Poverty Targeting Primer

Full Version

Concepts, Methods and Tools

Table of Contents

Annexes

Tables

Figures

Boxes

List of Abbreviations

ADB	Asian Development Bank
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
BRAC	Formerly „Bangladesh Rural Advancement Committee"
CAPI	Computer-assisted personal interview
CSPC	Community Social Protection Committee
EGS	Employment Guarantee Scheme
FISE	Fondo de Inversion Social de Emergencia
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
ID-Poor	Identification of Poor Households Programme (Cambodia)
IFAD	International Fund for Agricultural Development
KfW	Kreditanstalt für Wiederaufbau
LSLM	Living Standards Measurement Study
MASAF	Malawi Social Action Fund
MIS	Management Information System
MKW	Malawi Kwacha
NGO	Non-government organization
OECD	Organization for Economic Cooperation and Development
PBCRG	Planning and Budgeting Committee Representative Group
PMT	Proxy Means Test
PNAC	Programa Nacional de Alimentación Complementaria
PWP	Public Works Programme
SARUN	Sektorvorhaben Armut reduzieren – Ungleichheiten abbauen
SCT	Social Cash Transfer
SCTP	Social Cash Transfer Programme
SCTS	Social Cash Transfer Scheme
SDG	Sustainable Development Goal
SEWOH	Sonderinitiative Eine Welt Ohne Hunger
UBR	United Beneficiary Registry
UN	United Nations
USD	United States Dollar
VRG	Village Representative Group

The more accurate a subsidy in fact is in reaching the poor, the less the wastage, and the less it costs to achieve the desired objective. It is a matter of cost-effectiveness in securing a particular benefit. [...] it is one of maximizing the poverty-removal benefits accruing from a given burden of cost."

Amartya Sen, 1995

1   Background and aim of the Poverty Targeting Primer

Extreme income poverty has been reduced worldwide by half since 1990. Under the United Nations' 2030 Agenda for Sustainable Development (UN 2015), the international community is now striving to overcome extreme poverty and to half multi-dimensional poverty by 2030 (Sustainable Development Goal 1).

According to the World Bank, some 700 million people live in extreme income poverty, which means on less than 1.90 USD per day (2015). Furthermore, 1.6 billion people live in multi-dimensional poverty, i.e. they have no or only inadequate access to education, health and means such as energy and water to satisfy their basic needs.

Selective targeting of extremely or multi-dimensionally poor individuals and households can help policies and programs achieve greater poverty-reducing effects. Given the imperative of Sustainable Development Goal (SDG) 1, it is expected that poverty targeting will continue to grow in importance. In countries with declining poverty rates, more resources can be made available for the people who remain in poverty, while new technologies can facilitate more focused interventions (cf. Chandy & Kharas 2014).

Under the auspices of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the sector program "Eradicating poverty - reducing inequality" (SARUN) supports the German Federal Ministry for Economic Cooperation and Development (BMZ) in the updating, adaptation and application of strategies and concepts for overcoming global poverty and reducing inequality.

To further strengthen the contribution of the German government to reducing poverty in its partner countries, the sector program foresees that the use of targeting techniques should be encouraged where appropriate, facilitating thereby better identification of and support to people living in poverty.

With this **aim** in mind, SARUN has prepared and coordinated the elaboration of the present document as a **practice-oriented guidance for staff members of German development cooperation implementation organizations and their local partners**. It is the product of a close collaboration between the GIZ and the Kreditanstalt für Wiederaufbau (KfW).

2   The imperative of the SDGs: Leave No One Behind!

On September 25th, 2015, the United Nations (UN) General Assembly adopted the resolution entitled "Transforming our world: the 2030 Agenda for Sustainable Development" (A/RES/70/1). In its 2030 Agenda, the member states of the United Nations recognize that "eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development". SDG 1 commits the UN member states to "end poverty in all its forms everywhere". The UN's commitment to inclusive development is most clearly articulated in the document's preamble: "As we embark on this collective journey, we pledge that no one will be left behind". In the spirit of what is sometimes referred to as "progressive

universalism" (cf. Starr 2014), there is also a sense of urgency assigned to this commitment: "We will endeavour to reach the furthest behind first."

The UN's first Global Sustainable Development Report (UN 2016) places special emphasis on the notion of "ensuring that no one is left behind" as a fundamental guiding principle for the implementation of the 2030 Agenda. In particular, it poses the question: "Who are those left behind?" It notes a wide variety of conceptual, methodological and operational challenges in defining and identifying those left behind, including conventions and value judgements. Beyond identifying those left behind, there is also the challenge of reaching them through delivery mechanisms. In this context, the UN report notes that **targeting** has often been used in order to reach specific groups. The report presents a typology of existing methods to target those left behind, and concludes that "all methods have advantages and drawbacks". Citing a comprehensive review of the effectiveness of mechanisms used to target the poorest and most vulnerable through various types of interventions such as cash and food transfers, public works etc., the UN report notes that the different targeting methods showed a range of results in terms of effectiveness in reaching the target groups (Coady et al 2002). The need for improved targeting is well illustrated by the results of a World Bank review that looked at electricity and water subsidies, and concluded that the bulk of the subsidies was reaching high and middle-income groups (Komives et al 2005).

In a word of caution, the UN report notes that available evaluations from different SDG areas all suggest that there are significant practical challenges in effectively reaching those left behind. **Targeting, in and by itself, is not sufficient in order to leave no one behind** – development interventions, even if properly targeted, can result in at best partial solutions to deprivations and, as a result, only address part of the problem. The UN report also cites numerous good targeting practices, notably in the areas of conditional cash transfers, subsidies to sanitation and support to persons with disabilities.

3   Poverty targeting in German development cooperation

The BMZ poverty reduction strategy paper "Fighting Poverty More Effectively – Worldwide" (BMZ 2012) illustrates how bilateral cooperation can incorporate both targeted as well as non-targeted approaches to global poverty reduction. Poverty reduction and overcoming the causes of poverty are the **core objective** of this policy. The BMZ policy document contains numerous explicit references to poverty targeting. The term "targeting" is thereby used not only in reference to "poverty targeting": In some cases, it is applied to other vulnerable and marginalized groups, such as women and girls, households in rural areas, and households in regions with limited access to energy.

BMZ's poverty reduction strategy comprises elements of **broad poverty targeting.** These commitments relate to sectors in which poor individuals and households should benefit with priority, as a programmatic focus, but not necessarily with exclusiveness, from German development cooperation. These interventions include measures that address the needs of the poor in specific geographical settings: rural areas, informal settlements, disadvantaged urban areas, slums, densely populated poor regions, and – at the global scale – the poorest developing countries.

Germany's 2012 strategy paper takes into account the need for broad measures to improve the framework conditions for good poverty reduction policies and programs. Broad measures are non-targeted, but nevertheless important for sustainable poverty reduction. Improved legal conditions, accountability, transparency, natural resource governance, business climate etc. may be expected to benefit all individuals and households in society. The distribution of the benefits of broad, i.e., non-targeted measures, however, may be uneven, given the persistence of discriminatory practices, languages barriers and other obstacles to the participation of poor and marginalized groups. This is why broad poverty reducing measures must often be accompanied by targeted measures, such as

free legal advice for the poor, translation services for speakers of minority languages and other complementary measures to render them truly and effectively pro-poor.

4   Key questions for the assessment of poverty targeting systems [1]

The notion of poverty targeting has its roots in the basic principles of social policy. **Universalism** and **selectivity** are two basic principles at the core of every social policy regime i.e. the sum of the policies that a government uses to promote the welfare and the social protection of the governed population. They relate to how the benefits accruing from social policy should be delivered to that population. These two basic principles are not mutually exclusive: In practice, social policy regimes tend to be hybrid i.e. they incorporate both universalism and selectivity. The relative importance of each basic principle in a given social policy regime depends on numerous and diverse factors, such as religious beliefs, ideologies, social attitudes, recognition of basic human rights, available modes of democratic expression, fiscal constraints, administrative capacity and last but not least political will.

The public debate around the real and potential role of poverty targeting as an instrument of social policy has given rise to a **vast body of research literature**, much of which is dedicated to the role of poverty targeting in developing countries. Some assessments relate to poverty targeting in general, while others compare different poverty targeting systems including their specific methodologies. While the latter approach will be applied in section 5.2 (below), a more general assessment of poverty targeting in developing countries may be derived from a comprehensive review of the available research literature, conducted for the purposes of the present primer. For reasons of convention and simplicity, the following general assessment is structured around the OECD's five key evaluation criteria (cf. OECD 2002), and summarized in the form of **key questions for the assessment of poverty targeting systems** in the context of their respective poverty reduction programs: [2]

Relevance
- Is poverty targeting consistent with and supportive of the government's social policy regime?
- Is poverty targeting consistent with and supportive of the strategies and programs of the government's partners?
- Have key stakeholders including those at grass-roots level been involved in the design of the poverty targeting system?
- Are the concepts and methods of poverty targeting well understood by the stakeholders?
- Is there sufficient local ownership of the poverty targeting process?

Efficiency
- Are the resources available for poverty targeting adequate in terms of quantity and quality, and managed transparently and with due respect of established rules and procedures?
- Does poverty targeting help to achieve more allocative efficiency in poverty reduction (cost-effectiveness, value for money)?
- Does poverty targeting make good use of new technologies in identification, communication, payment, digitalization and data processing thereby reducing transaction costs, minimizing leakages and generating audit trails?

---

[1] The literature review conducted for the purposes of the present primer yielded no generally recognized definition of the term "poverty targeting system". Nevertheless, it may be expected that the description of any such system should respond to the following question: "Who targets what to whom, how, when and where, and under what conditions?" Similarly, one may refer to eight basic dimensions (or aspects) of poverty targeting systems: Actor, action, product, user, quality (manner), periodicity, location and conditionality.

[2] Note that a clear distinction should be made between the assessment of poverty targeting systems, for which these questions are relevant, and the assessment of poverty reduction programs (design and implementation), for which other, generally more comprehensive evaluation questions are required.

- Are mechanisms in place to prevent and respond to problems of elite capture, rent seeking, corruption and clientelistic practices?
- Does poverty targeting induce hidden costs to the target groups i.e. through eligibility requirements, work requirements (opportunity costs), stigmatization and the like?

Effectiveness
- Does poverty targeting help reduce inclusion errors (leakages i.e. including the non-poor) and exclusion errors (under-coverage i.e. not including the poor)?
- Does poverty targeting facilitate access to the poorest individuals and the most marginalized groups and regions?
- Does poverty targeting help increase the amount of assistance actually going to the poor?

Impact
- Does the poverty targeting system contribute to the program's overall success in reducing poverty and achieving society-wide sustainable development?
- Does poverty targeting help ensure that a higher proportion of social benefits reaches poor individuals and households, as compared to alternative, more universal modes of provision of social benefits?
- Does poverty targeting contribute to reducing inequalities?
- Does poverty targeting induce negative side effects such as a sense of stigmatization and disempowerment among the targeted groups, or a sense of discrimination, exclusion and perceived injustice among non-targeted groups?

Sustainability
- Does the poverty targeting system contribute effectively to the program's overall impacts in terms of helping poor individuals and households to escape poverty permanently?
- Is poverty targeting well adapted to the existing administrative and financial capacities?
- Does poverty targeting enjoy broad political and bi-partisan support?
- Is poverty targeting compatible with existing societal values and norms?
- Does poverty targeting induce negative side effects such as higher marginal tax rates for the target groups (risk of poverty traps), behavioural change to ensure eligibility for social benefits (perverse incentives), or undesirable migration between targeted and non-targeted regions?

The above list of key questions is by no means exhaustive, but it does reflect quite well the main issues addressed in the relevant research literature. The responses to these and other key questions will vary from one context to another, and from one form of poverty targeting to another. It is therefore important to consider both the specific context as well as the specific modalities of poverty targeting when designing a poverty targeting system.

5   Poverty targeting methodologies

5.1   Review of the most common poverty targeting methodologies

A wide variety of poverty targeting methodologies has been developed and applied in many different poverty reduction programs throughout the world. For the purposes of the present review, the concerned methodologies will be divided into the following **six broad categories**: [3]

- Means testing,
- Proxy means testing,

---

[3] In this section, targeting is understood to include re-targeting. The latter will be addressed in section 6 below.

- Categorical targeting,
- Geographical targeting,
- Self-targeting and
- Community-based targeting.

The main characteristics of these poverty targeting methodologies will be summarized in Table 1 of section 5.2 below.

Some poverty targeting systems make use of more than one methodological approach. Such mixed or "hybrid" approaches will not be considered here as a separate category. Nevertheless, given their importance, they will be given due consideration in the following sub-sections, in which each poverty targeting methodology will be described and illustrated in reference to short examples of international practice as well as more detailed examples (in boxes) drawn from German-supported poverty reduction programs in developing countries.

