolic threshold and about the ability to live with HIV and AIDS (since malnutrition increases the risk of contracting disease and reduces the effectiveness of the retroviral therapy). In Kenya, spatial inequalities between urban and rural areas are high, but pockets of persistent poverty persist in urban areas (such as in the Kibera area of Nairobi). As an example, poverty rates in Turkana (a district in northern Kenya) are around 80%, compared to the national average of 46%. Moreover, the depth of poverty in many parts of Kenya mean that informal coping systems, where they continue to operate, are unable to prevent catastrophic declines in welfare. In northern Kenya, for example, there is a regular programme of food aid and additional emergency food aid is triggered at least every three years. Thus while inequalities, market failure, and uninsured risk lend weight to the argument for targeting, the size of both the targeted group and the deprivation that must be corrected suggest that targeting is likely to have to be quite broad.

It seems, then, that a cash transfer in sub-Saharan Africa might sensibly target 50% of the population throughout the country but that this could be a prohibitive cost for most countries if the cash transfer was to retain the cash amounts that are prevalent in current pilots – let alone amounts that would substantially dent poverty and inequality. Many donors are nevertheless pursuing this agenda, and governments are accepting their help. Current programmes are usually financed by donors, targeted quite narrowly (geographically or otherwise), and often implemented by civil society organisations. Scaled up and sustainable cash transfer programmes targeted on poverty and organised by governments (as found in Latin America) would require sustainable sources of finance, substantial administrative capacity to carry out targeting (and payment), and political support.

Currently, it is not clear where finances will come from. Donors hope that governments will gradually replace donor funding with their own expenditures. As noted above, this seems unlikely to be possible if the programme is targeted on poverty.[5] In any case, government support for cash transfer programmes as redistributive tools will depend on the political landscape. Typically, narrowly targeted programmes lack political support and soon decline in importance and value. As Sen (1995) puts it, "benefits meant exclusively for the poor often end up being poor benefits." Besley and Kanbur (1993) describe how targeting the food stamps programme in Sri Lanka led to declines in their value as they were not updated with inflation. In the Kenyan programmes we examine, dramatic food price inflation (up to 300% in some areas) has already significantly eroded the values of the cash transfers. Unless the programmes are politically important, this erosion may continue, and the fear is that targeting reduces political support (because fewer individuals benefit from the intervention, fewer individuals will support it, and this is amplified when those who benefit are poor and have weaker political voice).

However, it may be that high poverty levels in many countries mean that political consensus can be developed around programmes targeted on poverty. There is a recent precedent for this in India where the National Rural Employment Guarantee Act, which provided 100 days of hard labour at minimum wage to any rural household) won support from politicians of every part (and was unanimously passed in the lower and upper houses of parliament). The programme is targeted on rural areas and is 'self-targeted' on individuals who wish to perform hard labour for minimum wages. Partly because the target population was a significant proportion of the population of India and partly because many others agreed on the need to support poor households in rural India, the Act nevertheless achieved broad

[5] Although sub-Saharan African governments have successfully implemented and fully funded cash transfer programmes targeted on older people (in Swaziland and Lesotho, for example).

support (although it remains to be seen whether this support will endure and translate into continued high quality implementation).

In most countries in sub-Saharan Africa, there is however a much less well developed political consensus around combating poverty or the need for assistance of poorer individuals of groups. Moreover, poor groups are often poorly mobilised politically, with very limited influence on government formation or policy-making, and in most countries non-poor groups are very far from a consensus in support of assisting poor groups. It currently seems very unlikely in most countries in sub-Saharan Africa that political consensus will be achieved on a programme targeted specifically on poverty, especially when this means cutting back other government activities such as health or education. Initial discussions around universal social minimums may eventually develop into bolder political statements, but this currently seems unlikely to translate into actual government-funded programmes given the expenditure required.

The final major constraint on targeting in sub-Saharan Africa is administrative capacity. Currently, many cash transfer programmes outside middle income South Africa are implemented by civil society organisations (with the exceptions of Lesotho and Swaziland and the OVC cash transfer programme in Kenya which are implemented by governments) who are able to devote specialised staff and intensive training and outreach to effective targeting. Scaled up programmes implemented by the government can often struggle to achieve the same levels of quality, and implementation and dynamic errors may tend to increase. There may also be costs to other programmes, as government staff are diverted from their duties on other programmes. In the OVC programme, for example, targeting is conducted by village chiefs, elders, and specially elected committee members, who are not paid for their work and who have other duties and activities, and targeting suffered because of these low resources. However, the argument that low administrative capacity in sub-Saharan Africa makes targeted programmes less well targeted does not mean they are inoperable. Moreover, it overlooks a broader problem: that most governments' capacity to implement large cash transfer programmes is limited, and that distributing cash may be at least as challenging as targeting them. For instance, the Swaziland Old Age Grant (which is a universal programme) was effectively targeted but the Post Office was unable to maintain the distribution (Ellis 2007).

This somewhat inconclusive discussion implies that scaled up cash transfer programmes targeted on poverty in sub-Saharan Africa currently seem unlikely to be implemented soon. What is perhaps more likely – and the current practice – is a series of pilot and/or categorical (i.e. targeted on a category of people, such as children) targeted programmes. A national system of categorical cash transfer programmes (as is common in richer countries – i.e. pensions, child support, disability payments, etc.) may well develop in some countries. If affordable, this is likely to have political saleability, but it is not entirely clear whether this system will constitute a system that focuses on poverty. Rather, this system might rely on informal distribution systems to transfer cash to poor individuals and households not falling into any targeted category.

This in turn raises two questions. First, how well do cash transfers that are not specifically targeted on poverty (but instead on age or area) target poor people? Second, is a scaled poverty-targeted cash transfer in sub-Saharan Africa a myth that will never become reality? The next section suggests how targeting performance might be assessed. The final section speculates on the second question.

2.2 Assessing targeting in sub-Saharan Africa[6]

2.2.1 Assessing what is targeted

Targeting consists of two problems that relate to finances, capacity and politics and that cannot be separated from each other: (a) establishing the target population; and (b) designing an operationally feasible mechanism to reliably identify this target population. As noted above, the target population in many sub-Saharan African contexts cannot easily be narrowly defined – and communities may be very resistant to this (see Ellis 2008 for further support for the 'we are all poor here' thesis). Nevertheless, for the effective targeting of any poverty-focussed programme the specific target population must be made explicit. The tighter the definition of the target population, the more effective targeting will be. A central challenge to effective targeting therefore lies in determining a definition of poverty that is appropriate given the programme's objectives: exactly who are considered to be the 'poorest' households or individuals and on what basis? Answers to this challenge will need to incorporate a budget constraint and will reflect political and social contexts in the country concerned.

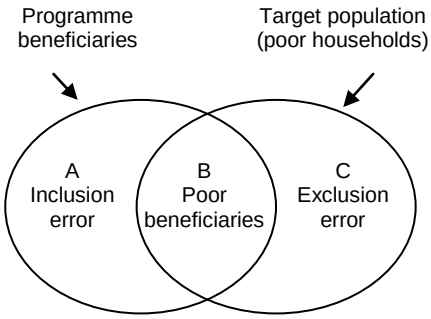
Typically, in sub-Saharan Africa, the target population is some specification of 'poor' individuals or households – such as chronically poor (having been poor over a period of time), food poor (unable to afford a basic food basket), or below the national poverty line (based on $1 or $2 per day). In other cases, the target population is chosen to reflect other significant problems such as HIV/AIDS, but quite often this is chosen as a proxy for poverty. For the reasons outlined above, it makes sense to target on 'poverty' – especially where this can be broadly defined to refer to capability deprivation (Sen 1995). Evaluations of targeted programmes could assess the suitability of the choice of the target population, since ideally this should be based on an analysis of deprivation and its consequences within a larger population and of the likely effect of cash transfers to this group. Often, the selection of the target population is not made (exclusively) on this basis and instead reflects politics or inertia, and an assessment of a targeted programme should note this deviation from 'ideal' methods for selecting the target population. For example, Wahenga (2008a) presents results that show that targeted cash transfer programmes in Malawi were designed such that the recipients all rose into the top half of the income distribution (since the transfer value was large relative to the differences in income). This design was critiqued in Wahenga's report on the basis that it was regressive.

2.2.2 Assessing how targeting is done

Once the target population has been established, the next step is to design the targeting mechanism by which households in the target population can be identified and brought into the programme. Any targeting mechanism must be designed and implemented so as to minimise: (a) the number of beneficiary households that do not belong to the target population (**inclusion error**); and (b) the number of households in the target population not benefiting from the programme (**exclusion error**). Inclusion and exclusion errors are illustrated in the figure below.

[6] This section draws substantially from Hurrell (2009).

Box 1: Inclusion and Exclusion Errors



Inclusion error (*leakage*) is defined as the proportion of beneficiary households that are not in the target population (e.g. are not poor)**.**

- **Inclusion error** = A / (A + B)

Exclusion error (*under-coverage*) is defined as the proportion of the target population that are not benefiting from the programme.

- **Exclusion error** = C / (B + C)

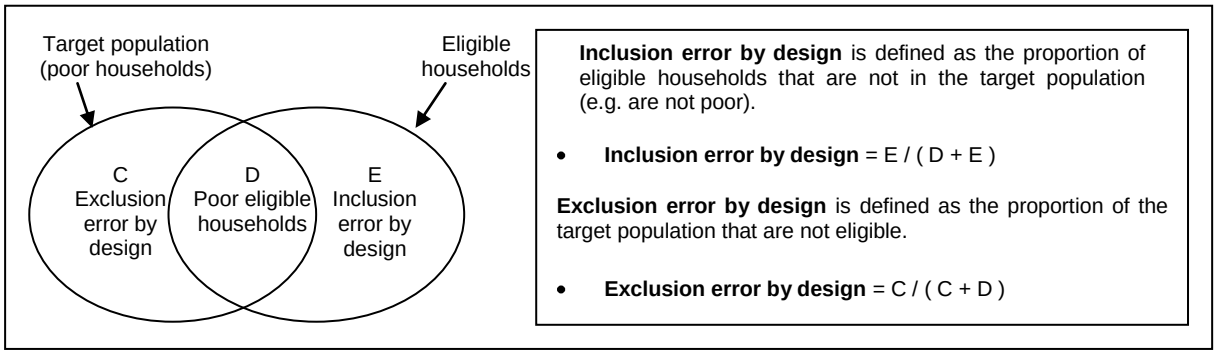
Source: Adapted from "Kenya OVC-CT Programme Operational and Impact Evaluation - Baseline Survey Report", OPM 2008.