5.1.1   Means testing

Also referred to as individual or household assessment, this is a method under which eligibility for social benefits is **assessed directly**. It aims to identify the poor on the basis of a monetary criterion, used to measure the standard of living of each individual or household in a program's potential beneficiary population (cf. Lavallee et al 2010). In most cases, the preferred monetary criterion is individual or household income. Given the difficulties of measuring income, however, due in particular to the important role of the informal sector in many developing countries, consumption is sometimes used as a substitute for income. Means may also include assets (wealth), in which case Grosh (1994) applies the term "true means test". Means testing can be carried out through field interviews or at the point of application for benefits (office-based). In some cases the results of means testing are verified using other sources of information such as tax declarations, wage statements and expenditure receipts. More sophisticated means testing takes in-kind and seasonal income into account as well. Simple means testing requires no verification, but may include optional home visits to check the plausibility of available data.

Means testing is sometimes referred to as the "gold standard" of poverty targeting, as it aims to collect information on household income and/or wealth that is as complete as possible and to verify the information collected against independent sources (cf. World Bank 2016). More than other targeting methodologies, it identifies the poor in a manner that resembles approaches applied by national statistics offices to produce official poverty statistics, e.g. to determine who is below or above the internationally recognized poverty line (recently raised from USD 1.25 to USD 1.90 per person per day in real terms). This facilitates the work of poverty reduction programmers in aligning their interventions with SDG 1, in particular with SDG indicator 1.1.1 (proportion of population below the international poverty line). Unfortunately, many countries in the world still lack the basic statistical capacities required to produce this cornerstone indicator in a harmonized manner. According to the World Bank, only 63% of UN member states have been able to produce this figure over the past 15 years. Countries that have been challenged in conducting household income and/or expenditure surveys based on international standards in regular intervals (more or less every 10 years) are likely to face even more daunting challenges when applying means testing based on the same standards, but on a more frequent (at best annual) basis for the purposes of poverty targeting. At the same time, purely monetary measures of poverty tend to neglect the importance of contextual factors, such as the urban-rural divide. Hence, means testing's status as the "gold standard" of poverty targeting remains open to debate.

Here are two examples of how means testing is applied in practice:

- The Jamaica Food Stamp Program employs means testing to determine eligibility based on household income. Households register for the program or are nominated by community members. Social workers visit the candidate households to verify that the apparent living conditions coincide with the reported income. The value of the food stamps at the time of research (mid 90s) was the equivalent of USD 7.25 annually. (cf. Baker & Grosh 1994)

- South Africa's Child Support Grant program provides income subsidies (R350 per month and child, equivalent to USD 26.21) to primary caregivers who are single and earn not more than R42,000 per year, or married with a combined income not above R84,000 per year. Applicants are required to provide their 13 digit-bar-coded identity document (ID), proof of earnings and other documents for verification purposes. (cf. Rep. of South Africa 2016)

5.1.2   Proxy means testing

Proxy means testing is the identification of poor individuals or households on the basis of one or more non-monetary criteria that are **correlated with monetary measures of available means**. In general, the criteria used for proxy means tests (PMTs) should be fairly easy to observe, such as location, quality of the dwelling, ownership of durable goods (e.g. car ownership), the kind of cooking fuel used in the household, demographic structure within the household, and the level of education of household members. The required data are derived from surveys and other sources of information. Data collection for PMTs can be carried out in the field by external interviewers and/or social workers. Data collection can also be conducted through office-based interviews with applicants. In both cases some forms of verification may be required. Using regression analysis, the correlation of the selected criteria (i.e. the independent variables) with the chosen poverty measure (the dependent variable) can be calculated. The result is a formula (mathematical equation) that produces a **score** for each participating individual or household based on the established criteria of selection. With this, applicants for social benefits can be easily screened for eligibility using a cut-off score. Multiple cut-off scores can also be applied, when more than one level of eligibility is applied (e.g. for full or partial university scholarships).

While both means testing and PMT are often praised for their potential accuracy, the quality of the results of their application can be tainted by a number of factors. If the PMT methodology is based on national household survey data that is inaccurate and/or outdated, then it may give rise to **significant inclusion and exclusion errors**, in particular if the poverty situation is changing rapidly. Sampling errors may also be an issue: Poverty zones that are difficult to access due to insecurity, social unrest and/or natural barriers (e.g. floods) may tend to be neglected by enumerators. If survey respondents are aware that their access to social benefits may be contingent upon the survey results, they may be tempted to lie to the enumerators about their living conditions. Disposition to disclose income, expenditure and wealth accurately and truthfully is often culturally determined. Sanctions for misreporting are rarely effective, if they exist at all. Household interviews are most commonly conducted with male heads of households, who are not always well aware of the situation of other household members, for instance whether their children attend school or not. Enumerators are sometimes biased and/or careless in the verification of their data. Some information is inherently difficult to verify, e.g. level of education, and therefore easy to falsify. In developing countries, record keeping is often weak and existing means of verification may not be accessible. The PMT requires, among other things, strong analytical capacities to conduct regression analyses that determine the degree of correlation between the selected independent variables and some more or less accurate measure of poverty. Developing countries with weak analytical capacities, however, may be unable to conduct robust analyses, and the results of their analyses may be fraught with errors. Against this background, the claim that means testing and PMT tend to produce more accurate results than other targeting approaches in terms of identifying the poor is difficult to uphold without resorting to some

significant but questionable assumptions. Nevertheless, **under suitable circumstances, both means testing and PMT can provide a reasonably accurate estimation of who is poor, and who is not**.

The PMT approach is sometimes criticized for its lack of transparency. According to Schreiner (2015), PMTs and regressions have been around for three decades, but they are rarely used to inform decisions by local, pro-poor organizations. The reasons:

> *"This is not because they do not work, but because they are often presented (when they are presented at all) as tables of regression coefficients incomprehensible to non-specialists (with cryptic indicator names such as "LGHHSZ_2" and with points with negative values and many decimal places)."*

Similar criticism has been articulated by other authors: Houssou (2010) writes that the estimation methods used for PMTs require a high level of technological skills and may not always be well understood, especially by non-specialists. Kidd & Wylde (2001) regret that "in reality the 'black box' nature of the PMT methodology does not easily lend itself to transparency." Sabates-Wheeler et al (2015) refer to the use of PMTs as a "technical black box approach" that tends to inhibit local ownership. The above-mentioned UN report (2016) also indicates that the results of PMTs may seem arbitrary. In their review of the PMT approach, Klasen, Lange and Lobue (2012) come to the general conclusion, that "there is clearly a limit to applying ever more sophisticated methods as the resulting instrument has to remain interpretable. Put differently, **the method applied should not turn a targeting scheme into a black box.**"

Here are some examples of how PMTs are applied in practice:

- Pakistan's Benazir Income Support Programme (BISP) applies a multi-dimensional PMT on household characteristics including household assets, collected in a country-wide poverty census using a Poverty Score Card, and thus determines the welfare status of each household on a scale between 0 and 100. (Johannsen 2006)

- Malawi's Social Cash Transfer Program (SCTP) combines community-based targeting with PMT to identify and rank households. The PMT is based on household questionnaires administered by community volunteers and extension workers using a formula developed by the Ministry of Finance, Economic Planning and Development. The program is currently reaching around 160,000 households across 16 districts. (Kardan 2016)

Box 1   Combined PMT and community-based targeting in Cambodia

Cambodia's **Identification of Poor Households Programme (ID-Poor)** uses a combined proxy means testing (PMT) and community-based (participatory) targeting approach. Households are first scored by means of proxy means testing (PMT) applying a questionnaire to conduct household interviews. Local villagers (up to 30,000 of them every year) are recruited to conduct these interviews that focus on easily observable variables (proxy indicators). To be eligible, a household must have a score above the defined threshold in the household poverty questionnaire and be approved by the concerned community.

Local participation is an important ingredient in ID-Poor's targeting system. The system provides training for representatives at village and communal levels. The village representatives compile lists of households, conduct household interviews, and consider the special circumstances of each household. The results are reviewed at the communal level before a first draft list of eligible poor households is presented to the public. Village representatives also conduct consultation meetings, receive complaints, and prepare the draft final list of eligible households for submission to the commune. The Commune Council reviews and approves a final list of households that it sends data to the Provincial Department of Planning. (See ID-Poor 2016 for more details.)

The target population comprises all poor households in Cambodia, equal to about 3 million people. Given a total population of about 16 million, the target population provides direct benefits to about 19% of Cambodia's population. IP-Poor conducts re-targeting in one third of the country every year. Hence each area is covered (re-targeted) every three years.

The ID-Poor programme aims to ensure accuracy in terms of its own definition of poverty, rather than assessing their results using a measure of poverty that is not aligned to local perceptions. Experience shows, however, that inaccuracies can still occur when procedures are not properly implemented. Factors such as misunderstanding the questionnaire, recording false answers (whether deliberately or not), undue influence by local powers (e.g. village chiefs) and even lost paperwork can and do inhibit the programme's performance in terms of reaching the poor. In order to reinforce the proper implementation of procedures, ID-Poor has elaborated a detailed handbook that defines the roles of the different actors involved and the specific steps to be taken by each. Training is cascaded on an annual basis from the capital to the local level. The whole ID-Poor process is anchored in national legislation, which is crucial in ensuring that the implementers have the necessary authority and political backing.

The Ministry of Planning of the Royal Government of Cambodia is the government entity in charge of ID-Poor. The GIZ has supported ID-Poor for 10 years, with funding by Germany and Australia. During that time, all technical issues - from concept, to design, to planning the implementation procedures, to testing, as well as the data collection and dissemination, including development of the IT system - benefited from this support. In addition, GIZ disbursed funding from the same donors to support the programme's actual implementation throughout the country. This has been done in a gradually decreasing manner, with the share of the budget being picked up by the Cambodian Government increasing year on year, as agreed in bilateral negotiations.

5.1.3 Categorical targeting

Also referred to as statistical targeting, tagging, demographic or group targeting, this approach involves defining eligibility in terms of **individual or household characteristics** that are considered to be easy to observe, hard to manipulate, and correlated with poverty (Coady et al 2002). Age, sex, ethnicity, land ownership, food insecurity, and household composition (household size, number of children, dependency rates, sex of the household head, levels of education, members living with disabilities) are commonly used characteristics. Some authors include location as a categorical selection criterion, treating geographical targeting as a sub-category of categorical targeting. In the present primer, however, we treat these as two distinct targeting methodologies.

Categorical targeting tends to be **easy to explain and understand** as well as **transparent** and therefore politically more acceptable to decision makers and beneficiaries alike. It also lends itself well to social policy making for multiple objectives, for example when age is a decisive selection criterion, to reduce poverty and to protect the elderly simultaneously. Under certain circumstances, however, these strengths may translate into a weakness, for instance when elderly persons are targeted, but poverty and old age are not closely correlated. This potential weakness gives rise to a common criticism of categorical targeting: That it is crude and inaccurate, and therefore prone to inclusion and exclusion errors.

One possible answer to this weakness is multidimensional categorical targeting, a hybrid targeting method that involves defining a number of categorical selection criteria (e.g. age, disability, sex) and then selecting a subset of individuals fulfilling these criteria (e.g. individuals fulfilling two or more criteria). This method has the advantage of being transparent and politically acceptable, while at the same time avoiding the inaccuracies of simple categorical targeting as well as the excessive costs of universal targeting (cf. Kardan 2016).

Another possible response to the potential inaccuracy of categorical targeting is to combine it with other forms of targeting. Many different combinations of methodologies using categorical targeting (among others) have been developed and applied in poverty reduction programs worldwide, as illustrated by some of the case studies presented here.

One interesting example of categorical targeting is Lesotho's non-contributory pension scheme, which pays pensions only to persons over 70 years of age. It began in 2004 with the objective of reducing poverty among older people, albeit without means testing to identify and deselect older people who are better-off. The policy choice was influenced by concerns about the growing number of children affected by HIV and AIDS orphans in Lesotho who are supported by their grandparents and other older relatives or neighbours (cf. Slater & Farrington 2009). This example illustrates, among other things, why it is not always appropriate to assess targeting methodologies in terms of the estimated inclusion and exclusion errors only: Given multiple policy objectives, trade-offs between different objectives are likely to be encountered.

One highly debatable practice in categorical targeting (and in some other targeting approaches as well) involves the application of **conditions, based on behavioural criteria**, to determine eligibility for the benefits of poverty-reducing social protection programs. Compliance with conditions serves thereby as an attribute, like other categorical attributes, used to include or exclude potential beneficiaries. Such conditions may require school-age children in beneficiary households to attend school or young mothers in beneficiary households to attend post-natal clinics. Conditions like these tend to be politically acceptable, and may even positively affect the impact and sustainability of poverty reduction programs, reinforcing desired individual and social behaviour, thereby "nudging" the beneficiaries, as it were, in the right direction (cf. Burchi & Strupat 2016). The fulfilment of conditions, however, is difficult and costly to verify in a systematic manner, and evidence-based

assessments of the positive impacts of "nudging" are generally lacking. Conditions may also inhibit the beneficiaries' sense of ownership of the poverty reduction program and its targeting mechanism, in particular when such conditions are introduced without the beneficiaries' informed prior consent.