Cornia and Stewart (1993) pointed out a tradeoff between these errors, and suggested that their importance may be valued differently by society, and policymakers will need to take these valuations into account when designing their targeting mechanism. Specifically, they argue that the costs of trying to prevent inclusion may be higher than those of trying to prevent exclusion – and that the welfare cost of exclusion is higher than that of inclusion. This implies that policymakers should focus on eliminating exclusion errors rather than inclusion errors.

The target population of many poverty-focussed programmes are the income poor, i.e. those who have a household income below a certain threshold. In many developed countries information on actual incomes is relatively easy to collect and verify. As a result, reported household income is used to determine eligibility. In less developed countries, with larger informal sectors and many non-wage workers, income data are often impossible to collect and/or verify. One solution to this problem is to estimate income by measuring total household consumption expenditure, using techniques applied to national household budget surveys for standard poverty analysis. However, collecting the detailed information on consumption expenditure for every (potentially eligible) household is generally not administratively feasible. Instead eligibility is often determined by considering one or more observable household characteristics. These could be very simple. For example the programme may target benefits on all households containing at least one elderly member. Alternatively, based on a specific set of observable characteristics, households might be given a (poverty) score. Again, this score could be generated two ways: (i) a simple manner – for example, by counting the number of characteristics observed; or (ii) in a more complex manner – for example by applying statistical techniques that relate consumption expenditure levels to observed household characteristics (e.g. education level of household head, characteristics of household dwelling, ownership of key household assets or consumer durables, etc) to produce a means test score (i.e. a proxy means test). Households with a score above a certain threshold would be eligible for the programme. Whichever method is used, it is important that the household information required to determine eligibility is administratively feasible and cost-effective to collect.

In summary, a set of observable characteristics should be used to define the eligibility criteria. These characteristics should be defined in order to minimise both the number of 'non-target' households (i.e. those not in the target population) that 'pass' the eligibility criteria (**errors of inclusion by design**), as well as the number of 'target' households (i.e. those in the target population) that don't pass the eligibility criteria (**errors of exclusion by design**).

Box 2: Design Performance



Inclusion error by design is defined as the proportion of eligible households that are not in the target population (e.g. are not poor).

- **Inclusion error by design** = E / (D + E)

Exclusion error by design is defined as the proportion of the target population that are not eligible.

- **Exclusion error by design** = C / (C + D)

Source: Adapted from "Kenya OVC-CT Programme Operational and Impact Evaluation - Baseline Survey Report", OPM 2008.

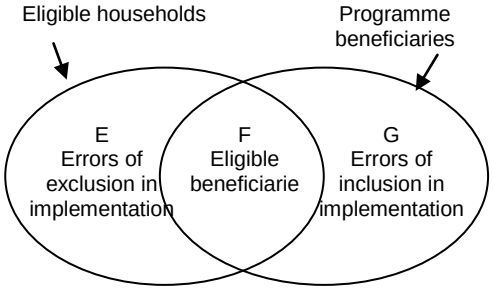
Once a workable set of eligibility criteria has been established, the administration procedures by which the eligibility information is collected have to be designed. One approach is to have an *'on demand application-based system'* entailing potentially eligible households actively applying for the programme. This can be done in a variety of way depending on the local context (i.e. literacy rates, administrative capacity and infrastructure, etc): by application form, in-person or even over the phone. Under the application form option, the forms, which cover all information necessary to determine eligibility, are self-completed by households before being submitted in person, by post or even over internet to the programme. Alternatively, in the case of in-person or phone applications, the eligibility information is gathered (usually upon application) in an interview with programme staff. When a programme does not have permanent offices, or in very remote areas, it may have to set up mobile 'offices' (e.g. temporary desks stationed in communities) where applications can be taken. An alternative to an on-demand application-based system is a census or 'door-to-door' approach, whereby all households are visited by administrative staff and interviewed. However a 'door-to-door' approach is administratively demanding and, therefore, costly: for a national programme administrative staff would have to contact every household in the entire country.

Care must be taken to minimise the number of eligible households that do not end up benefiting from the programme (**errors of exclusion in implementation**). Under an on-demand application-based system this requires effective outreach and awareness initiatives that encourage and support potentially eligible households to apply. Without such initiatives many eligible households may not benefit simply because they did not apply, or did so incorrectly. For a census approach, the key risk of exclusion is that some households will simply be missed during the 'door-to-door' screening of households.

Verification of application information is important in order to prevent ineligible households from being beneficiaries (**errors of inclusion in implementation**). One option is to require applicants to submit supporting documents upon application (e.g. national id cards, birth certificates, unemployment registration documents, bank statements, wage slips, etc). Such requirements can result in large exclusion errors (i.e. household are eligible but do not possess the necessary supporting documentation) or will impose significant costs on applicants in acquiring them. A technically advanced alternative involves cross-checking application information using integrated databases (e.g. reported income cross-checked against tax authority data, employment status cross-checked against unemployment authority database, etc), although this requires sophisticated IT systems and the necessary legal provisions under the country's data protection laws. A third approach verifies

application information through follow-up household visits. This could be used as a deterrent, with a fixed proportion of new applicant households being randomly selected for a spot check home visit and sanctioned (e.g. fined, taken off the programme, or, in some countries, even prosecuted) if found to have given false information.

Box 3: Implementation Performance



Inclusion error in implementation is defined as the proportion programme beneficiaries that are not eligible.

- **Inclusion error in implementation** = G / (F + G)

Exclusion error in implementation is defined as the proportion of eligible households that are not benefiting from the programme.

- **Exclusion error in implementation** = E / (E + F)

Source: Adapted from "Kenya OVC-CT Programme Operational and Impact Evaluation - Baseline Survey Report", OPM 2008.

Exclusion and inclusion errors can be further broken down to reflect changes in populations where targeting is taking place. Individuals and households change constantly – and perhaps even more as a result of receiving a cash transfer or living in a community where many others are receiving cash transfers. For example, recipients may no longer meet poverty criteria a year after the programme starts precisely because they have received cash every month (as in the Wahenga 2008b example). Alternatively, non-recipients who were correctly excluded on a poverty criterion may be eligible one year later because prices have risen due to inflation generated by the cash transfers – or they may have suffered an exogenous income shock. We refer to inclusion and exclusion errors that result from changes over time as 'dynamic' errors. Dynamic inclusion errors can reduce the poverty and inequality reduction effects of programmes (because recipients cease to be poor) and can mean that welfare declines are not prevented (because newly poor individuals or households do not receive cash as they become more deprived), thus reducing the social protection element of a programme. Policymakers can chose to reduce these errors and associated problems by retargeting at regular intervals – or may chose to ignore these because regular retargeting is considered too expensive or unnecessary.

2.2.2.1 Geographical targeting

Ideally the geographical distribution of beneficiaries should be driven by patterns of eligibility – essentially reflecting 'need' – across the country. In practice, geographic beneficiary allocations are sometimes fixed (i.e. there are regional quotas). This may be due to programme considerations: it is easier to budget and plan a programme with a fixed number of beneficiaries that have a pre-assigned geographical distribution, while in some contexts (e.g. in urban slums with high levels of conflict and violence) implementing an eligibility-based targeting mechanism may not even be feasible. Alternatively, geographical beneficiary allocations may be set for political reasons: for example, influential politicians may try to guarantee high numbers of beneficiaries in their constituency regardless of poverty considerations (Wahenga 2008a; Sen 1995). In either case, pre-determined, fixed geographical allocations (quotas) are unlikely to reflect underlying regional variations in households' eligibility, and will therefore almost certainly lead to distortions in targeting.

In Latin American cash transfer programmes, geographic targeting has arguably reflected poverty distributions, although there are inevitably some political interventions in geographical allocations. In those sub-Saharan African countries where elections are

decided principally on group association (community, tribal, ethnic, religious, etc.) rather than on the policy programmes or ideological orientation of competing parties, it may be extremely difficult to avoid political involvement in geographical targeting. The poverty impact of cash transfer programmes may suffer as a result, since this will inevitably dilute the poverty focus of the programme. On the other hand, the cash transfer programmes themselves may be protected by the bipartisan political support that may be generated by the opportunity for politicians to direct resources to their communities.

2.2.2.2 Community-based targeting

To get around problems of identifying a set of effective eligibility criteria, community-based targeting approaches are often used. Communities are sometimes better placed to identify the target population without needing to collect lots of information on household characteristics. Communities may also be better placed for defining the target population in the first place. For instance, through participatory approaches, communities can themselves define the target population for a particular programme. However, there are some weaknesses with community-based targeting approaches. Firstly, a given community's subjective poverty assessment may not necessarily correspond with 'actual' poverty as defined by the programme's architects. Secondly, it is often unclear how the relative allocation of beneficiaries between communities should be determined. In other words, how should the size of each community's beneficiary allocation/quota be set? Finally, communities may actively exclude some types of households (e.g. marginalised or socially excluded groups). Because of these challenges, but recognising the benefits of community participation, hybrid community-based approaches which use some combination of the eligibility criteria approach with community involvement are often employed.

Beyond these basic problems, the effectiveness of community based targeting is largely driven by the quality of the implementation. Coady et al's (2002) review of 111 targeting programmes finds that community based targeting programmes perform well but show considerable variation. In sub-Saharan Africa, as noted above, community based targeting has been criticised quite stringently (Wahenga 2008b). First, this review of social cash transfer pilots in Malawi and Zambia reports an evaluation in Malawi that showed that "the relationship between income and household selection to receive the SCT was found to be effectively random." Second, asking communities to target small proportions of the population when large proportions of the population are poor is unfair and unethical and will lead to leap-frogging. Third, "targeting in a context of high poverty levels breeds suspicion, hatred, accusations and corruption", and it is problematic to ask communities to participate in this. The implication of these findings is that community based targeting will need significant investments of resources and time and that this will be extremely hard to achieve in a scaled up programme.

2.2.3 Targeting performance versus the cost of targeting

It is important to note that effective targeting is costly. It is unlikely to be efficient for a programme to aim to have zero inclusion and exclusion errors: a degree of targeting inefficiency is tolerated because the cost of ever-increasing targeting performance is not cost effective. There is trade-off between minimising static and dynamic **inclusion and exclusion errors by design** and the operational feasibility of the targeting mechanism. Similarly for implementation performance, there is trade-off between minimising static and dynamic **inclusion and exclusion errors in implementation** and administration costs. However, care must be taken so that consideration of the trade-off between targeting effectiveness and the cost of effective targeting are not taken too far: it cannot be used to justify bad targeting. In summary, when designing a poverty-focussed programme the policymaker's problem

should be to maximise targeting effectiveness (i.e. well designed eligibility criteria) at minimal targeting cost (i.e. efficient administrative systems).

It is important to recognise, however, that these two elements are not independent of one another. In a significant sense, well designed eligibility criteria are those that can be administered effectively at scale. This is not true of all designs. There are widespread worries that community based targeting methodologies will not be able to be scaled up effectively – particularly in urban areas. Conversely, arguably the two most successful national scale cash transfer programmes in sub-Saharan Africa (excepting South Africa) are pensions (in Lesotho and Swaziland). These are (relatively) simple to implement: anyone with a proven age above a certain number of years is eligible to claim benefits. The difficulty with replicating this as an anti-poverty programme, however, is that this will not cover poverty very well.

3 The Cash Transfer Programme for Orphans and Vulnerable Children (CT-OVC)

3.1 Overview

3.1.1 Background

The poverty of orphans and vulnerable children in Kenya became the subject of discussion in the course of the Kenyan parliamentary elections towards the end of 2002, with many parliamentary candidates pledging to allocate more resources to this group if elected. As identified above, this basic level of political support for targeting a programme on orphans is critical to the success of the programme.[7] Commitment and action has been forthcoming and the Government of Kenya is in the process of developing a National Policy and a National Plan of Action for OVCs, a key aspect of which is the provision of a direct cash transfers to families caring for OVCs. It is intended that the cash transfer payments provided by the OVC programme will strengthen the capacities of households and communities to be able to take care of OVCs, which has been identified as the key priority area in responding to the situation of OVCs in the country.

3.1.2 Programme implementation

Phase 1

The Government of Kenya (GOK) submitted a proposal in 2004 to the Global Fund for HIV, TB and Malaria, a key component of which was the funding of the development and expansion of a cash transfer scheme for the most vulnerable children. However, the proposal was not funded; a key weakness of the submission was that it proposed a programme that had never been tried in Kenya and that there was no basis on which to support the viability of the programme. The Department of Children's Services (DCS) in the Ministry of Home Affairs (MOHA), with assistance from UNICEF, embarked on an initiative to demonstrate the feasibility of such a welfare system in the country.[8] Again here, we see the importance of donors in providing the funding for this programme: although support to OVCs had been identified by all political parties as a significant priority, it was donors who were called on to provide finances for the implementation of the programme (unsurprisingly, since they had funds available and were willing to pay). By December 2004, 500 households in the districts of Garissa, Kwale and Nairobi were receiving a payment, which at the time was KSh 500 (approximately $6.50) per OVC per month.

Phase 2

The Pilot was scaled up from the initial 3,000 OVC households (Phase 1) to around 7,500 (Phase 2) during 2007. Apart from the initial 13 districts, the programme also began to be piloted in four new donor-funded districts in Nyanza Province (Kisumu, Homa Bay, Migori and Suba), where evidence suggests HIV/AIDS prevalence is higher than in the rest of the country, and in two additional government-funded districts (Embu and Busia). The value of the cash transfer was adjusted to Ksh 1,500 per OVC household per month. Payments are

[7] Support for a programme directed towards orphans and vulnerable children in particular in a familiar feature.

[8] Since 2008 the DCS is now situated in the Ministry of Gender, Children and Social Development.

made every two months, with each household receiving Ksh 3,000 every other month. Note that the value of the transfer per household is fixed; it does not vary with the number of OVCs or other children in the household.

The primary objective of phase 2 is to evaluate the potential role of cash transfers as an instrument to retain orphans and vulnerable children within their families and communities and in promoting better nutrition and health and school enrolment, attendance and retention. Important improvements in the design of the different processes have been made, including the targeting process and the delivery mechanism. It is expected that the design of the programme will be continue to be adjusted with the lessons learned from the implementation of Phase 2 and the results from the independent evaluation being conducted by Oxford Policy Management. Emphasis is also placed on informing the design of a monitoring and evaluation system for use in a scaled-up cash transfer programme. The outcomes of this process will inform the National OVC Policy development in regards to community-based safety nets for orphans and vulnerable children. The eventual target population of the programme is 100,000 households at a national scale. With an average of three OVCs per household, the programme would therefore cover around 300,000 OVCs.

3.1.3 Programme objectives

As stated in the programme's Operation Manual, the overall objective of the CT-OVC is to provide a social protection system through regular cash transfers to families living with OVCs in order to encourage fostering and retention of OVCs within their families and communities and to promote their human capital development.

The specific objectives of the project in terms of household and child welfare are as follows:

- Education
    - Increase school enrolment, attendance and retention for 6 to 17 year old children [9] in basic school (up to standard 8).
- Health
    - Reduce the rates of mortality and morbidity among 0 to 5 year old children[10], through immunizations, growth control and vitamin A supplements[11].
- Food security
    - Promote household nutrition and food security by providing regular and predictable income support.
- Civil registration:
    - Encourage caregivers to obtain identity cards within the first six months after enrolment
    - Encourage caregivers to obtain birth certificates and identity cards for children

The programme was developed under a framework of child rights and, if there were the resources, might potentially cover all OVCs. However, resources are inevitably limited and the decision was taken to target the programme at poor OVC households. The programme is not intended primarily as an anti-poverty programme, however. The selection of districts for

[9] Children up to 17 years old could still be enrolled in basic school

[10] The focus is on immunization, nutrition and children illness.

[11] In accordance with the official health regulations (Ministry of Health).

the pilot, for example, was not based on poverty criteria. Nevertheless there is an interest in how it might contribute to poverty reduction as one part of the wider GOK social protection framework.

3.1.4 The evaluation

Oxford Policy Management (OPM) has been contracted to undertake an independent evaluation of the current pilot phase (phase 2) of the programme. The purpose of the evaluation is to establish the **efficacy** and **efficiency** of the programme. The core of the evaluation is a community-based controlled trial, with information collected using household and community interviews. The questionnaires capture information on a number of measures of the welfare of the children and their households. The evaluation will compare programme and control households at baseline and at follow-up (24 months after baseline), and will use this comparison to assess the impact of the programme. The evaluation will also compare the impact of imposing conditions along with cash transfer as compared to cash transfers alone. The evaluation covers Nyanza (Kisumu, Suba, Homa Bay and Migori districts), Nairobi, Kwale and Garissa, with four locations per district: two with programme intervention and two acting as controls.[12] The allocation of intervention and control status, and of imposing conditions or not, was done randomly.

The evaluation also covers non-beneficiary households in programme areas. By comparing the characteristics of beneficiary and non-beneficiaries, in particular poverty status, an analysis can be made of the effectiveness of the CT-OVC targeting system. The baseline survey was conducted in March-August 2007. The follow-up survey is scheduled for April-July 2009. The quantitative evaluation survey is complemented by qualitative fieldwork. The initial wave of qualitative fieldwork took place in November-December 2008, covering a range of themes including the targeting effectiveness of the programme.

3.2 Targeting system

3.2.1 Target population

The OVC-CT programme's target population are those households containing at least one orphan or other vulnerable child (OVC). A child (aged below 18) is defined as an OVC if:

- they are an orphan (single, with one parent dead, or double, with both dead); or
- they are chronically ill;[13] or
- they are looked after by a carer who is chronically ill.

As mentioned above, the programme was not intended to be primarily addressing poverty. It is a rights-based programme intended to support fostering of orphans and other vulnerable children, and the development of their potential (human capital). The selection of districts where the programme would operate was based on information on HIV prevalence and

[12] Conditions were imposed in Homa Bay, Kisumu and Kwale; there were no conditions imposed in Garissa, Migori and Suba. In Nairobi, conditions were imposed in one location (Kirigu), but not in the other (Dandora B).

[13] According to targeting manual a chronically ill person is defined as: "a person who has at least been chronically ill for the last 3 months and is both physically ill and socially incapable of working. Among the illnesses under this category are the following: tuberculosis, HIV/AIDS or cancer. Chronically ill is defined as a disease which can not be cured and is terminal." (Note this is not a standard definition of chronic illness).

operational issues (including which districts would receive donor support). Nevertheless, the programme decided to prioritise support to poorer OVC households in the face of limited resources.

3.2.2 Beneficiary selection process

Targeting in the OVC-CT programme effectively took place in two stages, both of which have an impact on targeting performance:

1. A *de facto* specific number of recipients (quota) was allotted to each location covered by the programme, since total funds were only sufficient to support a certain total number of households
2. Within each programme location, the programme attempted to screen out better off OVC households, and then prioritised the remaining, eligible households according to their level of vulnerability, filling the quota according to this priority ranking

Targeting errors will therefore occur if:

- location quotas are not determined on the basis of the relative prevalence of poor OVC households
- the screening and prioritisation process does not succeed in identifying the poorest OVC households in each location

It is of interest to the evaluation to assess both whether the poorest OVC households have been selected across the study population as whole (which reflects both processes) **and** whether the poorest households within each location have been selected (which reflects only the second of the two).

It is important to note that the baseline survey was conducted at the point when only the first wave of beneficiaries (corresponding to the initial quota levels) had been included in the programme. With additional resources provided in the wake of the political violence in the country in 2007, the programme expanded coverage to include eligible households that had been excluded by the prioritisation process.

In each geographical area in which the programme is operating, the beneficiary selection process was to be operationalised in line with the programme manual (Government of Kenya 2008). Households were selected on the basis of their OVC and poverty status according to a defined set of selection criteria. A household was classified as eligible for the programme if it satisfied both of the following conditions:

- the household contains at least one OVC; and
- the household is poor.