Another controversial, potentially risk-prone aspect of categorical targeting is its use to win elections. Bolivia's social pension has been cited as an example of the use of social categorical targeting in electioneering (cf. Slater & Farrington 2009). This cohort-restricted non-contributory pension program was established in 1997 in the period leading to presidential elections when payments of USD 248 were made each year to beneficiaries. Following the elections, the program was suspended and subsequently reintroduced at a lower level of USD 60 per year per beneficiary. Later elections in 2003 saw the payment of USD 248 reintroduced. Lesotho's non-contributory old-age pension was established under similar circumstances and has been reportedly cited by voters in elections as a key factor influencing their vote. While the proposition of social policy reforms in the context of elections is not, as such, problematic, and for certain voters, especially potential beneficiaries, highly desirable, there is always a risk that political candidates will promise more than they can deliver, and that the reforms, once introduced, may soon be suspended due to financial constraints or other factors. Social policy regimes that are instable and unpredictable ("stop & go") may confuse and frustrate the potential beneficiaries, inhibiting thereby their access to social benefits and negatively affecting their disposition to translate social benefits into productive assets.

Here are some examples of how categorical targeting is applied in practice:

- Namibia's Ministry of Labour and Social Welfare pays out disability grants to Namibian citizens who have attained the age of 16 up to 59 years, who are permanent residents and declared disabled by a State Medical Officer i.e. receive approval from the Ministry of Health and Social Services. Recipients are required to visit the pension office at least once a year for verification. (Government of Namibia 2016)

- Brazil's Bolsa Familia program uses a combination of means-tested and categorical targeting: those eligible are households with children up to 15 years and/or pregnant women who, based on an unverified means test, have a per capita income of between R$60-120; in order to receive additional benefits, income below R$60 (approx. USD 33); or a quarter of the minimum wage. (Slater & Farrington 2009)

5.1.4 Geographical targeting

Geographical targeting (also referred to as regional or location targeting) aims to **rank geographic areas on the basis of one or more poverty measures** with a view to targeting poverty reduction interventions in regions with high levels of poverty. Often the chosen poverty measure is per capita income or expenditure, but other parameters including multi-dimensional indexes of poverty may also be used. Geographical targeting is quite widespread in practice, and often used in tandem with other targeting methodologies. With this approach, eligibility for social benefits is determined, at least in part, by location of residence.

In numerous research publications, geographical targeting is treated as a specific form of categorical targeting. The underlying assumption is that location is a shared attribute within a given population, much like sex or disability, for instance, are shared attributes within their specific categories. Given, however, the specific requirements and potentialities of this approach, it is treated here as a separate targeting methodology.

The rationale of selecting certain locations for targeted poverty reduction interventions and thereby excluding other locations from the same or similar interventions may appear to be self-evident, in

particular in countries where the geographical distribution of poor people is significantly uneven. Disparities between sub-national regions may threaten economic and political stability as well as social cohesion and peace. A sense of being left behind can give rise to interregional frictions and, if the regions have high concentrations of specific ethnic groups, engender ethnic conflict as well. Regionally focused poverty reduction programs can help mitigate potential interregional conflicts and hinder the emergence of geographical poverty traps. The focus on sub-national regions can also help identify and address the specific constraints of each region, as opposed to applying a "one size fits all" approach to poverty reduction at the national level.

The common claim, that geographical targeting has the advantages of being simple, non-stigmatizing, low cost and easy to administer, is somewhat misleading. Geographical targeting is highly dependent on the timeliness, accuracy and degree of disaggregation of geographically referenced socioeconomic data, something that is difficult to ensure in developing countries with weak statistical capacities. The development of adequate statistical capacities can be highly challenging and costly. Ideally, data should be disaggregated down to the lowest operational administrative unit, but this ideal is rarely fulfilled. If geographical data is not sufficiently disaggregated, geographical targeting may fail to capture the situation of poor populations in regions with large non-poor populations, e.g. in urban areas comprising both slums and medium to high-income residential areas. (This depends, however, not only on the level of disaggregation, but also on the type of parameter being used.) Hence, geographical targeting alone can hardly satisfy the information requirements of accurate poverty targeting. As a stand-alone methodology, it tends to give rise to high levels of under-coverage (excluding the poor) and leakage (including the non-poor). This is the main reason why geographical targeting is often applied in combination with other targeting methodologies, such as categorical and community-based targeting, which help reduce geographical targeting's inherently high levels of inclusion and exclusion error.

The main disadvantages of geographical targeting, aside from its important data requirements, are both technical and political. From the technical point of view, geographical targeting will contribute only insignificantly to poverty reduction outcomes if the poor population is spread more or less evenly throughout the country. It is also poorly suited to addressing the needs of poor individuals without a permanent location of residence, e.g. poor homeless people, internally displaced persons (especially in times of natural disasters and social unrest), migratory herders, hunters and gatherers, and persons living in non-family households (orphanages, prisons, army barracks etc.). In some intervention zones, these groups may represent an important segment of the poor and vulnerable population. On the political side, geographical targeting can lead to political mistrust and friction at various levels of government when regional (administrative) and ethnic borders (including cultural and religious division lines) are closely aligned to each other: the exclusion of one region to the advantage of another can easily lead to perceptions of bias and unfairness. In some cases, accusations of bias in policy making may be well-founded, while in other cases they are less or not at all well-founded, but nevertheless potentially damaging to the image of government, specific policy makers and their poverty-reducing social protection programs.

Despite these shortcomings, geographical targeting remains a powerful methodology with a proven track record in a multitude of diverse poverty reduction interventions throughout the world. It is also a highly flexible approach, useful as a first stage in multi-stage poverty targeting systems in combination with other targeting approaches, and incorporating virtually any sort of data that can be assigned to specific locations. In its most common application, it draws on the results of household surveys to rank administration units at various levels of disaggregation in terms of income poverty; in more specialized applications, it has been applied, for example, to rank municipalities in Honduras according to the anthropomorphic data of 1st year school children, thereby facilitating the selection of eligible municipalities for participation in nutritional programs.

One possible response to the key issue of data requirements in geographical targeting is to centralize data collection, compilation and dissemination in a single national institution that caters to the data needs of poverty reduction programs. This approach is being piloted in a number of countries today, as in Cambodia's ID Poor Program (with household poverty level information that can be aggregated by administrative area, i.e. at commune, district and province levels), and in Malawi, where GIZ and KfW are supporting the introduction of the United Beneficiary Registry (UBR).

Before this section concludes with some practical examples, mention should be made of the role of **poverty mapping** as related to geographical targeting for poverty reduction. Van Domelen (2007) wrote, for example, that "ideally, a program will have access to the national poverty map, usually developed by the national statistics entity or ministry of planning, which has already been vetted and accepted as a national planning tool. The map can either be based on unmet basic needs or household income / consumption measures, though the latter is preferable. A program should seek the map most disaggregated to the lowest administrative level of the country." More than a decade earlier, however, Baker & Grosh (1994) warned of the need to use poverty maps with caution when targeting by geographic region. Referring to Venezuela's Mapa de Pobreza, which ranks the country's 6 states using a composite index, they wrote: "Taken without an analysis of the significance of the differences in scores, the poverty map gave a false impression of how well it would work as a device to geographically targeted poverty programs." Despite significant improvements in computer-based mapping technologies in recent years, this advice to proceed with caution is still quite valid. Good poverty maps can present relevant spatial data in a highly appealing, informative and thought-provoking manner. As such, poverty maps can play an important role in education, awareness building and advocacy for poverty reduction. They are, however, not a prerequisite for good geographical targeting. As mentioned above, geographical targeting is highly dependent on the quality (accuracy and timeliness) of available geographical information. If the available information is not of good quality, then its representation in map form will hardly make matters better, and it may even convey the false impression that the available data is somehow adequate and reliable. This is why Baker & Grosh's warning to use such maps with caution is still relevant today.

Despite these words of caution, the potential usefulness of maps in designing and implementing poverty reduction interventions can hardly be denied, and it appears to be increasing. One particularly interesting initiative is a mapping approach that aims to make the marginalized and poor visible by identifying areas with difficult biophysical and socio-economic conditions (Graw & Ladenburger 2012). According to the authors, "the maps highlight areas where different dimensions of marginality overlap – the marginality hotspots – based on proxies for marginality dimensions representing different spheres of life. … Marginality hotspots can be found in particular in India and Nepal as well as in several countries in Central and Eastern Africa, such as Eritrea, Mozambique, Central African Republic, the Democratic Republic of Congo, Northern Sudan and large parts of Niger. Maps showing the overlap between marginality and poverty highlight that the largest number of marginalized poor are located in India and Bangladesh, as well as in Ethiopia, Southeastern Africa and some parts of Western Africa."

Maps that show the overlap between marginality and poverty draw our attention to the poor who are difficult to reach, with limited or no access to the benefits of poverty-reducing social protection programs. They also remind us of the 2030 Agenda's prime imperative: To leave no one behind.

Here is one more example of how geographical targeting is applied in practice:

- Nicaragua's Emergency Social Investment Fund (Fondo de Inversion Social de Emergencia, FISE) uses a poverty map to target investments to the poor. The poverty map is based on a census data and nationwide household surveys using the Living Standards Measurement

Study (LSMS) approach and contains a poverty measure developed by the FISE for each municipality. (Pradhan & Rawlings 2002)

Box 2   Combined PMT, geographical and community-based targeting in Bangladesh

Initiated in 2002, the BRAC [4] Targeting the Ultra Poor (TUP) programme is specifically designed to meet the needs of ultra-poor households who are too poor to access the benefits of traditional development interventions such as microfinance. The programme emerged out of three decades of learning from rural poverty alleviation programmes.

The overall objective of the TUP programme is to assist the ultra-poor to improve their livelihoods and bring about positive changes in achieving economic, social and inspirational changes, and assist them to access mainstream development services.

The process of deciding who to include in the BRAC program requires constant monitoring and supervision, including rigorous training of field staff involved in targeting, frequent field visits by senior managers, and weekly reporting. Otherwise, the program will leave out those it intends to reach. BRAC's targeting process begins by identifying **geographic locations with a high concentration of ultra-poor households**. A crucial next step involves **participatory wealth ranking**, wherein groups of 40 to 50 villagers are asked to discuss and rank the wealth of every household in the village. They're asked to consider things like what a given family's house is made from – whether the roof is tin or thatched, for instance – or whether children are going to school, whether either parent has a steady job or income source, or for how long they've had that job, whether they own any other productive assets and so on. Program staff follows up with **door-to-door visits, using questionnaires** to determine who qualifies. More senior managers are then required to verify the final selection. (BRAC 2013)

5.1.5   Self-targeting

Self-targeting (also known as self-selection) is based on the assumption that, given a set of incentives and disincentives that are defined in the program's design, **incentives will encourage the poor to participate, while disincentives prevent the non-poor from participating**. Self-targeted social protection programs are universal in the sense that anyone in the population may participate, but actual participation, ideally by the poor only, will be the effective result of self-selection.

In a general sense, there are elements of self-targeting in all poverty-reducing social protection programs that are based on **voluntary participation**: A household must be willing to accept social benefits offered by a social protection program, before it decides to actually participate in the concerned program. Some elderly and disabled persons, unable to care for themselves, may be included in certain programs without an explicit declaration of consent, although the explicit consent of their caretakers may be required. In most cases, however, individuals and households will be free to decide if they want to participate in a given social protection program or not. **Self-exclusion** is a known phenomenon in most social protection programs, although it has been rarely systematically researched and therefore remains only poorly understood. Hence, the extent to which inclusion errors may result from self-exclusion is largely unknown, although it is generally recognized that factors such as transportation costs and stigmatization can discourage both the poor and the non-poor from participating in social protection programs.

Self-targeted poverty reduction programs come in a variety of forms, the most common of which may be classified as follows (cf. Lavallee et al 2010):

---

[4] BRAC was formerly known as the Bangladesh Rehabilitation Assistance Committee and then as the Bangladesh Rural Advancement Committee. Currently it does not represent an acronym.

- **Self-targeted workfare**: This provides opportunities to poor persons, generally unskilled and low-skilled manpower, to participate in the construction of roads, schools, drainage channels and other forms of public asset creation or maintenance, in exchange for either wages (cash for work) or food (food for work). In most cases, the wage rates in these programs are lower than the minimum wage rate or otherwise prevalent wage rates. The intention is that the low wage rate should serve as a disincentive to participation by the non-poor. In targeted food for work programs, the approach tends to be similar, in that the market value of the food provided to the participants should provide little or no incentive to the non-poor to participate.

- **Self-targeting by quality differentiation and time costs**: This form of self-targeting offers either food or basic social services that tend to be perceived as inferior and therefore are not attractive to the non-poor. Some examples are the subsidization of low-quality wheat and rice which supposedly only the poor are willing to eat, and the provision of health cards giving access to free basic medical treatment that is tied to the fulfilment of certain criteria, such as attending regular medical check-ups that involve long waiting periods. The latter should serve as a disincentive to non-poor participation. One possible positive incentive to poor participation is to locate the involved points of delivery (retail stores, outlets, pharmacies etc.) in areas where mainly poor people live. This may also discourage the non-poor from participating.

- **Quantity self-targeting** concerns mainly access of the poor to subsidized water and electricity services. The assumption is that the poor consume less water and electricity than the non-poor. Hence, government subsidies are provided to service providers that ensure a tariff structure that permits low-level ("subsistence") consumers to pay a low-level ("block") tariff. Non-poor consumers are expected to consume quantities that surpass the subsistence level and therefore pay only higher, non-subsidized tariffs.