A household was considered to be poor by the programme if it was observed to exhibit at least **eight** out of 17 specific poverty characteristics (i.e. a raw count). [14] Any OVC household

[14] The 17 poverty characteristics are: (1) None of the adults in the household reached standard 8; (2) Caregiver is not currently working or s/he is working as a farmer or labourer; (3) Caregiver has less than two acres of land; (4) Construction materials of the walls is mud/cow/dung or grass/sticks/makuti; (5) Construction materials of the floor is mud/cow-dung; (6) Construction materials of the roof is mud/cow-dung; (7) Toilet is of the type none/pan/bucket; (8) Source of drinking is water is river, lake, pond or similar; (9) Source of lighting fuel is firewood; (10) Source of cooking fuel is firewood or residue/animal waste/grass; (11) Owns no real state property here or elsewhere; (12) Owns two or

exhibiting seven or less of these poverty indicators was defined as ineligible and screened out of programme. The basis on which these poverty characteristics were chosen is not clear, and the analysis presented below demonstrates that they do not perform well in identifying the poorest households (in fact 95% of OVC households in treatment locations are defined as poor according to these criteria). In response to the baseline evaluation targeting results the programme is working on refining these criteria, and considering using a more sophisticated proxy-means test approach.

Since initially there were insufficient financial resources to provide support to all eligible households, they were prioritised according to the following process, to identify the most vulnerable:

- Households were ranked by the age of child caregiver (from youngest to oldest if caregiver is less than 18 years of age; from the older to youngest down if caregiver is aged 18 or above).
- If two or more child caregivers had the same age, then the ranking was done by the number of OVCs, orphans and disabled household members.

The final step in the targeting process was for a ranked list of eligible households for each programme location to be sent back to communities for a final check of eligibility and level of vulnerability. Selected households were then to be invited to attend the enrolment event and formally enrol as recipients of the programme. In practice, qualitative research in five locations (a very small sample) indicates that this community process rarely changed the list at all – it was used more as a method for announcing the list that had been generated by the programme MIS on the basis of information gathered by field officers. Recipients and non-recipients alike did not feel that this meeting afforded scope to challenge the priority listing.

3.3 Targeting performance

Overall the programme was successful in reaching its target population (OVC households), with only 2% of beneficiary households found to contain no OVCs and 21% of OVC households being supported by the programme in the programme areas covered by the evaluation. The targeting analysis therefore focused on analysing how well the programme's targeting mechanism succeeded in identifying poorer OVC households in the treatment locations covered by the evaluation (referred to hereafter as treatment locations).

3.3.1 Poverty rates amongst the target population

Although the programme is not intended to address poverty as its primary objective, it is informative to understand whether targeting OVC households would represent a suitable target population from a poverty targeting perspective. However, this aspect of the analysis could not be done using the evaluation survey data since the study population only covered OVC households. Instead the Kenya Integrated Household Budget Survey (KIHBS) 2005-06 data can be used to assess the comparative characteristics and poverty rates across OVC households relative to the general population. Provisional estimates based on the KIHBS data, shown in Table 3.1 below, suggest that in Kenya as a whole poverty rates are comparatively higher amongst OVC households. However, across the seven CT-OVC districts (Garissa, Homa Bay, Kisumu, Kwale Migori, Nairobi & Suba), this pattern only holds because OVC households in Nairobi are much poorer than the non-OVC households. This is

less traditional zebu cattle; (13) Owns no hybrid cattle; (14) Owns five or less goats; (15) Owns five or less sheep; (16) Owns no pigs; (17) Owns no camels.

consistent with the fact that a comparison between the national population (based on recent DHS estimates) and the study population across a wide range a number of non-income based socioeconomic characteristics (see Table A.1 in Annex A) suggest the evaluation study population (OVC households) appears to be only mildly worse off than the national population as a whole and no worse than the national rural population.

Table 3.1 Comparative poverty rates – OVC households versus general population

.	Total households	% households in poverty	
		Absolute[3]	Hardcore[4]
All Kenya			
OVC households	1,072,703	48.4%	20.9%
(% of all households)	*(15.4%)*		
All households	6,978,069	38.3%	14.9%
The seven CT-OVC evaluation districts (Garissa, Homa Bay, Kisumu, Kwale Migori, Nairobi & Suba)			
OVC households	206,888	47.8%	16.2%
(% of all households)	*(16.6%)*		
All households	1,244,812	30.8%	-[2]
The seven CT-OVC evaluation districts – excluding Nairobi			
OVC households	132,919	49.7%	22.8%
(% of all households)	*(26.0%)*		
All households	511,311	47.0%	-[2]

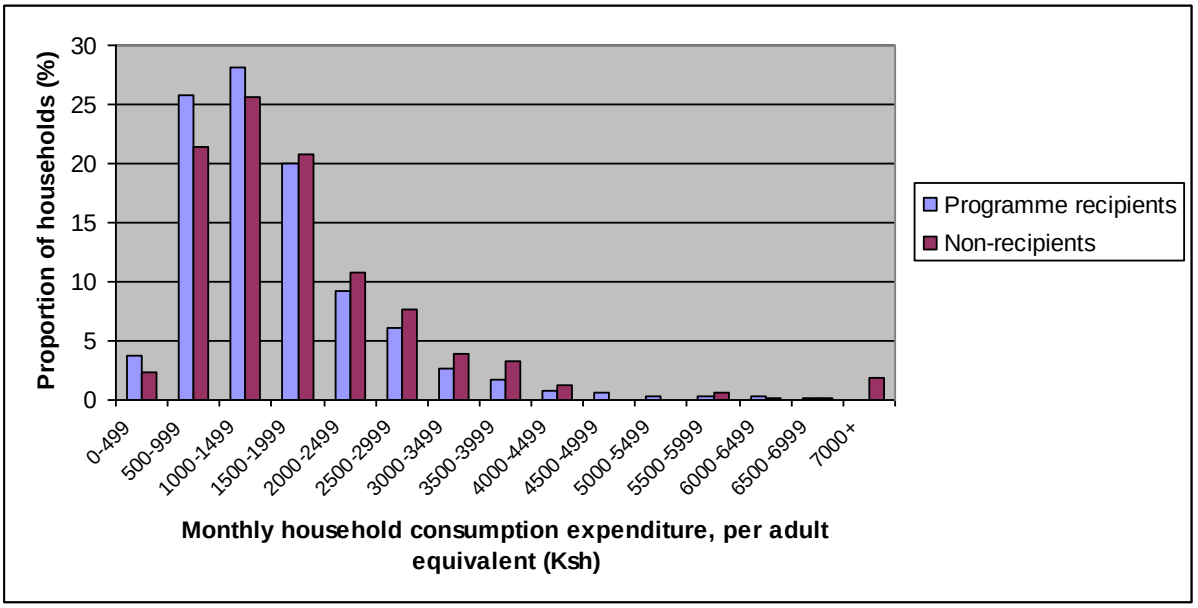
Source: Authors' calculations based on KIHBS 2005-06 data. Notes: (1) Estimates are derived from secondary data presented in the KIHBS Basic Report on Well-Being in Kenya (2007) and preliminary simulations of poverty rates amongst OVC households undertaken by the World Bank using the KIHBS data. The estimates should therefore be taken as indicative. (2) Estimate not calculated due to lack of information. (3) In 2005/06 prices the poverty lines were as follows: food poverty line was 988 Kshs in rural areas, and Kshs 1,474 urban; the overall poverty line was Kshs 1,562 in rural areas and Kshs 2,913 in urban. These poverty lines are expressed in monthly adult equivalent terms. (4) A household is defined as hardcore poor if its overall monthly consumption expenditure per adult equivalent is below the food poverty line.

3.3.2 Comparative poverty rates amongst recipient and non-recipient OVC households in treatment locations

To assess whether the programme succeeded in identifying the poorest OVC households a comparison was made between household consumption expenditure levels amongst the OVC households benefiting from the programme and those OVC households that were not selected. Recipient households are poorer on average, with a mean monthly per adult equivalent household consumption expenditure of Ksh 1,550, compared to Ksh 1,765 for non-recipient OVC households in treatment locations. This is reflected in the relative distribution of consumption expenditure illustrated in Figure 3.1 below.

On a range of non-consumption based welfare indicators, recipients also appear to be somewhat more disadvantaged on average than the rest of the OVC population in their locations (see Table A.2, Table A.3 and Table A.4 in Annex A). Recipient households generally have poorer quality housing, fewer assets and lower levels of education amongst adults than non-recipient households. They are more likely to have malnourished children, although some other health indicators and school enrolment appear to be slightly better.

Figure 3.1 Distribution of household consumption expenditure (monthly per adult equivalent) – by recipient status



Source: OPM CT-OVC evaluation baseline data (2007). Notes: Real consumption expenditure per adult equivalent has been estimated by adjusting nominal expenditure for price differences across districts using a Paasche price index constructed using OPM CT-OVC baseline data from the household and community surveys. In order to enable valid inter-district comparison, rent has been excluded from the calculation of mean monthly real consumption expenditure.

It is clear therefore that although the process of screening and prioritising the OVC households is mildly pro-poor, the programme is not directing resources at the poorest OVC households as successfully as it might. Furthermore, the differences between the poorest and the better-off households are not trivial: the average consumption level amongst the top fifth of OVC households is roughly five times that of the poorest, and support given to a better-off household is support denied to a poorer one.

3.3.3 Identifying how the programme's targeting mechanism can be improved

The targeting analysis reveals that the programme is having difficulties directing resources at the poorest OVC households for two main reasons. First, the allocation of the numbers of recipients to be included in the programme *between* districts and locations does not closely reflect the geographical distribution of the poorest OVC households. Second, the screening and prioritisation of OVC households *within* each location is not sufficiently effective at identifying the poorest OVC households.

3.3.3.1 Cross-location targeting

Table 3.2 below compares the distribution of the poorest 21% of OVC households with the recipient allocation across the treatment locations. The poorest 21% was chosen as the benchmark because this is the proportion of OVC households in the treatment locations initially benefiting from the programme (i.e. the programme's coverage rate). If the targeting process had been perfectly successful in identifying the very poorest OVC households the recipient allocation would mirror this distribution, which is clearly not the case.