Theoretically, self-targeted poverty reduction services should exhibit low levels of inclusion and exclusion errors. In practice, however, such errors are observed to be quite substantial. The following examples may serve to illustrate how these errors occur:

- Self-targeted workfare: Poor individuals and households without free labour capacities (due e.g. to disabilities or seasonal constraints) and without the means to cover the transportation costs are systematically excluded. If the required labour is physically strenuous, it will tend to exclude men and women who are weak due to illness, malnutrition and/or chronic lack of physical strength and stamina.

- Self-targeting by quality differentiation and time costs: When food items such as milk are provided at a subsidized price within a tight (disincentive) daily schedule and with own packaging only, it may still be too expensive and impracticable for the poor, but generally affordable and practicable for the non-poor.

- Quantity self-targeting: Block tariffs do not distinguish between small and large households, as the basic unit of service is the connection. Hence, a non-poor household with only few members may consume a low quantity and reap the benefits of a subsidized block tariff, while a poor household with many members will tend to consume more than the designated subsistence quantity and thereby exclude itself from the subsidized block tariff. [5]

---

[5] An interesting alternative to subsidizing water tariffs is to subsidize the installment of community water taps in the proximity of poor households. Stigmatization may discourage non-poor households from using these

Self-targeted workfare is the only form of targeted social protection that contributes to the creation of **physical public assets** (roads, schools etc.) that may be well suited to meeting the specific needs of the poor (e.g. public schools and health clinics in rural areas), but in practice the concerned assets are often fraught with problems. Low wages tend to go hand-in-hand with low morale and low labour productivity. The quality of the resulting infrastructure may be deficient as a consequence. Once construction is completed, the need to ensure regular maintenance is often neglected, leading to a rapid deterioration of the infrastructure. Workfare programs can also attract migratory labourers, who come with their families, leaving their villages and subsistence farms behind, only to face serious problems of social integration, loss of cultural heritage and food security in the short and medium term.

Self-targeted workfare programs sometimes serve not only the objectives of poverty reduction, but may also have a stabilizing effect - as an instrument of **rapid response to economic shocks**, such as famines, natural disasters or economic crises that destroy jobs and livelihoods in particular among the poor and vulnerable (cf. Ravallion 2003). Such programs bring important short term relief, but may fail to help the poor escape poverty permanently. Politically, the short-term role of self-targeted workfare as an instrument of crisis management may have priority over longer-term concerns for the quality of the assets (skills, infrastructure etc.) that workfare creates. This may explain, at least in part, why some poverty targeting researchers tend to neglect the assets created by workfare when assessing the comparative strengths and weaknesses of self-targeting.

Public works programs have a potential to **strengthen human assets** through skills-building and work experience, but this potential is rarely used in a systematic manner. Public works programs tend to exclude certain groups, in particular when hard physical labour is required (see above). Participation in such programs can lead to stigmatization and, as a consequence, to low self-esteem. Nevertheless some authors see elements of empowerment in such programs: According to Slater & Farrington (2009), workfare programs can contribute to a sense of collective identity among rural workers, encouraging empowerment and strengthening their bargaining power vis-à-vis large landholders.

When households are encouraged to consume cheap, low quality food, the packaging of which may even be designed to make its inferior quality highly visible to all observers, and when poor individuals have to queue for long periods to access basic medical treatment, questions of moral, social justice and **stigmatization** arise. The fact that certain forms of self-targeting impose an ordeal on the intended beneficiaries has been highly criticized by a number of authors. Mkandawire (2005), for example, posits that "many of these arrangements are very blunt instruments to achieve the much touted efficiency of selectivity, and they simple shift the problem from one level to another". Other authors point out wide-spread ideological concerns about giving people "something for nothing" not only among policy makers and donors, but also within the general population (cf. Slater & Farrington 2009). This suggests that "ordeal mechanisms" are a necessary evil to ensure popular support of self-targeted poverty reduction programs. Whatever the case may be, if self-targeting induces humilia-tion and serious loss of self-esteem among the intended beneficiaries, it may also hamper their ability to escape poverty permanently, and thereby prove itself to be self-defeating.

Some micro-finance programs that target the poor incorporate elements of self-targeting, such as proposals of credit schemes that are particularly attractive to the poor (as a positive incentive). They may also provide disincentives to the non-poor, such as stigmatization (potential embarrassment of participating) and the inconvenience of frequent group meetings. While micro-credit may be seen as an important instrument in the fight against poverty, evidence of its positive impact on poverty reduction is not always conclusive. Subsidized pro-poor credit programs tend to cater to enterprises

---

taps. If the targeted poor households are required to ensure the maintenance of these taps, however, the ensuing costs and repairs may surpass their financial and organizational capacities.

rather than poor households, and to neglect their clients' real or potential contributions to employment and income for the poor. Hence, the risks of leakage (inclusion error) and under-coverage (exclusion error) in subsidized micro-credit programs tend to be high. In the case of the Philippines' main low interest credit program for the poor, the Tulong sa Tao program, for instance, only around one-third of beneficiaries were from low income groups (cf. Weiss 2005).

Gosh (1994) estimates the median costs of self-targeting schemes as 6% of total program costs. Some aspects of self-targeting, however, may lead **to imprecisions in the calculation of administrative and beneficiary costs**. This is the case, for example, in food supplement and coupon programs that are self-targeted through the requirement that participants get regular medical check-ups. These check-ups induce costs in the health system (material and staff time) that in most cases are not or only partially compensated through the program. They may also induce opportunity costs at the beneficiary's level, whose time might be better spent pursuing income-generating activities. Should we attribute all these additional costs to the targeted food program? Unfortunately, researchers have adopted no standard approach to addressing these issues. Hence, frequent claims that self-targeting programs induce low administrative costs should be treated with caution, while the costs to participation, often deemed to be high, may in fact be underestimated.

According to an assessment published by the International Fund for Agricultural Development (IFAD 2008), the success of self-targeting measures depends primarily on whether development activities have been **designed with the poor themselves**, around their needs and livelihood constraints, and are perceived by them as relevant and affordable. Self-targeting should provide services that respond specifically to the priorities, assets and labour capacity of the identified target group, while being of less interest to the better-off. Hence, success in self-targeting depends largely on whether, at the outset, the project, program, or initiative is crafted around the assets, livelihood constraints, productive potential, development opportunities and priorities and aspirations of poor people. Only in this way will activities and services supported be relevant to the identified target groups and within their means. At the same time, it is necessary to pay attention to factors that may inadvertently exclude certain groups of people, such as requests for contributions or attendance at meetings, which may not be feasible in terms of cost or time for the poor, especially women.

Here are some more examples of how self-targeting is applied in practice:

- Since the 1920s, Chile's Supplementary Feeding Program (PNAC) has provided food supplements through health clinics to pregnant women and children under six years old. Food recipients self-select by visiting a participating health clinic and applying for a food packet. (Lustig 1995)

- The Employment Guarantee Scheme (EGS) in Maharashtra, India, aims to assure income support in rural areas by providing unskilled manual labour at low wages to anyone who wants it. The scheme is financed domestically, largely from taxes on the relatively well-off segments of Maharashtra's urban populations. (Ravallion 2003)

Box 3   Self-targeting in Malawi's Public Works Programme (PWP)

Malawi's **Public Works Programme (PWP)** was originally designed to be self-targeting with a low wage as a deterrent to the participation of better-off households. High demand for the programme in the past, however, led to the introduction of community targeting with traditional leaders often having the final say. Beginning in January 2017, a combination of community-based targeting, proxy means testing (PMT) and geographical targeting will be used by the PWP and the Social Cash Transfer (SCT) program. Under the new Harmonised Targeting system, the target community provides a list of the 50% poorest households. These households are then visited and data is collected on the house, family composition, availability of food in the household, availability of labour, type of income and other relevant aspects. This information is entered into a Management Information System (MIS), which produces a list of SCT-eligible households according to poverty ranks, revealing the 10% poorest households. The list is verified in the community and then eligible beneficiaries are enrolled into the SCT programme. The remaining 40% of the households in the database are moved to the PWP database. The next 15% poorest households in the catchment area that dispose of available labour are then enrolled into the PWP.

The main benefits of participation in the PWP are wages i.e. cash. Wages amount to MKW 600 (about USD 0.80) per day and person. The programme is carried out in 3 cycles of 12, 24 and 24 days each. With this, one beneficiary person participating in all 3 cycles may earn up to MKW 36,000 (about USD 48) in one year. The program reaches up to 15% of the poorest households disposing of labour and located in catchment areas with severely degraded infrastructure. The poverty-reducing benefits of improved infrastructure resulting from PWP have yet to be assessed. As for re-targeting, it is foreseen that Harmonized Targeting will be repeated every 3 years.

The Ministry of Local Government and Rural Development is responsible for the PWP. The Ministry of Finance, Economic Planning and Development ensures overall coordination. The GIZ provides technical support in the development and implementation of the MIS, the Harmonized Targeting system and the Unified Beneficiary Registry (UBR) system. The latter is expected to be utilised by different social transfer programmes with important implications for the overall efficiency and effectiveness of poverty targeting in Malawi.

5.1.6   *Community-based targeting*

Community-based targeting (sometimes referred to as decentralized targeting) is based on the **assessment of eligibility for poverty-reducing social protection benefits by the members of a community or their representatives** either through criteria provided to them or based on their own notions of poverty. In the context of a national poverty reduction program, the government delegates the selection of program beneficiaries to the communities and/or their representatives. The concerned communities are, in most cases, low-level administrative units (villages, districts and the like) with basic decision making structures and operational capacities. In most cases the task of targeting is assigned to a group of community members who are either popularly elected or selected by reason of their status, e.g. traditional authorities and leaders of NGOs. In some cases special consideration is given to female applicants in election or selection.

Given sufficient devolution of powers, a community might design and implement its own targeting process without prior consent from central government. This form of community-based targeting, however, is rarely observed in practice, given among other factors its inherent resistance to outside scrutiny, evaluation, audit and control.

The main advantage of community-based targeting is commonly seen in the **potential mobilization of otherwise not easily available information** that may be used to improve the accuracy of poverty targeting. The assumption is that local actors know their communities better and know who the most

needy and vulnerable people in their communities are (Kardan 2016). In other words, "wealth is harder to hide from one's neighbours than from the government" (Alatas et al 2012). In some cases, advantages are also seen in lower administrative costs, faster set-up where other administrative structures are weak, better social control and accountability, less incentive or opportunity to provide false information, strengthened social capital and community organization, and empowerment of disadvantaged groups (Van Domelen 2007). The extent to which communities define and apply their own definitions of poverty for purposes of targeting varies across programs, and is sometimes but not always considered by researchers to be an advantage as compared to selection criteria that are defined by external actors.

Despite its many potential advantages, community-based targeting is frequently criticized, the main reason being its **vulnerability to rent-seeking behaviour and capture by local elites**, giving rise to significant inclusion and exclusion errors, especially in communities with high inequality and powerful elites. Corruption and elite capture, however, are not the only disadvantages commonly seen in community-based targeting. In communities with low inequality, it may be difficult even for local actors to discern between the poor and the non-poor. Community resistance to differentiating between poor and non-poor ("we are all poor here") may even play a role (cf. Slater & Farrington 2009). Community-based targeting may lead to increased conflict and division within a community (Van Domelen 2007). It can be influenced by and reinforce existing biases, by assigning for instance priority to male-headed households, or excluding ethnic minorities living within the community. As a consequence, discriminatory practices in community-based targeting may have **negative side effects** in terms of increased income inequality and social tension. It can also be costly, demanding considerable time and effort from community leaders, selection committee members etc. without adequate compensation. It has even been posited that the inaccuracy of community-based targeting may result simply from fatigue in the ranking process (Alatas et al 2012). This hypothesis is not a criticism of community-targeting as such, but it does suggest that the efficiency of community-based targeting depends, at least in part, on the size of the community, and that it is more suited to small communities than to large ones. At the same time, small communities also tend to be more closely knit in terms of blood relationships, marriage ties, friendships and other allegiances that may be conducive to nepotism and other forms of favouritism. Furthermore, in a large community, it is hardly to be expected that a small group of local actors will possess sufficient information to accurately assess the poverty status of all or at least a large number of other members of that community: The social fabric of a large community will always tend to be less tightly knit than that of the small community. Faced with this apparent trade-off between information accuracy and prone-ness to elite capture, some authors such as Ravallion (2003) may conclude that "the informational advantage of community-based targeting may well be outweighed by an accountability disadvantage".

Another problem of community-based targeting is that **the community itself may not be easily defined**. Does community imply a shared sense of belonging to a specific ethnic, cultural, religious or otherwise homogenous group? Does it presuppose a certain level of social cohesion? Or is it simply a question of location, meaning a matter of residing with the limits of a given administrative unit? In dealing with communities that are significantly heterogeneous in their composition, with weak social cohesion, and geographically only weakly aligned to administrative divisions, poverty reduction programs will tend to be highly challenged in applying the community-based targeting approach.