Table 3.2 Distribution of poorest OVC households and recipient allocation

	Nairobi	Homa Bay	Migori	Kisumu	Suba	Kwale	Garissa	All treatment locations
Distribution of the poorest 21% of OVC households in treatment locations by district (%)	3	22	21	18	10	15	11	100
Distribution of recipient allocation in treatment locations by district (%)	15	15	21	15	15	14	6	100

Source: OPM OVC-CT evaluation baseline data (2007).

3.3.3.2 Within-location targeting

The baseline survey household questionnaire recorded the same information as was used by the programme to determine eligibility. Therefore it was possible to classify every household in the survey as either eligible or ineligible for the programme, based on what was reported in the survey.[15] Following the terminology used by the programme, a household is defined as 'eligible' if it is not screened out by the poverty test detailed in the previous section (i.e. displays eight or more of the 17 poverty characteristics). By examining the overlap between eligibility and recipient status it was possible to decompose the analysis of within-location targeting effectiveness into errors of design and errors of implementation.

Targeting errors in implementation

Targeting errors of implementation arise when ineligible households are enrolled erroneously (*inclusion error in implementation*) or when eligible households are not enrolled (*exclusion error in implementation*). Note that in this case exclusion errors in implementation were inevitable because, due to budget limitations, only 21% of OVC households (and 22% of eligible OVC households) could be supported, and should therefore not be interpreted as a failure of the programme's implementation systems as they would be for a universal rights-based programme. In fact only 4% of recipient households do not meet the criteria set by the programme for inclusion (2% contain no OVCs; 2% fail the programme's poverty screening test).

Targeting errors in design – i. Screening process (poverty eligibility test)

Table A.5 in Annex A shows the poverty criteria used to identify households as poor do not discriminate them very effectively, and screen out just 5% of OVC households. Some of the poverty indicators perform badly in the sense that almost no OVC households display this characteristic, in particular Indicator 6 (mud/cow dung roof). Others perform badly in the sense that almost all households across all five quintiles exhibit this characteristic, e.g. Indicator 17 (own no camels). Others perform badly because there is no clear pattern in the variation better the poorest and better off groups. The average poverty score is over ten, even amongst the richest 20% of OVC households, suggesting that increasing the score required to be classified as poor by the programme (currently eight) might improve the targeting. In response to this analysis the programme is re-assessing the poverty targeting criteria that it uses for the screening process.

[15] Note that due to missing data a small number of sampled households (less than 1%) could not be classified as eligible/ineligible.

Targeting errors in design – ii. Prioritisation of the most vulnerable eligible OVC households

The fact that almost all OVC households are eligible means that the prioritisation of eligible households becomes critical. The programme prioritises eligible households according to the age of the main caregiver (youngest to oldest for caregivers under 18; oldest to youngest for caregivers over 18). Table A.6 in Annex A allows an assessment of how well this prioritisation procedure succeeds in targeting the poorest eligible households. In fact the programme's criteria for prioritising eligible households do tend to target those eligible households which are relatively poorer within each location. There is, however, clear scope for improvement since the relationship is quite weak.

Targeting errors in design – iii. Dynamic errors.

Qualitative research conducted in late 2008 revealed that dynamic errors had taken place. This was not surprising given that there had been no retargeting and that new orphans are constantly being created. Dynamic inclusion errors (where households were caring for orphans at the time of targeting but subsequently those orphans left) were reported by communities to be few. However, dynamic exclusion errors were perceived to be high. Particularly in areas with higher HIV/AIDS prevalence (such as Nyanza), but to some extent in every area, many new OVC households have been created since the targeting process, as carers have died or become ill. There was a clear demand for retargeting from all areas because of this source of exclusion error, and the need for retargeting is quite substantial.

3.4 Summary

Whilst the programme is succeeding in identifying OVC households, the programme's geographical targeting, screening and prioritisation processes clearly fail to effectively identify the very poorest OVC households. Firstly, the initial location quotas do not reflect the geographical distribution of the poorest OVC households. If it is to expand coverage, the programme needs to develop policies and procedures for allocating the number of recipients geographically based on estimates of need, or alternatively not use geographical quotas and let eligibility against well-designed poverty criteria drive the geographical allocation of recipients. Secondly, the screening process (poverty eligibility test) does not discriminate well, with only 5% of OVC households failing the test who are not obviously the poorest. Revising the prioritisation criteria for eligible households may not be necessary if the poverty criteria used for screening are improved sufficiently and the location quotas are refined, especially since, in addition to poverty considerations, this process reflects a desire to target support at child-headed OVC households as well as those with very elderly caregivers. Thirdly, dynamic exclusion errors created many new and very vulnerable households containing orphans (where, for example, a caregiver/income earner had died, delivering an income shock and creating new orphans). An expanded programme that really sought to protect orphans would need to consider how to deal with this – and would need to consider its costs.[16]

[16] The evaluation of the cost of the programme is yet to be finished, but will assess the cost of targeting, and so would be able to estimate the cost of retargeting.

4 The Hunger Safety Net Programme (HSNP)

4.1 Overview

4.1.1 Background

More than 1.5 million Kenyans, some 5% of the population, are chronically food insecure and depend on emergency relief to meet their basic needs. These people are mainly located in the Arid and Semi Arid Lands (ASAL) that cover 80% of Kenya. In partnership with the United Kingdom Department for International Development (DFID), the Hunger Safety Net Programme (HSNP) is being implemented as a core component of the Government of Kenya (GOK) strategy to address the historic marginalisation of the ASAL districts.[17] The Hunger Safety Net Programme (HSNP) will deliver long-term, regular guaranteed cash transfers to chronically food-insecure households. The goal of the project is to reduce extreme poverty in Kenya. The purpose is to support the establishment of a government-led national social protection system delivering long-term, guaranteed cash transfers to the poorest and most vulnerable households in Kenya.

In phase 1 (2008-2012), the HSNP will deliver regular cash transfers to roughly 60,000 households (approximately 300,000 individuals) in around 13 arid districts within the greater Mandera, Marsabit, Turkana and Wajir districts in Northern Kenya.[18] Phase 2 aims to roll out the HSNP (along with other deliverables) under a national social protection system addressing the needs of 1.5 million Kenyans with Government of Kenya and donor funding.

4.1.2 Programme implementation

In phase 1 the programme will operate in around 200 out of the total 434 sub-locations in all four districts.[19] These sub-locations will be selected on the basis of administrative considerations and security (excluding those that are insecure and/or cannot be provided with sufficient liquidity). These bases for selection will only dilute the poverty impact of the programme if poverty levels are significantly higher in the excluded areas – it is not clear whether or not this is the case. Targeting started in October 2008 and will roll out over 18 months to finish in May 2010. In each of the 200 HSNP sub-locations, the programme will implement one of the following three mechanisms for identifying beneficiary households:

- Community-based targeting
- Dependency ratio targeting
- A social pension

[17] Other key components of the strategy are: (i) Increasing service and infrastructure provision through a 15-year investment plan, costing £1.7 billion (KSh 229.5 billion9); (ii) A £4m (KSh 540m) National Drought Contingency Fund to strengthen risk reduction and improve disaster management capacity.

[18] Since the HSNP was designed, these districts have been sub-divided into a total of 13. Hence, the four original districts are referred to as the 'greater' districts in this paper.

[19] A sub-location is a geographical area corresponding to a specific official administrative unit. Each district (*wilaya*) is subdivided into divisions (*taarafa*), and these in turn are subdivided into locations (*kata*). The programme is being implemented by sub-location (*kata ndogo*), with the targeting taking place within each sub-location in which the programme operates.

Transfers targeted at households (i.e. under community-based and dependency ratio targeting) are of the same value for any size of household: Ksh 2,150 per household. The transfer value will be adjusted for inflation (5% p.a.). The social pension transfers, targeted at individuals, will be the same value for all social pension recipients: Ksh 2,150 per person identified by the programme as being aged 55 or over. This means some households in social pension areas may receive multiple transfers if they contain more than one member aged 55 or over. The targeting process occurs only once in every programme location, and takes place over 2½ months in each sub-location. There will be no graduation or retargeting in phase 1, although households and individuals will leave the programme if they choose to leave, move out of the HSNP area, or die.

Over 150 paypoints will be established across the programme area to make payments to recipients. In addition to these paypoints, Equity Bank is opening five new bank branches where recipients will also be able to access their cash transfer. The paypoints are located in local dukas (shops) and duka owners are contracted as Agents by Equity Bank. The Agents are responsible for the payment of cash transfers to recipients using the point of sale device (POS) supplied by Equity Bank and cash generated from their own business. The recipients will be issued with a smartcard to enable them to access their cash transfer. The card also has a store of value, which means the recipient will have an opportunity to store or save some of their transfer on the card. They may additionally use the card to save income from other sources. The network of POS will allow for the future delivery of additional financial services to both recipients and the broader local community.

The pilot phase is being funded by DFID and is hosted under the recently created Ministry of State for Development of Northern Kenya and Other Arid Lands. A Steering Committee of GoK and donor members will provide policy guidance and help to position social protection in the policies of relevant institutions. The HSNP uses a "managing consultant" approach (MC), involving five specialist agencies to take forward key aspects of implementation, which are:

- Payments – The payments system is being designed and implemented by the HSNP Payments Component (Equity Bank) in coordination with the Financial Sector Deepening Trust Kenya (FSD).
- Administration – Targeting and subsequent case management is being implemented by the led by Oxfam GB in partnership with CARE and SCUK.
- Management Information System (MIS) – A management information system (MIS) tracks the targeting and case management process, and the payments and complaints made. It will contain records of each household and individual who registers for the Programme and each household and individual who is selected by the Programme. The MIS is led by an independent consultant.
- Social Protection Rights – This component provide opportunities for individuals to express grievances over the targeting process during the 2½ month period, and to complain about the Programme's operation during the three years of phase 1 payments. This component has also developed a Citizens' Service Charter that sets out the Programme's standards. The Social Protection Rights Component is led by HelpAge International.
- Monitoring and Evaluation – Evidence on targeting, impact, cost, and programme effectiveness will be generated principally by the HSNP Monitoring and Evaluation (M&E) Component, led by Oxford Policy Management (OPM) in partnership with the Institute of Development Studies (IDS) and Research Solutions Ltd.

The five HSNP Managing Consultants (MCs) are coordinated by the HSNP Secretariat.

4.1.3 Programme objectives

The principal objective of Phase 1 (or the HSNP Pilot) is to implement a cash transfer programme in Mandera, Marsabit, Turkana and Wajir that will:

- Successfully target the poorest and most vulnerable households.
- Reduce food insecurity and promote asset retention and accumulation in these households.[20] This would be evidenced by:
    - Household consumption expenditure sufficient to cover adequate food intake for all members of the household.
    - Reduced reliance on food aid.
    - Reduced rates of malnutrition.
    - Increased mean value of assets held by the household
    - Increased livestock holdings
- Contribute to the evidence base on the impact of cash transfer programmes and inform the development of a scaled up cash transfer programme in Phase 2. Specifically around:
    - The most effective mechanism for targeting those most vulnerable to food insecurity.
    - Whether the Phase 1 Programme is effective in reducing food insecurity.
    - The likely cost of a scaled up Programme.

4.1.4 The evaluation

The monitoring and evaluation (M&E) of the HSNP will assess four key questions:

1. Targeting performance – do the programme's intended recipients actually receive the cash transfer? Are they poor compared to non-recipients?
2. Programme impact – has the programme significantly improved the lives of the recipients and their communities?
3. Operational performance of the programme – is the programme being implemented effectively and in line with its design?
4. Cost effectiveness – is the programme operating efficiently? Do the programme's impacts represent 'value for money'?

Answering these questions will inform the development of national social protection policy and decisions on the scale-up of the programme: whether the programme should be scaled up, and if it is, what features of the design and implementation might need to be modified or strengthened.

Evidence on targeting and impact will be gathered principally through quantitative and qualitative research over three years in 48 randomly selected sub-locations. Although all 48 sub-locations are in the Programme, in 24 sub-locations selected beneficiaries will receive the transfer immediately (the treatment group), and in 24 sub-locations selected beneficiaries

[20] It is anticipated that the Programme will also have positive impacts on a range of indicators of well-being and wealth, such as resilience to shocks, health and education uptake, and access to financial services and resilience.

will receive the transfer two years after targeting (the control group).[21] Treatment and control status, and targeting methodology, will be allocated randomly. A quantitative survey will form the most substantial element of the M&E component's activities. It will involve a household panel survey conducted on an annual basis (baseline, year 1 follow-up, year 2 follow-up) covering 4,800 randomly selected households in the 48 evaluation sub-locations, also sampled at random. The quasi-experimental community randomised, controlled design of the evaluation will enable robust impact analysis based on comparing the changes in welfare indicators between control and treatment households.

4.2 Targeting system[22]

4.2.1 Target population

The target population of the HSNP is not very precisely defined. In the programme memorandum (2007) it is defined as "chronically food insecure households", whilst the project logframe refers to the "extreme poor" and the "poorest and most vulnerable 10% of households". These various definitions all obviously describe very similar types of households but do not necessarily match exactly. However, to judge relative targeting performance of the three targeting mechanism a precise definition is required.

In poverty-targeted social protection programmes in many developed countries, past poverty is relevant only insofar as it is usually pretty closely related to current poverty levels, current low asset levels and therefore future poverty levels. In other words, the targeting of social protection in this context is taken at a snap shot but is forward looking. We would argue that current and future poverty is, at an abstract level, the relevant characteristic for targeting any social protection programme, since it should be a safety net against further falls in welfare in the future (hopefully with a little boost thrown in) rather than a compensation for previous suffering. For example, no matter how poor one of the households in a HSNP area might be currently, or has been in the past, if one member of the household is just about to get a good new job then its future welfare is going to rise and it should not qualify for the programme. However, in reality measuring future poverty levels is hard if not impossible to operationalise. Therefore many social protection programmes do take previous poverty levels into account since these will, in many cases, be highly related to future welfare levels: if a household was extremely poor a year ago and is extremely poor now, it is likely to be extremely poor in a year's time. In practice previous poverty levels are often assessed by observing current savings and asset holdings: high previous poverty levels result in running down savings and assets, and therefore in low current savings and asset levels.

It is therefore proposed that households in the survey sample will be classified as being in the target population if they have both:

- Low consumption expenditure; and
- Low asset holdings

However the targeting analysis will also compare, by targeting mechanism, targeting performance using alternative definitions of the target population, for example: households

[21] The beneficiaries not receiving the transfer until two years after targeting will receive an initial in-kind transfer so they do receive some immediate benefit from participating in the targeting process.

[22] This section draws extensively on a summary of the HSNP Programme Design by Karen Tibbo (2009), a member of the OPM evaluation team.

reliant on food aid[23]; households that are poor on consumption measures only (i.e. not considering asset holdings); and households that reporting having remained in poverty for a significant length of time. This will allow the programme to assess how effectively the various targeting mechanisms are reaching groups defined according to other pertinent measures of poverty or 'need'.

Because the Programme is being rolled out across geographical units (sub-locations) there will also be 'residency' requirements for the entry into the programme. Households in any given sub-location will only be eligible to enrol in the programme if they are "living in the sub-location most of the time" and/or have or should have access or right over the community resources and who are not represented in any other sub-location. This includes groups whose access is denied or limited due to marginalisation. Marginalised groups will be included in targeting, so long as they live in the targeted area most of the time. Mobile households present in a sub-location during the targeting process will be included if they consider themselves as belonging to that specific sub-location or are represented by a community structure in the targeted sub-location, otherwise they will not be included.

Strictly, therefore, the target population are those households that: (a) are amongst the "poorest and most vulnerable"; and (b) fulfil the residency requirements. Similarly, eligible households are those that fulfil both the residency requirements and the eligibility criteria.

4.2.2 Beneficiary selection process

Three alternative targeting mechanisms are being employed to allow a direct evaluation of relative targeting effectiveness:

- Community-based targeting – The community collectively selects households they consider most in need of the transfers up to a specific proportional quota of households in the community.
- Dependency ratio targeting – This selects households which contain the highest dependency ratios (household members under 14, over 55, and disabled or chronically ill divided by number of other household members)
- A social pension – This selects any individual aged 55 or over.

Targeting is implemented by sub-location. Only one targeting mechanism will be used in each sub-location. The whole population who are "living in the sub-location most of the time" and meeting the criteria applied for targeting are eligible to register. For the social pension and dependency ratio targeting, registration is "on-demand", with households/individuals actively putting themselves forward for the programme. Registration involves the collection of data in order to assess their eligibility, and takes place at registration desks placed strategically in the community.[24] All those who come to the registration desk will be

[23] It is proposed that a household would be considered to be reliant on food aid if food aid constitutes most or all of the household's entire nutritional intake by value. Note that by this definition there may be many households that are receiving food aid but are not reliant on this food aid.

[24] Thus the programme will only register people that the field team can physically meet during the registration process. For the household transfers, two household representatives need to come to the registration desk. If someone cannot come to the registration desk through illness or disability, the field team will visit him/her at home at an agreed time.

The registration desk will be open for an estimated five days in each community, depending on the length of the registration process. It can be adjusted according to the size of the community and the expected number of beneficiaries.

registered, whether they meet the eligibility criteria or not. Being registered does not mean that an individual will receive the transfer, but this will allow follow-up in case of future grievance from an individual who came to register. The programme will aim to limit the number of ineligible people who attempt to register by explaining that only those who meet the criteria should register.

Once all potentially eligible households/individuals have registered, eligibility is assessed using the MIS system. The Programme administration then draws up the list of beneficiaries which will be posted in the community for validation. Beneficiaries will be officially enrolled into the programme once the community verification process is complete. Enrolment is the collection of information to enable the payment delivery, including digital photos and finger-prints. Beneficiary households will nominate two "recipients" to collect the cash payments. Beneficiaries can nominate themselves as recipients, or alternatively nominate trusted individuals outside of the beneficiary household who will collect the cash on their behalf. Recipients must be over 18 and hold a national ID card.

There are two key concerns with the targeting selection process. Firstly, that location-specific targeting combined with residency requirements and the fact that registration requires applicants to physically meet the administration teams means that many nomad households could potentially be excluded. Secondly, the requirement of national ID card to be a recipient (recipient is an individual who can collect cash, either for themselves or on behalf of a beneficiary) is potentially worrying because many households in the four HSNP districts don't have national ID cards. This may mean a household is either excluded (if no household member knows anyone with an ID card), or at the very least reduces the choice of potential representatives to collect cash on your behalf. In some villages only the chief may have an ID card, and therefore he (or perhaps, in a very few cases, she) would have to be the representative for all beneficiaries in his village and collect the cash for all of them. This could take up a lot of the chief's time, or alternatively could be problematic for the beneficiaries who are left in a very vulnerable position in relation to the chief.

There are also specific problems with each of the targeting mechanisms. Firstly, although community based targeting has been used for food aid distribution in the project areas, communities do not always successfully identify the poorest households (Wahenga 2008b). This mechanism also suffers from the problem of pre-specified proportional quotas. This means all community targeting sub-locations should have the same coverage rate, even though chronic poverty levels may vary substantially between them. Secondly, dependency ratio targeting may not be appropriate in the specific context of the HSNP districts since it is anecdotally reported that in the nomad cultures of northern Kenya it is reported that richer households tend to gather dependents and therefore may have higher dependency ratios than some poorer households. There are also significant practical challenges in establishing correct ages, degree of disability and households' size. Finally, the social pension could be problematic because old age is not well correlated with poverty (i.e. richer individuals tend to live longer). Coady et al 2002 found that categorical targeting on the elderly was the second worst performing targeting mechanism across the 111 programmes they analysed for targeting performance. Added to this is the complication that age (in 12 month years) is extremely difficult to establish accurately in the context of the HSNP districts where very few individuals have birth certificates or accurate national ID cards, and where calendar systems from each other and rarely include 12 month years.

4.2.3 Targeting analysis methodology

The targeting performance of the Programme will be assessed in terms of how effectively it succeeds in reaching the target population (variously defined as explained above). Targeting performance will therefore be measured by estimating:

- The proportion of households in the target population that are not benefiting from the Programme – **exclusion error**
- The proportion of beneficiary households that are not in the target population – **inclusion error**

The estimates of inclusion and exclusion errors will be disaggregated by:

- District (old)[25]
- Targeting mechanism (social pension, community-based targeting, dependency ratio)
- Targeting selection process (door-to-door vs on-demand)[26]

By comparing inclusion and exclusion errors across the three targeting mechanisms it will be possible to identify which, if any, is the most effective mechanism for reaching the targeting population (chronically food insecure households).