Given the above advantages and disadvantages of community-based targeting, many authors recommend a **mixed methodology ("hybrid") approach** - a two-stage combination of community-based targeting and proxy means testing, for example - that assigns important roles to local actors in the targeting process, but also imposes strict rules to keep local actors accountable through external auditing, evaluation, fraud detection and other control mechanisms (cf. Van Domelen 2007). Ideally, such rules-based control systems are well understood and accepted by all members of the concerned

community. Such an ideal can only be realized, or at least approximated, if sufficient time and effort is dedicated to informing the public and involving stakeholders in the design and implementation of the control systems, including open, accessible and user-friendly mechanisms for feedback and complaint management. With this, community-based targeting may indeed contribute effectively to strengthening social capital and community organization and enhancing the **empowerment** of disadvantaged groups.

Here are two more examples of how community-based targeting is applied in practice:

- Zambia's Kalomo District Pilot Social Cash Transfer Scheme focused on households headed by the elderly and caring for orphan and vulnerable children. Through a community-based approval process it provided cash transfers to the poorest 10% of the population and to persons unable to work (around 4000 persons in total in 2004). As a pilot project it was later scaled up to other districts. (Desai 2007)

- Targeting in Mexico's conditional cash transfer program Oportunidades combines geographical, poverty and social criteria. Small rural communities are identified on the basis of marginality i.e. limited access to and utilization of education and health infrastructure. Targeting is also categorical, in that it focuses on families with children aged from 7 to 14 years. A combination of community-based and proxy means testing mechanisms are then used, whereby the poorest households are identified based on socio-economic data from census gathering and then a community feedback mechanism is used to re-classify households. (Slater & Farrington 2009)

Box 4   Combined community-based, categorical targeting and PMT in Malawi

Malawi's **Social Cash Transfer Programme (SCTP)** uses a combination of a community-based and categorical targeting with proxy means testing (PMT) that provides a voluntary alert indicator. First, a community-level Social Support Committee identifies up to 15% of the households in its village cluster (comprising about 1,500 households) that meet categorical targeting criteria indicating the households that are amongst the poorest and also labour-constrained. Then enumerators conduct a survey, visiting each preliminarily selected household, using a standard household questionnaire. The collected information is entered into a Management Information System (MIS). With this, the categorical condition "labour-constrained" is first verified using a specific formula. The MIS then runs the PMT based on the survey results and assigns each household to one of five poverty categories: poorest, poorer, poor, better off or rich. Households that fail to meet both categorical conditions (poorest and labour-constrained) are classified as ineligible. The result is a list of all eligible and ineligible households each with its own poverty score. This list is presented for validation during a special community meeting. Upon validation, a district-level committee makes the final selection comprising the poorest 10% of the households based on their rankings.

The main direct benefit accruing to SCTP's target population is the cash transfer. The average annual transfer amount per household is 84,000 MKW (about 111 EUR).The targeting system ensures systematic and transparent selection of potential beneficiaries. It enhances acceptance of the SCTP by the concerned communities through its participative approach, informing local leaders about the targeting criteria and facilitating community involvement in many ways.

SCTP's target group is located for the most part in rural areas. Out of the country's total 28 districts, 18 are currently participating in the programme. The other 10 districts are expected to enter into the programme in 2017 and 2018. The target group comprises the poorest 10% of poor and labour-constrained households in the programme districts. Currently the SCTP supports a total of 170,000 households, benefiting 800,000 persons in total. Once all 28 districts are covered by the programme in 2018, it is expected that the SCTP will provide benefits to 260,000 households, comprising about 10% of Malawi's total population.

In terms of categorical targeting, the accuracy of the STCP targeting system in reaching the poorest labour-constrained households is estimated to be higher than 95%. In terms of reaching the poor, an externally conducted impact evaluation has indicated that more than 60% of the poorest households and more than 90% of the poor households are benefiting from the programme. In the future, a recertification process will ensure that the categorical conditions continue to be met.

The initial investment for designing the targeting system, developing material and the MIS including technical assistance is between 2 and 3 euros per beneficiary household, assuming the same system will be used for all targeted households in the country until 2018. The targeting process costs between 4 and 5 euros per beneficiary household without including initial investment and salaries of government staff. The cost of government staff is around one euro per beneficiary household. Based on these estimates, the total cost of selecting beneficiary households including investment design, personnel and operational costs is between 7 and 9 euros per beneficiary household, or around 2 euros per household per year assuming each beneficiary participates for 4 years in the programme.

The responsible government entity is Malawi's Ministry of Gender, Children, Disability and Social Welfare. The pilot programme started in 2006 with funding from UNICEF. During the pilot phase, many lessons were learned that helped to improve and enhance the targeting system. Beginning in 2012, funding as well as technical orientation and support have been provided by the KfW through specialized consultancy services relating to the design and implementation of the targeting system. The GIZ has provided technical support to the development and implementation of the MIS, the Harmonized Targeting tool and the Unified Beneficiary Registry (UBR). The latter is still under development.

5.2   A comparative assessment of poverty targeting methodologies

The previous sub-sections of the present chapter amply illustrate the fact that that the comparison of targeting methodologies is not an easy task. What **measure of comparison** should be used?

Coady et al (2002) suggested that no single common measure of **targeting performance** was available at the time. They constructed a measure based on the comparison of actual performance to a common reference outcome, namely the outcome that would result from neutral (as opposed to progressive or regressive) targeting. A neutral targeting outcome would mean that each decile receives 10% of the transfer budget, or that each decile accounts for 10% of the poverty reduction program beneficiaries. Neutral targeting would arise either from the random allocation of benefits across the population, or from a universal intervention in which all individuals received identical benefits. While theoretically well-founded, this approach was difficult to apply without substantial uncertainty, given the paucity of program cost, expenditure and impact information. Furthermore, poor program performance is not necessarily to be equated with poor targeting performance: In a poverty reduction program that is poorly designed and implemented, even the best targeting methodology in the world may not help it to meet its objectives.

For many years already, issues of targeting accuracy have dominated the debate around the relative advantages and disadvantages of poverty targeting methodologies. Klasen et al (2012) regret that "one is forced to choose from imperfect methods that do not require complete expenditure or income data". Are expenditure and income poverty still the only acceptable measures of poverty, and their reduction the only acceptable measures of poverty targeting performance? Given today's widespread acceptance of the fact that poverty is a multi-dimensional phenomenon that can hardly be reduced to the level of individual or household income and expenditure, this approach to poverty targeting performance measurement seems much too narrow to meet the expectations that have been articulated in the 2030 Agenda and other poverty reduction initiatives around the world.

Houssou (2010, p. 96) concludes that "the higher the method accuracy, the lower the practicality or the higher the costs of implementation and vice versa". This conclusion is illustrated by the curve in Figure 1, which assigns different targeting approaches to specific areas of the curve: According to the figure, the most accurate but least practicable approaches are to be found in the upper left-hand corner of the figure, while the most practicable but least accurate approaches are assigned to the lower right-hand side.

The curve in Figure 1 represents a rough approximation of the **trade-off between accuracy and practicability** in poverty targeting. It is a purely hypothetical curve, with no claim to empirical validity. The placement of different targeting methodologies along the curve is based on a summary assessment of the findings of poverty targeting research in the recent past.

Note that the curve in Figure 1 is drawn convex to the origin and intersects at no point with either axis: This implies that neither 100% accurate targeting nor 100% random targeting are possible. [6]

---

[6] Fully random targeting is sometimes referred to as universal targeting (Houssou 2010) or the "helicopter drop" method (cf. Dutry 2007). In reality, however, helicopters are often used to deliver emergency aid to the needy with a high degree of accuracy.

Figure 1   *Trade-off between targeting accuracy and practicability*
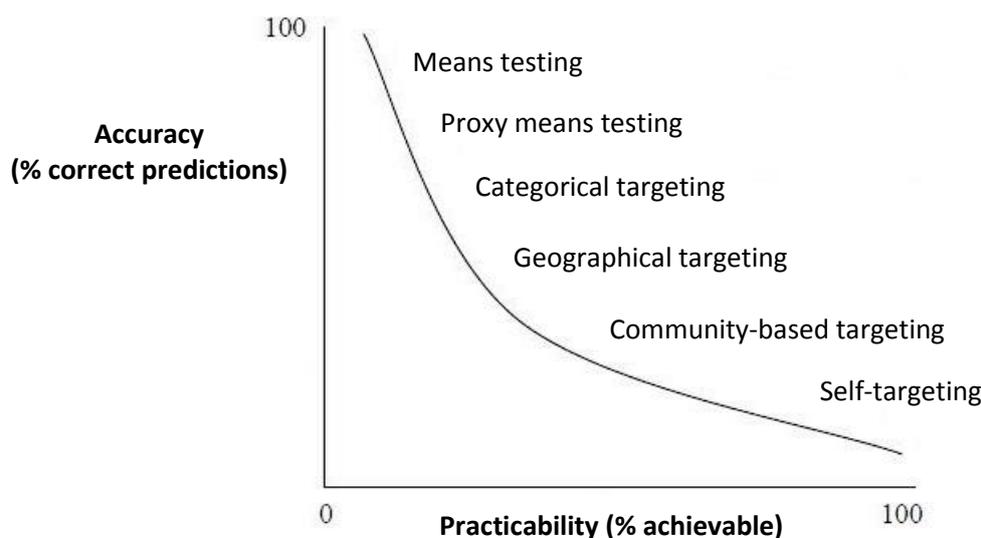
Source: Based on Houssou (2010) and own assessment.

Coady et al (2002) point out that the **observed variations in targeting performance may reflect poor implementation rather than poor potential for such programs**. They also see a trade-off between the objective of reducing current poverty (through public-works wage transfers) and the objective of reducing future poverty through developmental public investments (through the assets created by social fund programs). They also conclude that characteristics correlated with income, such as administrative capacity, are important determinants of targeting performance. At the meso level, they note that classification of targeting methodologies can lead to contradictory conclusions: "The category of self-selection includes interventions utilizing a work requirement that have the highest median performance, and self-selection based on consumption, which has the lowest median." They conclude that "all things being equal, even the best examples of these targeting methods produce relatively small targeting gains." High variations in targeting effectiveness render comparative assessments based on average performance largely useless. "So while these methods offer potentially large gains, there is no guarantee that they will improve targeting performance." In their end assessment, they note that "a staggering 21 of the 77 programs for which we can build our performance measure - more than a quarter - are regressive". More research tends to confirm that today's poverty reduction programs are still at risk of producing regressive results (cf. Klasen et al 2015). This suggests that empirical research into the efficiency and effectiveness of poverty targeting methodologies is still an important challenge to poverty reduction researchers and policy makers alike.

Despite these caveats, it may be useful to compare the perceived advantages and disadvantages of different poverty targeting methodologies with a view to facilitating decision making while at the same time mitigating the risk that certain approaches will fail to meet expectations. With this in mind, Table 1 (below) has been elaborated as an overview of the **main advantages and disadvantages** as well as the most **suitable contexts** commonly associated with each of the targeting methodologies. The table is based in form and content on similar assessments (see sources), yet sufficiently updated to reflect the most recent research findings.

Table 1 Comparison of poverty targeting methodologies

Targeting methodology	Definition	Advantages	Disadvantages	Suitable context
Means testing	Identification of the poor based on direct assessment of income, consumption and/or assets	Potentially high accuracy, reflects international standards of poverty measurement	High administrative costs, neglects multi-dimensionality of poverty, weak access to household income or expenditure data	Good and affordable statistical capacities available, largely stable demographic and economic situation
Proxy means testing	Identification of the poor based on indirect assessment, using variables that are well correlated with income, consumption and/or assets	Potentially accurate and robust, has lower costs as compared to means testing	Less accurate than means testing, black box effect of regression analysis can inhibit local ownership	Good and affordable statistical and analytical capacities available, largely stable demographic and economic situation
Categorical targeting	Identification of the poor in terms of individual or household characteristics that are easy to observe, but hard to manipulate	Based on attributes that are for the most part invariable and indisputable	Possibly weak correlation with poverty	Relevant data is affordable and sufficiently accurate and up to date
Geographical targeting	Ranking of geographic areas on the basis of one or more poverty measures	Uses available geographical information, easy to combine with other methods	High dependence on accuracy of information, static i.e. neglects dynamic / migratory factors	Geographical information is accurate and up to date, geographic distribution of poverty is uneven
Self-targeting	Identification of the poor based on their actions and patterns of behaviour	Mobilizes labour at low cost, rapid response to crisis situations, creates assets, ensures minimum access to basic goods and services	High costs to beneficiaries, possible stigmatization, neglect of asset maintenance, high inclusion of non-poor	Poor are willing and able to provide cheap labour, accept low wages, inferior goods and constrained public utility access
Community-based targeting	Assessment of eligibility for social benefits by the members of a community themselves or their representatives	Use of knowledge of local context and situation of the poor	Risk of local elite capture, weak local transparency, control systems and accountability	Target communities are small, cohesive and well-defined

Sources: Based on Grosh 1994, Lavallee et al 2010, Houssou 2010, Klasen et al 2015, UN 2016 and own assessments

6 Poverty targeting in the programming cycle

Poverty targeting and subsequent re-targeting, even if carried out to near perfection, cannot guarantee poverty reduction. The ultimate outcome and impact will depend to a large extent on the quality of the poverty reduction program in which these processes are embedded. In the following diagram, poverty targeting and re-targeting represent one phase among **five phases** in the poverty reduction programming cycle.