Although the targeting analysis will rely on quantitative estimates of targeting performance derived from the survey data, it will be complemented by the qualitative fieldwork which will explore, particularly in the follow-up phases when the targeting results will be known, the causes of poor targeting performance, such as, for example, the possible exclusion from the Programme of socially marginalised groups or elite capture within communities.

Targeting errors will be decomposed into errors of design and errors of implementation. The targeting performance of the eligibility criteria (design performance) will be measured by estimating:

- The proportion of households in the target population that are not eligible for the Programme – **exclusion error by design**
- The proportion of eligible households are not in the target population – **inclusion error by design**

The targeting performance of the registration process (implementation performance) will be measured by estimating:

[25] In phase 1 the HSNP will cover four 'old' districts: Marsabit, Madera, Turkana and Wajir. These are referred to as 'old' because in 2008 they were each split into 3-4 separate new districts.

[26] For both the dependency ratio and social pension targeting mechanisms, two different selection processes will be implemented: (i) a on-demand approach, whereby households apply for the Programme at a temporary 'desk' set up in the community during the targeting phase; and (ii) a door-to-door (or census) approach, whereby the HSNP Administration field-staff visit each and every dwelling in the sub-location to collect the application information from all households. Inclusion and exclusion errors will also be calculated separately for each of the two selection processes to assess which approach is more effective, i.e. less susceptible to errors of exclusion and inclusion in implementation.

- The proportion of eligible households not benefiting from the Programme **– exclusion error in implementation**
- The proportion of beneficiary households that are ineligible **– inclusion error in implementation**

Because there is no re-targeting in phase 1, there are likely to be dynamic exclusion errors: over time some programme beneficiaries will graduate out of the target population (but not out of the programme), while some non-beneficiaries will fall into the target population. The targeting analysis will therefore also assess these 'dynamic' exclusion errors. This will again be decomposed into errors of design and errors of implementation.

5 Lessons learned for the effective targeting of cash transfer programmes in Africa

This paper has compared the contrasting targeting approaches employed by two cash transfer programmes in Kenya, the CT-OVC and the HSNP. The conclusion attempts to draw out the implications for the design and evaluation of targeted cash transfers in Africa.

Three factors are in tension with each other:

- First, most countries face severe budget constraints, certainly compared with Latin American countries, implying that targeting is desirable and perhaps absolutely necessary.

- Second, many sub-Saharan African countries have weaker administrative capacity than in Latin America, raising questions about the government's ability to implement heavy targeting effectively.

- Third, most countries have very high poverty rates, and very little difference between the incomes of most poor people (Ellis 2008), which makes it very difficult and often undesirable to define a small target group.

In response to these tensions the CT-OVC has been designed to target a specific categorical sub-population, OVC households, who are seen as both socially and politically deserving of formal government support. Although initially only about a fifth of OVC households were covered in programme areas, this has subsequently increased to cover nearly all OVC households (up to 95% if all eligible households are successfully brought onto the programme). The evidence suggests OVCs are a reasonable target population but clearly some highly vulnerable households and individuals are excluded.[27] This can be tolerated so long as there are not many significantly better off (OVC) households are being included at their expense. In fact it is clear that the eligibility criteria need to do a better job at screening out the richer OVC households.

In terms of financial sustainability it is clear that the programme will rely on support from donors for some time to come, despite the significant financial commitments made by the Government of Kenya. Administrative capacity is also a factor that will influence the sustainability of the CT-OVC. So far the programme has benefited from significant technical assistance in the initial implementation. Although this support has been scaled back, there are many administrative challenges still to be overcome, particularly with regard to re-targeting and conditionality monitoring, and so it is not clear when external support will no longer be required at all.

The HSNP has further to go in resolving these tensions, unsurprisingly since it is only in its initial pilot phase. The target population has not been precisely defined, but three different targeting mechanisms being trialled. There are concerns surrounding all three. For the social pension, it is not clear that old age is significantly correlated with poverty (i.e. richer individuals tend to live longer). For the dependency ratio targeting concerns have been raised because it is reported that in the nomad cultures of northern Kenya richer households tend to gather dependents. For the community-based targeting, the worry is that

[27] It is interesting to note that very young children are systematically under-represented in OVC households because the probability of becoming an orphan is cumulative with age.

communities do not always successfully identify the poorest households (at least as defined by the programme's architects).

The extremely high official absolute poverty rates in the four HSNP greater districts (Mandera, 88%; Marsabit, 92%; Turkana, 94%; and Wajir, 84%)[28] are being used to justify high coverage rates: likely to be roughly 50% on average, although it will vary by targeting mechanism and between evaluation and non-evaluation areas.[29] It is possible that under a scaled-up HSNP operating nationally, coverage rates would be this high in these districts, reflecting their extremely high poverty rates, however whether such massive levels of financial support being channelled to traditionally marginalised areas will be politically sustainable remains to be seen. In any case, if coverage rates are to be so high in areas such as these, the case for having no targeting in these areas must surely be considered, since the costs of targeting could well outweigh the benefits.

A significant targeting-related problem in the design of the HSNP administration system is that a national ID card is required to be a recipient.[30] It is reported that many households in the four HSNP greater districts do not have national ID cards. This will either leave them excluded, if they know no-one with an ID card, or reduces their choice of potential representatives to collect cash on their behalf. One possible scenario is that in cases where only the village chief has a national ID card, he will have to collect the cash for whole village. This could put him at a significant advantage, although it would also represent a burden. Another problem is that location-specific targeting combined with residency requirements, together with the fact that registration requires applicants to physically meet the HSNP Administration teams, could potentially exclude many nomad households, many of whom may be chronically poor and therefore should really be included in the programme. A final potential problem relates to the fact that implementation is being undertaken by international NGOs, albeit in collaboration with local partner organisations. This is being done because the local administration systems are not seen to have the capability to do this. However, it is not clear if it is either (a) desirable or (b) feasible to have international NGOs administering the programme when it has been scaled-up.

Overall we would argue that the likely model for cash transfer programmes in Africa will be to keep targeting reasonably tight and therefore the programme affordable. It would appear that in the current context the most viable option for doing so is actually to not explicitly target poverty, rather to use a categorical plus means-testing approach. The first step is to find a sub-group of the population that is relatively easy to identify (in order to keep targeting costs down) and that is seen both socially and politically as deserving of support (in order to ensure the buy-in and support of the political and social elites). Possible examples include the elderly, disabled people and OVCs. Even with this support of the political and social elites, and the tax revenue resources that this can potentially bring, significant donor support is likely to be required since regularly providing cash support to large sections of the population is an expensive business.

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[28] KIHBS 2005/06, Basic Report on Well-being in Kenya, KNBS (2007).

[29] In order to keep administrative costs down coverage rates are going to be higher in non-evaluation areas, since this will require fewer areas to be covered in order to identify the 60,000 beneficiary households to be brought onto the programme in phase 1.

In evaluation areas the eligibility criteria cut-offs have been calibrated to give the following estimated aggregate household coverage rates: social pension, 35%; dependency ratio, 50%; community-based targeting, 50%.

[30] N.B. A "recipient" is the person who is nominated to collect the cash transfer payment, either for themselves or on behalf of a beneficiary they know.

Another key lesson is the importance of high levels of administrative capacity in ensuring effective targeting. A well designed targeting mechanism (i.e. with low errors of inclusion and exclusion in design) can fail if its implementation is not effective in identifying and enrolling eligible households and minimising fraud and corruption. This is a very important consideration because targeting errors can seriously undermine the social and political support for a cash transfer programme, both in the country in which it is being implemented and also in the donor countries where electorates might begin to view cash transfer programmes as wasteful, echoing traditional concerns around government "hand-outs".

Finally, it is clear that targeting mechanisms need to be dynamic. People are not passive targets, but move about once the initial snap-shot has been taken (Sen 1995). In the absence of effective re-targeting systems, significant dynamic targeting errors will arise. In fact it is informative to observe the emphasis placed on monitoring current poverty status over time in developed countries' social protection systems. If they are not doing so already, the problem of designing and implementing effective graduation and exit systems is something that current generation of African cash transfer programmes (eg CT-OVC) will soon be grappling with. In this regard, it would be a useful exercise to review the re-targeting approaches being used in Latin America with a view to adapting them to the African context.

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Annex A The CT-OVC targeting analysis – additional tables

Table A.1 Comparison between study (OVC) and national populations – key indicators

Indicator	OVC-CT programme baseline survey (OVC households)	DHS 2003 (All households)		
	Evaluation treatment locations	Urban	Rural	Total
Household characteristics				
Mean household size	5	4	5	4
Mean number of rooms occupied by household[31]	2	2	3	3
Household dwelling – proportion of households with… (%)				
Poor quality roof (mud/cow dung/grass/sticks)	18	4	29	23
Poor quality floor (mud/cow dung)[32]	61	19	77	62
Main source of cooking fuel is firewood or residue/animal waste/grass	82	11	86	67
Main source of lighting fuel is electricity[33]	13	50	5	16
No toilet (toilet is of type none)	45	5	21	16
Main source of drinking water during the dry season is river, lake or pond[34]	49	5	54	42
Household assets – proportion of households that own… (%)				
Real estate (incl. dwelling)[35]	80	16	81	64
Radio	48	81	71	74
Telephone / mobile	21	33	6	13
Education				
Proportion of children aged 6-15 years currently enrolled in school	83	91	90	89
Health				
Proportion of children aged 0-59 months (i.e. < 5 years old) malnourished (<2sd) on height for age (***stunted***)[1]	28	24	32	30
Proportion of children aged 0-59 months (i.e. < 5 years old) malnourished (<2sd) on weight for age (***underweight***)[1]	17	13	21	20

[31] The DHS 2003 gives figures for the mean number of persons per sleeping room.

[32] DHS 2003 equivalent categories include earth/mud/dung/sand.

[33] DHS 2003 asks only whether the household has electricity or not.

[34] DHS 2003 asks only source of drinking water; of the DHS categories here we include spring/river/stream/ pond/lake/dam (Dam is 3.3%).

[35] DHS 2003 asks whether household owns a) the structure of the house, and b) the land on which the structure sits. The national total for households who own their own house (and presumably the land it sits on) is 70.5%, somewhat closer to the baseline survey estimates.

Indicator	OVC-CT programme baseline survey (OVC households)	DHS 2003 (All households)		
	Evaluation treatment locations	Urban	Rural	Total
Proportion of children aged 0-59 months (i.e. < 5 years old) malnourished (<2sd) on weight for height (***wasted***)[1]	4	4	6	6
Proportion of children aged 12-23 months (aged 1) fully vaccinated	74	59	56	57
Proportion of children aged 0-59 months (i.e. < 5 years old) that have been ill with diarrhoea at any time within the last month treated with additional fluids or ORS[36]	66	52	50	51
Health facility usage				
Proportion of children aged 0-59 months (i.e. < 5 years old) with diarrhoea in last month for whom treatment was sought from a health facility or provider[37]	46	–	–	30
Proportion of children aged 0-59 months (i.e. < 5 years old) with symptoms of ARI and/or fever in last month for whom treatment was sought from a health facility or provider[38]	69	54	44	46
N = # households (unweighted)	1,736			8,542

Source: OPM OVC-CT evaluation baseline data (2007). DHS 2003.

[36] The DHS 2003 gives proportion of children under five years who had diarrhoea (or ARI symptoms/fever) in the two weeks preceding the survey.

[37] See note above.

[38] See note above.

Table A.2 Basic socio-economic characteristics of OVC Households in treatment locations

	Treatment locations		
	Recipients	Non-recipients	Overall
Consumption expenditure			
Mean monthly real consumption expenditure per adult equivalent (Kshs)	1,550	1,765	1,719
Proportion living on less than $1 a day[3]	38	30	31
Proportion living on less than $2 a day[3]	84	78	80
Proportion of OVC households which contains no adults who have reached Standard 8 (%)	51	29	36
Household characteristics			
Median household size	5	5	5
Median number of rooms occupied by household	2	2	2
Proportion of OVC households which contains no adults who have reached Standard 8 (%)	51	29	36
Household dwelling – proportion of OVC households with (%)			
Poor quality walls (mud/cow dung/grass/sticks)	80	69	71
Poor quality roof (mud/cow dung/grass/sticks)	24	17	18
Poor quality floor (mud/cow dung)	69	59	61
Main source of cooking fuel is firewood or residue/animal waste/grass	86	80	82
Main source of lighting fuel is electricity	6	15	13
No toilet (toilet is of type none/pan/bucket)	57	42	45
Main source of drinking water during the dry season is river, lake or pond	49	49	49
Household assets – proportion of OVC households that own (%)			
Real estate (incl. dwelling)	81	80	80
Farming land	82	85	84
Livestock	76	74	75
Radio	38	50	48
Telephone / mobile	12	23	21
Bucket / basin	89	87	88
Table	82	90	88
Chair or wooden stool	90	93	92
Bed sheets	75	88	85
Blankets	85	87	86
Mosquito net	58	72	69
N = number of OVC households (unweighted)	**1,506**	**230**	**1,736**

Source: OPM OVC-CT evaluation baseline data (2007). Notes: (1) Real consumption expenditure per adult equivalent has been estimated by adjusting nominal expenditure for price differences across districts using a Paasche price index constructed using OPM OVC-CT baseline data from the household and community surveys. In order to enable valid inter-district comparison, rent has been excluded from the calculation of mean monthly real consumption expenditure. (2) An income of $1 a day translates to a real consumption expenditure per adult equivalent of Ksh 1133.5 per month using the World Bank's most recent PPP exchange rate (2005) adjusted for inflation since 2005.

Table A.3 Child health and nutrition indicators for OVC Households in treatment locations (% of all children in OVC households)

	Treatment locations		
	Recipients	Non-recipients	Overall
proportion of children < 6 years old malnourished (<2sd) on height for age (stunted)[1]	32	25	27
proportion of children < 6 years old malnourished (<2sd) on weight for age (underweight)[1]	20	16	17
proportion of children aged. < 6 years old malnourished (<2sd) on weight for height (wasted)[1]	7	2	3
proportion of children aged 1-3 years fully vaccinated [2]	75	56	60
proportion of children < 5 years old that have been ill with a fever or cough or diarrhoea within last month	62	67	66
proportion children aged 1-3 years with a health card	54	45	47
proportion of children < 5 years old who have been weighed by a health worker within the last six months	31	24	25
proportion of children < 5 years old who have been ill with a fever, cough or diarrhoea within the last month whose caregiver sought advice or treatment from an appropriate source of care[3]	72	71	71
proportion of children < 5 years old who have been ill with diarrhoea at any time within the last month given extra liquids or ORS to drink	74	68	69
proportion of children < 5 years old) whose caregiver has heard of malaria and know effective ways of preventing it[4]	97	96	96

Source: OPM CT-OVC evaluation baseline data (2007). Notes: (1) See OPM CT-OVC Baseline Survey Report for details of the anthropometric analysis and definition of ***stunted***, ***underweight*** **and** ***wasted***. (2) A child is defined as fully vaccinated is they have received at least three DPT, three polio, one BCG and one measles vaccination injections. (3) An appropriate source of care is defined as being a hospital, government health centre, mission/church/mosque hospital, private hospital/clinic, mobile clinic or community health worker. (4) The malaria prevention measures that are defined as effective are: sleeping under a bed net; clearing away standing water; and spraying to kill mosquitoes.

Table A.4 Child education indicators for OVC households in treatment locations (% of all children in OVC households)

	Treatment locations		
	Recipient – Overall	Non-recipient	Overall
proportion of children aged 4 or 5 (48-71 months) currently attending nursery (pre-school)	62	63	63
proportion of children aged 6-17 years ever attended school	90	85	86
proportion of children aged 6-12 years ever attended primary school	86	79	80
proportion of children aged 13-17 years ever attended secondary school	12	15	15
proportion of children aged 6-17 years currently enrolled in school	85	82	83
proportion of children aged 6-12 years currently enrolled in primary school	84	77	78
proportion of children aged 13-17 years currently enrolled in secondary school	7	9	9
proportion of children aged 6-17 (currently enrolled in school) present in school on most recent day open	94	96	95
mean number of days of school missed in the most recent two months for children aged 6-17 years who are enrolled in school	1.3	1.3	1.3
proportion of children aged 6-17 years currently enrolled in school that are repeating a class	12	9	10

Source: OPM OVC-CT evaluation baseline data (2007). Notes: Children in Kenya generally begin primary school when they are 6-8 years old. There are eight classes in primary school (Standard 1 – Standard 8), but due to class repetition students may attend primary school for more than eight years. There are six classes in secondary school (Form 1 – Form 6).

Table A.5 Proportion of OVC households in the treatment locations satisfying each of the programme's poverty indicators – by consumption quintile (%)

	Quintile 1 (less well off)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (better off)	Overall
Proportion of OVC households with each of the following poverty characteristics (%):						
(1) Household contains no adults that have reached Standard 8	40	39	41	35	26	36
(2) Caregiver is not currently working *or* working as a farmer/labourer	90	83	77	70	59	76
(3) Caregiver has less than two acres of land	54	55	64	66	62	60
(4) Construction material of household dwelling walls is mud/cow dung or grass/sticks/makuti	84	73	74	64	46	68
(5) Construction materials of household dwelling floor is mud/cow dung	73	68	67	55	42	61
(6) Construction materials of household dwelling roof is mud/cow dung	0	0	0	0	0	0
(7) Household toilet is of the type none/pan/bucket	54	48	53	40	31	45
(8) Household's source of drinking water is river, lake, pond or similar	50	54	52	59	32	49
(9) Household's source of lighting fuel is firewood	16	3	0	3	1	5
(10) Household's source of cooking fuel is firewood or residue/animal waste/grass;	94	91	89	74	60	82
(11) Household owns no real estate property	7	14	18	19	41	20
(12) Household owns just two or less traditional zebu cattle	92	80	83	75	88	84
(13) Household owns no hybrid cattle	100	100	99	99	90	98
(14) Household owns five or less goats	91	87	89	96	94	91
(15) Household owns five or less sheep	97	96	94	99	96	96
(16) Household owns no pigs	100	98	100	100	99	99
(17) Household owns no camels.	96	94	93	99	99	96
Average number of characteristics satisfied (poverty score)	11	11	11	11	10	11
Proportion poor on programme's definition (poverty score of eight or higher)	100	95	98	98	85	95
N = # OVC households (unweighted)	383	404	376	303	270	1,736

Source: OPM OVC-CT evaluation baseline data (2007). Notes: (1) Quintiles were defined over all evaluation locations using estimates of real consumption expenditure per adult equivalent such that each quintile contained 20% of the OVC households. (2) Real consumption expenditure per adult equivalent has been estimated by adjusting nominal expenditure for price differences across districts using a Paasche price index constructed using OPM OVC-CT baseline data from the household and community surveys. In order to enable valid inter-district comparison, rent has been excluded from the calculation of mean monthly real consumption expenditure (3) Due to targeting errors a small number of non-OVC households were included in the study population. These households were excluded in the estimation of the quintile cut-offs.

Table A.6 Distribution of eligible households in the treatment locations – by priority ranking and location consumption tercile (%)

	Tercile 1 (less well off)	Tercile 2	Tercile 3 (better off)	Overall
Priority ranking quintile:				
Quintile 1 (highest priority)	43	33	24	100
Quintile 2	40	36	24	100
Quintile 3	39	24	37	100
Quintile 4	29	28	43	100
Quintile 5 (lowest priority)	32	45	22	100

Source: OPM OVC-CT evaluation baseline data (2007). Notes: (1) Location consumption terciles were defined by location using estimates of (nominal) consumption expenditure per adult equivalent such that each tercile contained a third of OVC households in each location. (2) Priority ranking quintiles were defined by first ranking all eligible households according to the programme's prioritisation criteria: by the age of child caregiver (from youngest to oldest if caregiver less than 18 years of age; from the older to youngest down if caregiver is over 18). Eligible households were then assigned to a quintile such that each ranking quintile contains 20% of eligible households in each location.