Diagram 1 Phases in the Poverty Reduction Programming Cycle
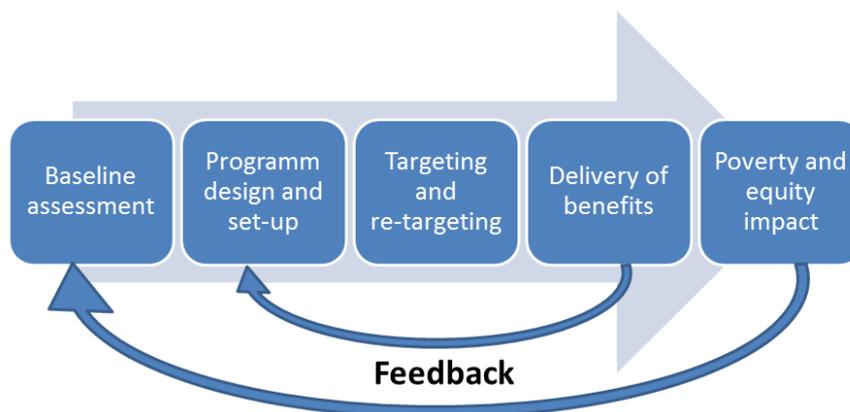
Source: Author

The needs of targeting and re-targeting should be taken into account in each phase of the poverty reduction programming cycle, including the **feedback loops**. The most targeting-relevant issues in each of the up- and downstream programming phases may be summarized as follows:

- **Baseline assessment**: The quality and availability of data required for targeting purposes are crucial issues that demand early clarification. Gaps in data collection and analysis systems that might constrain targeting should be addressed. A review should be carried out regarding government and target group experience with poverty targeting systems in the past, if any, and their current perceptions of the pros and cons of various forms of targeting. Government and target group experience in identifying and dealing with various forms of fraud and mismanagement may be crucial for the selection of an appropriate targeting approach.

- **Program design and set-up**: Objectively verifiable indicators to monitor and evaluate the performance of the targeting system should be defined and approved, ideally in close colla-boration with the target groups. Risk factors that may inhibit the performance of the targeting system should be identified and analysed, and appropriate risk mitigating measures (e.g. fraud detection mechanisms) should be defined and introduced. Concepts and tools for the internal and external audit of targeting system performance should be discussed and approved, then implemented in the course of targeting and re-targeting. Data management tools for purposes of targeting may be developed, tested and rolled out in the program's initial set-up phase, then adapted in the context of re-targeting. [7]

- **Delivery of benefits**: Continuous monitoring of benefit delivery and contextual variables should provide reliable data permitting well-founded assessments of inclusion and exclusion

---

[7] Rather than developing own data management tools, the program may adopt a tool that has already been developed and applied elsewhere. SWIFT, a tool developed by the World Bank (Yoshida et al 2015), for example, collects poverty correlates and converts them to poverty statistics using estimation models. Its software, the computer-assisted personal interview (CAPI) system, allows enumerators to upload data to a data cloud for subsequent analysis and generation of poverty and inequality statistics. Cf. World Bank 2013.

errors as well as other information relating to the quality and performance of the targeting system. Reporting and **feedback** to program and target system managers should serve as a reference for eventual adjustments (fine-tuning) in the design and operation of the targeting system, in particular for the purposes of re-targeting.

- **Poverty and inequality impacts**: Periodic evaluations should address the performance of the targeting system, identifying and assessing any unforeseen effects of the targeting system, responding to key evaluation questions (cf. section 4 above), drawing conclusions with regard to the overall design and operation of the system, the appropriateness of the targeting methodology, possible alternative approaches, the effectiveness of feedback mechanisms in facilitating continuous improvement of the targeting system, and the targeting system's specific contribution to the success (or failure) of the program, including lessons learned for this and similar programs. These lessons learned should be systematically recycled as **feedback** into subsequent updates of the baseline assessment and programming exercises.

Box 5   *Lessons learned in Vietnam's social transfer policy design and implementation*

In 2011, the German-Vietnamese "Support to Poverty Reduction Project" commissioned a compre-hensive assessment of the context and issues of direct social transfer (in cash or kind) policy design and implementation in Vietnam (Giang et al 2011). The key findings of this assessment highlight many challenges as well as lessons learned in the context of direct social assistance policy making and programming, with special emphasis on issues of target group identification, the assessment of eligibility, and the need for an appropriate institutional environment. The final report presents a number of recommendations that reflect in many ways in the topics and issues covered in the present Poverty Targeting Primer. The following recommendations are of particular relevance:

- **Identification of target groups**: There should be a mechanism and procedures in place to identify target groups in a more flexible manner that responds to changes often encountered by near-poor people as a result of incidents such as natural disasters, economic crises and downturns, sickness and accidents. A method (is required) to assess eligibility needs to be developed for application to the annual updating of poor households or following the occurrence of an incident.

- **Coverage**: Target groups need to be expanded by loosening eligibility requirements with a focus on specific groups such as children, elderly, poor and ethnic minority people in response to set priorities and available resources.

- **Types of assistance**: Cash transfers should be considered a supplementary solution to traditional poverty reduction programs with an aim to increase decision making power of the poor. For instance, cash transfers can be applied to households in remote and ethnic minority (areas) with the condition of periodical mother and child health check-ups being taken. Assistance for the purpose of production development should be decentralized to the commune level in order to ensure it responds to needs of the target groups. In cases of economic downturn and lack or unavailability of employment, programs that create temporary employment or public works for poor labourers should be encouraged.

- **Service delivery system**: There should be a professional payment and service delivery system in place which separates the State management function from the service delivery function and moves toward cooperating with local service providing agencies such as post offices and banks and applying information technology instruments such as debit cards, smart cards, mobile phones, bank transfers, cheques and vouchers, etc.

7 The costs of poverty targeting

The main items that affect the fixed and variable costs of a poverty targeting system may be broken down into the following four categories:

- **Design costs**: These are for the most part one-off costs incurred during preparation, development and testing of the targeting system. They comprise costs induced by targeting-related consultations between the government, the intended beneficiaries and third parties, e.g. donors, researchers (academia) and involved NGOs, the targeting-related costs of the baseline assessment, the costs of expertise as well as hard- and software required for developing and testing the system (including associated management information systems e.g. for case management) and the costs of targeting-related training (including training of trainers), awareness building and advocacy prior to the actual launch of the system.

- **Operational costs**: Once the poverty targeting system is up and running, it will incur not only the direct costs of the benefits (cash transfers, work program wages, food costs for school meals etc.), but also other variable costs in terms of targeting-specific staffing (wages, travel etc.), use of equipment (depreciation) and material, office costs, the costs of data procurement from third parties, security costs (e.g. for protection against software viruses and hackers, protection against theft and vandalism), communication costs (e.g. regular updating of the targeting-related sections of the program's website), costs for internal and external evaluation and audit of the targeting system, and costs for external support to targeting-related organizational development and dialog with stakeholders. **Operational costs incurred by re-targeting and eventual adjustments in the design of the targeting system** and its associated information and data management systems should not be overlooked. When operational costs are shared with other program components (e.g. secretarial costs), the portion attributed to the targeting system may be defined as a fixed percentage based on key known variables, such as the percentage of permanent program staff that is assigned to the operation of the targeting system.

- **External costs**: These are targeting-induced costs that affect parties who are not directly involved in the operations of the targeting system. Some external costs are tangible (e.g. transportation costs incurred by labourers to participate in a self-targeted public works program), while other external costs will be intangible (e.g. stigmatization of individuals seen to be purchasing and/or consuming subsidized inferior goods). External costs can accrue not only to the beneficiaries of poverty-reducing social protection programs, but also to the members of selection committees who perform their tasks on a voluntary basis, and to other third parties such as health clinics, when targeting systems impose health check-ups on their beneficiaries, but the affected health staff receive no compensation.

- **Opportunity costs**: These are equivalent to the value of the next best alternative benefits foregone as a consequence of the targeting system. The opportunity costs of a poor person's decision to participate in a pro-poor targeted cash transfer program, for example, are equivalent to the value of the net income that person would have earned had he or she used the time dedicated to targeting-related program application procedures and conditions (e.g. getting a health check-up) alternatively for the best available income-generating activity.

Cost calculations for poverty targeting systems that have been published in research literature tend to take some but not all of the above cost categories into account. **In most cases, only direct targeting-related program costs i.e. design and operational costs are considered, although the existence and importance of external and opportunity costs are generally recognized.** More often, however, poverty targeting research focuses on the relationship between total program costs and

the value of the benefits delivered to the beneficiaries, whereby a distinction between poor and non-poor beneficiaries is not always made. Such calculations may provide an indirect measure of the performance of the targeting system, but they fail to tell us whether the targeting system as such was cost-effective.

Table 2 below summarizes our findings with regard to the principal cost items that may affect the overall costs of applying specific poverty targeting methodologies.

Many researchers come to the conclusion that data constraints in low income countries are such that comparative analyses of the costs of different poverty targeting approaches in these contexts yield little if any guidance for decision making. Slater & Farrington (2009) provide the following exemplary conclusion: "Whilst it is possible to draw some conclusions about costs, in low income countries there is not a strong enough evidence base to assess cost-effectiveness, so it is not possible to present a credible analysis of how much is it worth spending on good targeting in low income countries." The authors warn that any attempt at quantitative assessment across different targeting methods would be costly and error-prone, and that researchers should focus instead on other key issues, such social frictions and moral questions, fiscal space, and interfaces between social transfers and the productive sector. Nevertheless, from the practitioners' point of view, comparative cost analyses can be quite useful when estimating the probable costs of their envisaged poverty targeting systems.

In sum, although the issue of cost-effectiveness is a frequently recurring topic in research literature relating to poverty targeting, actual poverty reduction program expenditure data is still quite scarce or at least not easily accessible for research purposes. Only few methodologies for the comparative empirical analysis of targeting techniques have been developed to date. The existence of external and opportunity costs (**"hidden costs"**) is generally recognized, but they are rarely factored into the overall cost-benefit assessment of targeted poverty reduction programs. Such programs may induce not only external costs, but also external benefits. External benefits may be derived, for example, from leakage to non-poor individuals and households (inclusion errors), from mobility between poor and non-poor regions, and from targeting-relevant conditions such as required participation in nutrition sensitization seminars leading to improved health. Change in behaviour may also be beneficiary, if for example, self-targeted labour is a viable alternative to criminal activity. **"Hidden benefits"** such as these have been largely neglected to date. In the field of cost-benefit analysis for targeted poverty reduction programs, a truly robust and comprehensive empirical research methodology has yet to emerge.

Table 2   Principal costs incurred by poverty targeting systems

Targeting methodology	Design costs	Operational costs	External costs	Opportunity costs
Means testing	Alignment of data collection and methodology to official poverty statistics systems	High administrative costs, high data collection, processing and verification costs	Monetary costs of data provision and verification for office-based assessments	Time forgone by participants to provide data for office-based approval processes
Proxy means testing	Identification of proxy variables apt to correlate with poverty, assessment of available data	Administrative costs, data collection and analysis to target, verify and re-target	Monetary costs of data provision and verification for office-based assessments	Time forgone by participants (), weak empowerment due to black box effect
Categorical targeting	Identification of categories that are good indicators of poverty, assessment of available data	Regular updating of primary data for (re-)targeting	Monetary costs to candidates to ensure compliance with conditions	Behavioural change to ensure eligibility and comply with conditions
Geographical targeting	Identification and assessment of available geographic data	Regular acquisition of updated geographic data	Monetary costs incurred by eventual interregional mistrust, frictions and migration	Eventual food insecurity and loss of cultural heritage due to migration
Self-targeting	Identification of goods and services that attract the poor and repel the non-poor	Subsidies and logistical costs to provide labour, goods & services to the self-targeted poor	Monetary costs of transport to work sites and points of delivery	Time foregone by participants, eventual stigmatization, loss of self-esteem
Community-based targeting	Decentralized consultation and planning, set-up of decision and control mechanisms, training	Decentralized mobilization and delivery of benefits, data collection and verification	Non-compensated monetary costs of voluntary committee work	Time foregone through voluntary committee work

Source: Own compilation

8   Tools for decision makers in poverty targeting

Decision makers are confronted with a wide range of trade-offs when designing and implementing poverty targeting systems. **The overarching trade-off is between universalism and targeting** (cf. Mkandawire 2005): Preferences can shift over time, both among decision makers and the population in general: the design and implementation of poverty targeting systems, especially in the context of redesigning and retargeting, should be sensitive to such contextual changes. Once the basic decision in favour of targeting has been made, however, a daunting multitude of trade-offs remains to be addressed. One of the most commonly cited trade-offs in poverty targeting research is between accuracy and practicability, as illustrated in Figure 1 above. This concerns the important trade-off between low-error (accurate) targeting and low-cost (practicable) targeting.

Some **other important trade-offs** that decision makers for poverty targeting systems commonly face are summarized in the following bullet points:

- Centrally driven targeting vs. locally driven targeting,
- Single variable targeting vs. multi-variable targeting,
- Technically complex targeting vs. easy-to-explain targeting,
- Popularly acceptable targeting vs. popularly less acceptable targeting,
- Stigmatizing targeting vs. non-stigmatizing targeting,
- Conditional targeting vs. unconditional targeting, and
- Short-term (quick) targeting vs. medium and long-term targeting.

This list is by no means exhaustive, and it does not suggest that decision makers are forced to choose between one side of the formula or the other. Most trade-off situations permit compromises, but the option of a compromise does not necessarily render decision making easier.

What can be done to facilitate decision making in poverty targeting?

One common response to this question is **improved household data**, including production of non-income data, as a basis for decision making (cf. Baker & Grosh 1994, Sen 1995). While this approach may certainly help decision makers to meet the need for more accuracy in targeting, it addresses only one of many important trade-off situations.

Some authors emphasize, as a second possible response, the need for **enhanced knowledge management**, including consultation of international surveys that focus on public attitudes towards poverty and related themes (e.g. the World Values Survey and the Afrobarometer) or on targeting experience in specific country settings. In the latter area, there are literally hundreds of research reports and related documentation available online. The principal challenge here is to tap into an immense sea of knowledge, to trawl for truly relevant information, and to transform this information into something that meets the needs of decision makers. The information trawling process can be long, tedious and costly. In addition, in the process of assessing what is relevant and what is not, an element of subjectivity may enter into the information gathering and transformation process and thereby give rise to serious doubts regarding the objectivity and quality of the results.

A third response to the above question has been to **develop and apply decision trees** to guide decision makers through a number of steps and/or questions that help them to narrow down the most viable options (e.g. ADB 2006, Fiszbein & Schady 2009 and Slater & Farrington 2010). This approach is well suited to addressing more than one of the existing trade-offs at the same time. ADB (2006), for example, aims to identify targeting needs based on a differentiation between different types of poor and the causes of their poverty, i.e. between the productive and non-productive poor, and between regions with or without potential to generate sizeable employment (see Annex A1).

Slater & Farrington (2010) present a targeting decision tree that distinguishes between three distinct but interrelated areas: appropriate targeting, achievable targeting and acceptable targeting. This decision tree assigns specific steps, questions and exemplary findings to each of these areas, resulting in a structure that might also be described as a three-tree **decision forest** (see Annex A2). After navigating through this structure, decision makers should be able to identify best options for each of the three areas of decision. If the resulting options are not identical, however, decision makers will be tasked with assessing the relative advantages and disadvantages of the chosen options. Slater & Farrington provide a number of caveats for this purpose. Fiszbein & Schady (2009) focus their decision tree on the choice between conditional and unconditional cash transfer. The resulting decision tree is presented below in Figure 2. (For more information on decision trees, refer to Davies 2012.)

Figure 2   Decision tree for assessing conditional and unconditional cash transfer
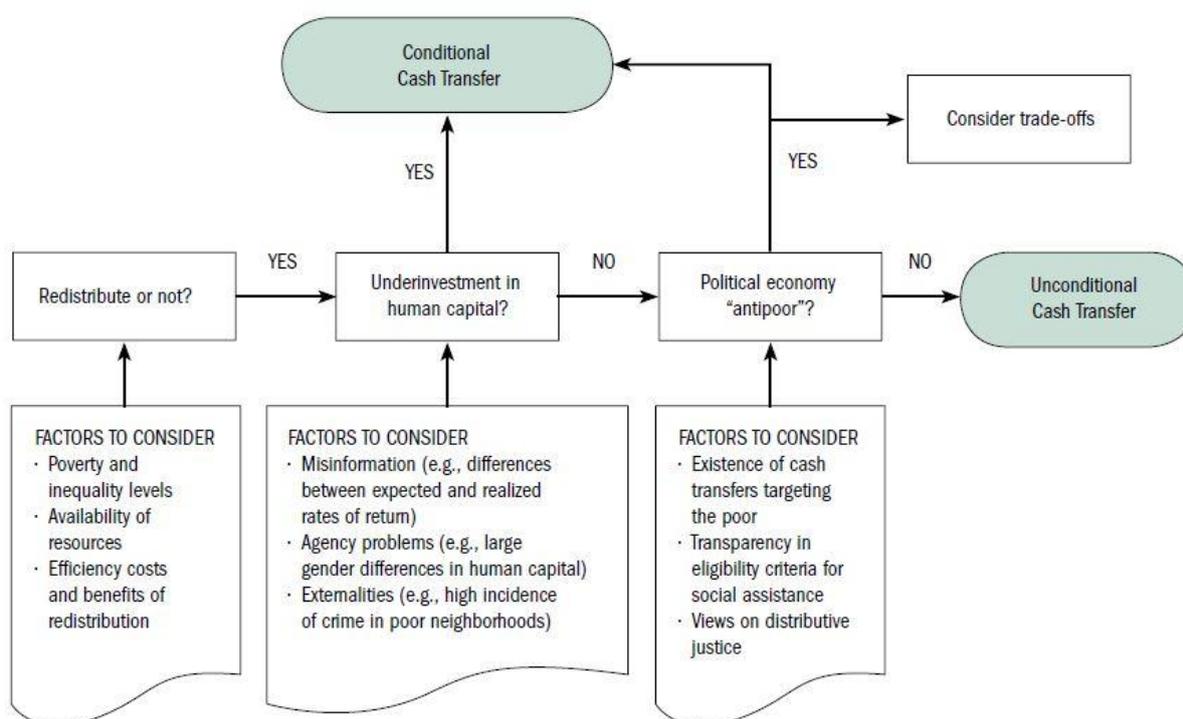
Source: Fizsbein & Schady 2009

Decision trees such as these are potentially useful simplifications of reality. They may serve as models of available knowledge. They are often based on the exploitation of large quantities of data ("data mining") and used for purposes of policy and decision support. In the context of poverty targeting, they summarize how different combinations of poverty-relevant conditions are associated with specific poverty targeting outcomes. Decision trees can serve as useful frames of reference for the design of poverty targeting systems and the poverty programs in which they are embedded. They may also serve as tools for the **visualization of theories of change in terms of poverty reduction** and thereby facilitate the verification of the assumptions upon which poverty reduction programs and their targeting systems are based. Their usefulness as tools for decision maker support, however, depends to a large extent on their level of complexity: If they are too simple, then they may hardly be taken seriously; if they are too complex, then they may be perceived as "black boxes" i.e. too opaque to merit the trust and confidence of their potential users. Decision tree developers strive to find the right balance between simplicity and complexity in the simplification of reality.

A fourth possible response to the above question, regarding what can be done to facilitate decision making in poverty targeting, is the definition and application of **filter questions**. Table 3 (below)

represents a fictive example of how this can be done. It draws on the typology presented in a recent UN publication (UN 2016) that describes "existing methods to target those left behind" and assigns "appropriate circumstances" to each of the methods under review. In Table 3, the existence of these circumstances is ascertained by means of filter questions. Green (shaded) cells in the table indicate whether an affirmative answer to the filter question (in that line) is generally considered to be conducive and important for the effective application of the concerned methodology (in that column). This fictive example employs 15 filter questions. If the answer to a filter question is "Yes", then the green cells in that line are checked (here with "x"). Once all filter questions have been answered, the sum of the checked green cells is tallied in line A. Line B records the total number of green cells (required circumstances) in that column. Line C provides the number of fulfilled required circumstances as a percentage of all required circumstances.

Table 3   Filter questions for ranking of poverty targeting methodologies (fictive)

No.	Filter questions	Poverty targeting methodology					
		M1	M2	M3	M4	M5	M6
1	Are administrative capacities generally strong?						
2	Are administrative capacities generally weak?				X	X	
3	Are administrative costs financed on a reliable basis?	X					
4	Are good statistical and analytical capacities available?						
5	Is the poverty situation in the target zone stable?						
6	Is the poverty situation in the target zone instable?					X	
7	Is the program relatively large?						
8	Is the program relatively small?						
9	Is the program duration relatively long?	X	X	X	X		
10	Is the program duration relatively short?						
11	Are reasonably good demographic statistics available?						
12	Are the poor unevenly distributed in the target zone?				X		
13	Are schools, clinics etc. able to deliver benefits to the poor?						
14	Does behaviour clearly separate poor from non-poor?						
15	Are local communities clearly defined and cohesive?						
	(Other questions to be specified and assigned)						
A	Sum of circumstances fulfilled (checks)	2	1	1	3	2	0
B	Sum of circumstances required (green cells)	4	5	2	4	4	3
C	% of required circumstances fulfilled ((A / B)*100)	50%	20%	50%	75%	50%	0%
D	Ranking of methodologies	2	3	2	1	2	4

Legend:
M1   Means testing
M2   Proxy means testing
M3   Categorical targeting
M4   Geographical targeting
M5   Self-targeting
M6   Community-based targeting

Source: Based on UN 2016 and own assessments.

In the fictive example presented here, the program duration is expected to be long (filter question 9), and the program intervention zone is characterized by reliable financing for administrative costs (3), but administrative capacities are weak (2), poverty is distributed unevenly in the target zone (12) and the poverty situation is instable (6). Under these circumstances, the best ranked targeting metho-dology is M4 (see line D), with 75% of the required circumstances fulfilled.

The use of filter questions to rank targeting options is a **flexible and easy-to-apply approach** for support to decision makers in poverty targeting. The number and nature of the available targeting options as well as the number and nature of the filter questions can be defined and varied by the users as they deem suitable to their context. Filter question-based ranking also lends itself well to **participatory decision-making processes**, e.g. in stakeholder workshops, and the ranking procedure is simple and transparent. The filter question tool can be refined further e.g. by defining weights for the filter questions that reflect the relative importance of the concerned circumstance, and by differentiating the responses (checks) such that full and partial fulfilment of circumstances may be distinguished and taken into consideration in the final outcome. In any case, care should be taken that providing more detail in the formulation of options and filter questions does not overload the tool and render it difficult to apply and understand.

Addressing the needs of decision makers in poverty targeting is no easy task, given the multitude and diversity of decision makers who are potentially involved: central government and administration, local government and administration, non-governmental organizations, private sector, international partners, voluntary workers and last but not least the ultimate beneficiaries themselves, who are given a choice to seize the social benefits offered, or to exclude themselves from these programs.

9   Key challenges and perspectives

The most <u>fundamental challenge</u> to poverty targeting today and in the future is enshrined in the UN's 2030 Agenda: **To leave no one behind**. The present review draws our attention to a multitude of diverse factors that may enhance or inhibit poverty targeting's contribution to meeting this key challenge. But even if all these factors are taken into consideration, good poverty targeting alone cannot ensure effective and sustainable poverty reduction.

The available poverty targeting knowledge base is vast, but nevertheless full of important gaps. One major gap in our knowledge base relates to the real and potential costs and benefits of different poverty targeting approaches. A truly robust and comprehensive empirical research methodology for cost-benefit analysis in the field of poverty targeting has yet to emerge. In the past, priority has been most often given to research into the nature and extent of inclusion and exclusion errors in poverty targeting schemes. While this focus may be well justified, given important and persistent resource constraints in the social protection programs of many developing countries, it seems to have also led the research community to neglect other important aspects of poverty targeting, such as external and opportunity costs, targeting-induced behavioural change, self-exclusion, local ownership and community empowerment. Our knowledge of these and many other aspects of poverty targeting is still quite patchy, and the challenge to fill these important knowledge gaps in the near future is absolutely daunting.

With a view to contributing effectively to poverty reduction in the spirit of the 2030 Agenda's SDG 1, an important perspective may be seen in the creation and maintenance of a **global knowledge management system** that collates research results from all UN member states relating to the effectiveness and sustainability of poverty reduction initiatives and their respective poverty targeting systems. One necessary step in this direction should be to develop and propagate a generally recognized nomenclature for the description and categorization of **poverty targeting systems** world-wide. Among other things, the envisaged knowledge management system could help monitor progress in the application of new information and communication technologies in the field of poverty targeting. This is another aspect that has been sorely neglected in the past, but which merits constant attention, given its potential contribution to the cost-effectiveness of poverty targeting.

Another important knowledge gap that remains to be filled concerns the specific contribution of **international cooperation** to the design, operation and performance of poverty targeting systems.

To date, knowledge management and networking between researchers and practitioners in this area has been limited and unsystematic. A more comprehensive and systematic approach might well serve the interests of all concerned cooperation partners.

10   References

Asian Development Bank (ADB), Special evaluation study on pathways out of rural poverty and the effectiveness of poverty targeting. Operations Evaluation Department. May 2006.

Alatas, Vivi; Banerjee, Abhijit; Hanna, Rema; Olken, Benjamin A.; Tobias, Julia, Targeting the Poor: Evidence from a Field Experiment in Indonesia, American Economic Review 2012, 102(4): 1206–1240. 2012.

Baker, Julie L.; Grosh, Margaret E., Measuring the effects of geographic targeting on poverty reduction. Living standards measurement study. Working paper no. 99. Washington: The World Bank 1994.

BRAC, An end in sight for ultra-poverty. Scaling up BRAC's graduation model for the poorest. Briefing note #1. Dhaka, New York and London, November 2013.

Burchi, Francesco; Strupat, Christoph, The Impact of Cash Transfers on Food Security in Sub-Saharan Africa: Evidence, Design and Implementation. Briefing Paper 15/2016. Bonn: German Development Institute (DIE) 2016.

BMZ, Fighting Poverty More Effectively – Worldwide. Cross-Sectoral Strategy on Poverty Reduction. BMZ Strategy Paper 6/2012e. Bonn 2012.

BMZ, Eine Welt ohne Hunger ist möglich. Materialien 255. Juli 2015.

Chandy, Laurence and Kharas, Homi, The Last Mile in Ending Extreme Poverty. Can extreme poverty be ended by 2030—and if so, what will it take? Sept. 16, 2014, in https://www.usaid.gov/frontiers/2014/publication/section-1-last-mile-ending-extreme-poverty

Coady, D. P.; Grosh, M. and Hoddinott, J., Targeting Outcomes Redux, in World Bank Research Observer 19 (1): 61-85. Washington 2002.

Davies, Rick, Where there is no single Theory of Change: The uses of Decision Tree models. Version: Thursday, 27 December 2012.

Dunning, Casey; Kalow, Jared, SDG Indicators: Serious Gaps Abound in Data Availability. London UK & Washigton DC: Center for Global Development, May 17, 2016, viewed on Nov. 9, 2016 at http://www.cgdev.org/blog/sdg-indicators-serious-gaps-abound-data-availability

Dutry, Alexander Peyre, Successful Targeting? Reporting Efficiency and Costs in Targeted Poverty Alleviation Programmes. Geneva: United Nations Research Institute for Social Development, Nov. 2007.

Fiszbein, Ariel; Schady, Norbert, Conditional cash transfers: reducing present and future poverty. Washington DC: The World Bank 2009.

Giang Thanh Long; Nguyen Thi Nga; Le Minh Giang, Review of Social Transfer Policy Implementation in Vietnam. Support for Poverty Reduction Project. Hanoi: GIZ, September 2011.

GIZ, Sektorvorhaben Armut reduzieren, Ungleichheit abbauen (SARUN). Bonn, April 2015.

Government of Namibia, Disability Grant. Ministry of Labour and Social Welfare, at website http://www.gov.na/old-age-and-disability-grant (viewed on Nov. 1, 2016).

Graw, Valerie; Ladenburger, Christine, Mapping Marginality Hotspots. Geographical Targeting for Poverty Reduction. Bonn, Jan. 2012.

Grosh, Margaret E., Administering Targeted Social Programs in Latin America - From Platitudes to Practice. Washington: World Bank, Jan. 1994.

Houssou, Nazaire S.I., Operational Poverty Targeting by Proxy Means Tests. Models and Policy Simulations for Malawi. Hohenheim 2010.

ID-Poor, Identification of Poor Households Programme (ID Poor). Internet site of the Ministry of Planning, Cambodia at http://www.mop.gov.kh/projects/idpoor/tabid/154/default.aspx

IFAD, Targeting. Reaching the rural poor. Rome 2008.

Johannsen, Julia, Operational poverty targeting in Peru – Proxy means testing with non-income indicators. Brasilia (Brazil): United Nations Development Programme, International Poverty Centre 2006.

Kardan, Andrew, Streamlining targeting mechanisms and processes across national social protection programmes. Developing a concept. Jan. 4, 2016.

Klasen, Stephan; Lange, Simon; Lo Bue, Maria Carmela, New Developments in National and International Poverty Measurement: Promise, Limits, and Applicability for different Development Actors. KfW Development Research. Göttingen, June 2012.

Klasen, Stephan; Lange, Simon, Targeting Performance and Poverty Effects of Proxy Means-Tested Transfers: Trade-offs and Challenges. Göttingen, March 2015.

Komives, K., Halpern, J., Foster, V. and Wodon, Q., "Water, Electricity and the Poor: Who Benefits from Utility Subsidies", Directions for Development, Washington: World Bank 2005.

Lavallee, Emmanuelle; Olivier, Anne; Pasquier-Doumer, Laure; Robilliard, Anne-Sophie, Poverty alleviation policy targeting: a review of experiences in developing countries. Dauphine Université Paris, Institut de recherché pour le développement. Document de travail DT/2010-10. Paris, August 2010.

Lustig, Nora, Coping with Austerity: Poverty and Inequality in Latin America. Washington DC: Brookings Institution Press, September 1995.

Mkandawire, Thandika, Targeting and Universalism in Poverty Reduction. New York: United Nations Research Institute for Social Development, Dec. 2005.

Miller, Candace M.; Tsoka, Maxton and Reichert, Kathryn, Targeting Cash to Malawi's Ultra-Poor: A Mixed Methods Evaluation. Article in Development Policy Review, July 2010.

OECD, Glossary of Key Terms in Evaluation and Results Based Management. Paris 2002.

Pradhan, Menno; Rawlings, Laura B., The Impact and Targeting of Social Infrastructure Investments: Lessons from the Nicaraguan Social Fund. Washington: The World Bank 2002.

Ravallion, Martin, Transfers and Safety Nets in Poor Countries: Revisiting the Trade-Offs and Policy Options. Washington: The World Bank 2003.

Rep. of South Africa, Child Support Grant, website presentation at http://www.gov.za/services/child-care-social-benefits/child-support-grant (viewed on Nov. 16, 2016).

Schreiner, Mark, Simple Poverty Scorecard. St. Louis (Missouri, USA): Washington University, Center for Social Development, Aug. 23, 2015.

Sen, Amartya, The Political Economy of Targeting, in D. van de Walle and K. Nead (eds.), Public Spending and the Poor: Theory and Evidence, pp. 11-24. John Hopkins University Press. 1995.

Slater, Rachel; Farrington, John, Targeting of Social Transfers: A review for DFID. Final Report. ODI, September 2009.

Starr, Christina, A conversation with Davidson Gwatkin on Progressive Universalism. Feb. 25, 2014 at http://www.r4d.org/blog/2014-02-25/health-2015-conversation-davidson-gwatkin-progressive-universalism (viewed on Nov. 13, 2016).

United Nations, Transforming our world: The 2030 Agenda for Sustainable Development. Resolution adopted by the General Assembly on 25 September 2015.

United Nations, Global Sustainable Development Report 2016. Department of Economic and Social Affairs. New York, July 2016.

Van Domelen, Julie, Reaching the Poor and Vulnerable: Targeting Strategies for Social Funds and other Community-Driven Programs. SP Discussion Paper No. 0711. Washington: The World Bank, May 2007.

Weiss, John (ed.), Poverty Targeting in Asia. Tokyo: Asian Development Bank Institute 2005.

World Bank, High-Frequency Data Collection: A New Breed of Household Surveys, June 17, 2013 at http://www.worldbank.org/en/topic/poverty/brief/high-frequency-data-collection (viewed on Nov. 16, 2016a).

World Bank, Safety nets and transfers, no date, at http://go.worldbank.org/NG017UQDP0 (viewed on Nov. 7, 2016).

Yoshida, N., R. Munoz, A. Skinner, C. Kyung-eun Lee, M. Brataj, W. Durbin and D. Sharma, SWIFT Data Collection Guidelines. Version 2, June 9, 2015.

Annex A1   Decision tree to assess different types of poor by the causes of their poverty

Item	Feature of Poverty	Suitable Interventions	Need for Targeting
A. Differentiate Poor Households			
(i) Nonproductive poor	Poor households unable to work, such as the disabled, aged, and weak, or poor families with chronically or seriously sick members	Welfare programs are needed to take care of this group long term, as public investment in agriculture or rural infrastructure may not have a direct or significant impact on them.	Targeting is needed to exclude the non-poor from capturing public subsidies. Since the number of the non-productive poor is small, identifying them is relatively easy, leakage is unlikely, and long-term financing of welfare programs is affordable.
(ii) Productive poor	Poor households able to work but lacking employment or necessary conditions for self-employment	Tailor-made interventions to mitigate the key constraints to poverty reduction in a particular project area by generating employment or providing conditions for self-employment, such as easy access to unsubsidized loans for capable borrowers.	No need for targeting. Rather, active participation of the non-poor—such as large farmers, private firms, and commercial banks—is needed to generate employment and link the poor to the mainstream of economic growth.
B. Differentiate Poor Regions			
(i) Regions with potential to generate significant employment	Including (a) lowlands close to commercial centers; (b) areas suitable for commercial agriculture because they have abundant land and are well-endowed with natural resources	For (a), investment to improve infrastructure may attract private investment in industries or services, resulting in large-scale employment generation. For (b), investment in rural infrastructure may cause a shift from subsistence grain production to cash crops that demand much more rural labor.	Even if these regions are not poor, public investment may create conditions for private investment to generate significant employment. Through migration, surplus labor from poor regions may find employment in these non-poor regions.
(ii) Areas without potential to generate sizeable employment	Remote areas with a severe shortage of farmland per capita and poorly endowed with natural resources, such as harsh climate for farming or shortage of water resources	Migration of surplus labor out of the poor regions may be the long-term solution to poverty reduction. If most of the surplus labor migrated from a poor village, the remaining villagers may have more land per capita. They may also use remittances to address social issues such as financing children's education; paying medical services; and improving houses, water supply, or other village infrastructure.	Instead of targeting these poor regions, facilitate migration of surplus rural labor out of them to areas with dynamic growth and jobs created by private investment. Remittances from migrants may enable their families to invest in children's education, pay for medical services, and improve living conditions.

Source: Operations Evaluation Mission.

Source: ADB 2006

Annex A2 Decision tree for appropriate, achievable and acceptable targeting

Appropriate Targeting

Data/Resources: Nationally representative household surveys

STEPS
1. Identify the range of poverty lines below which the programme is aiming to provide support
2. Calculate how many poor households are deemed ineligible for support using proxy indicators
3. Calculate how many non-poor households are deemed eligible for support using proxy indicators
4. Calculate the cost of deeming non-poor households eligible for support using proxy indicators
5. Asses the extent of trade-offs between including the non-poor, and deeming the poor ineligible.

QUESTIONS

Which proxy indicators perform best at minimising non-poor eligibility and minimising poor ineligibility?

Should come indicators be discarded on the basis that they perform poorly in both regards?

Are there such significant trade-offs between minimising non-poor eligibility and maximising poor eligibility?

List findings (e.g.):
- In Ghana, physical categorical indicators such as whether dwellings have mud floors and thatched roofs can maximise the eligibility of poor people (and minimise eligibility of richer people)
- In Bangladesh, using disability and elderly results in large numbers of non-poor people being eligible to receive transfers, and many poor people being excluded
- In Malawi, using the presence of children in households to define eligibility results in a trade off as very few poor households are ineligible, but very large numbers of non-poor are eligible to receive transfers

BEST OPTION

Achievable Targeting

Data/Resources: ADePT, Institutional Assessment Toolkits

1. Compare cost estimates of targeting from other programmes with comparable features and assess the extent to which these correlate with levels of inclusion and exclusion errors
2. Assess the content
3. Assess the capacity of institutions and organisations to carry our targeting
4. Assess the implications that costs, capacity and context have for different targeting options

What do cost estimates of different targeting methods imply for affordability?

Are some targeting approaches ruled out of physical content? e.g. means testing

What does capacity imply for targeting design?

List findings (e.g.):
- Poverty is in pockets across population, therefore geographical targeting is a useful tool
- There is institutional capacity for means testing but it would be 20% of programme cost and transfers are required urgently so means testing is not achievable in time frame
- Categorical has low targeting costs and requires less capacity time.

BEST OPTION

Acceptable Targeting

Data/Resources: World Values Survey; household surveys

1. Analysis of public and government attitudes towards redistributive measures
2. Assess the propensity of social transfers to reduce/worsen social stigma
3. Analysis of how far targeting only the poorest is acceptable

Do popular attitudes about poor people have implications?

Does experience suggest that particular targeting methods increase social stigma?

Does targeting the poorest result in the exclusion of others whose welfare is only fractionally better?

What accompanying measures are required to overcome stigma and negative attitudes towards poor people or certain social groups?

List findings (e.g.):
- There are negative views about poor people – in particular the view that poor people are lazy, rather than unlucky – so self-targeting using public works requirements or only targeting children may be more acceptable than straight transfers
- If poverty levels are high and differences between the lower deciles of the income distribution are very small so targeting only the very poorest may create social tension
- As in India, programmes that target marginalised or stigmatised groups have more success when supported by laws or acts of parliament

BEST OPTION

MAKE TARGETING CHOICE BASED ON AVAILABLE EVIDENCE

BEAR IN MIND:

Slate is not always clean
Existing policies and practices may limit the range of options available

There are no perfect solutions
Contexts vary and what works in one place will not automatically work in another

Keep it simple
Successful targeting is easier to achieve when programmes have a clearly defined and small number of objectives

Beware of accepting the status quo
If social transfers are to transform societies, we must challenge rather than accept negative attitudes about poor people

Source: Slater & Farrington 2010

Acknowledgements

On behalf of

Federal Ministry
for Economic Cooperation
and Development