



Reaching the Poor and Vulnerable: Targeting Strategies for Social Funds and other Community-Driven Programs

Julie Van Domelen

May 2007

Reaching the Poor and Vulnerable: Targeting Strategies for Social Funds and other Community-Driven Programs

May 2007

Julie Van Domelen, Consultant
Prepared for the Social Protection Team
Human Development Network
World Bank

JEL: I38 - Government Policy; Provision and Effects of Welfare Programs, H54 - Infrastructures;
Other Public Investment and Capital Stock, O10 - General Economic Development

Table of Contents

Executive Summary	i
Objectives and Outline of the Report.....	1
Chapter 1: Poverty Targeting: Terms and Conceptual Issues.....	4
A. General Poverty Targeting Terms.....	4
B. Conceptual Issues in Poverty Targeting	9
Chapter 2: Summary of Social Fund/CDD Performance in Reaching the Poor	16
A. General targeting performance of public spending.....	16
B. Geographical targeting performance.....	17
C. Household level targeting performance	22
D. Preference Targeting	24
Chapter 3: Social Fund/CDD Targeting Methods and Mechanisms	27
A. Matching Targeting Mechanisms to Program Objectives	27
B. Geographic Targeting Mechanisms	29
C. The Menu and Eligibility Criteria.....	35
D. Building Inclusive Processes at the Community Level	40
Chapter 4: Monitoring Performance in Reaching the Poor	48
A. Key Performance Indicators and Quantitative Measures of Program Incidence	48
B. Qualitative Assessments Participation and Empowerment.....	50
Chapter 5: Conclusions	52

Tables

Table 1: Income Inequality in Ecuador, Madagascar and Mozambique
Table 2: Household Targeting Compared to National Poverty Lines
Table 3: Improvements in Honduras FHIS Household Targeting Over Time
Table 4 : Preference Targeting in Indonesia's KDP
Table 5: Relative Importance of Targeting Method vis a vis Program Objectives
Table 6: Poverty Targeting and the Menu of Eligible Interventions

Figures:

Figure 1: Geographic Distribution of Resources
Figure 2: Senegal: Geographical Targeting Performance of Rural Programs
Figure 3: Indonesia: KDP Geographical Coverage and Errors of Exclusion
Figure 4: Household Targeting Results
Figure 5: Yemen: Pro-Poor Household Targeting
Figure 6: Relative Weight of Geographical Resource Allocations by Poverty Level
Figure 7: Honduras: Potential vs Direct Household Beneficiaries - Sewerage Projects
Figure 8: Essential Elements of a Social Fund Poverty Targeting Mechanism

Boxes:

Box 1: Definition of Common Poverty Targeting Terms and Concepts
Box 2: Formulas for Calculating Targeting Accuracy
Box 3: Examples of Poverty-Oriented Project Development Objectives
Box 4: Lessons of International Experience with Poverty Targeted Social Programs

Box 5: Using Small-Area Estimation Mapping for Geographic Poverty Targeting
Box 6: Making Micro-Finance More Responsive to the Poor
Box 7: Honduras: Building Pro-Poor Participatory Processes in Municipal Planning
Box 8: Preference Targeting Outcomes under Different Program Rules in KDP
Box 9: Sri Lanka: Social Controls for the Benefit of the Poor
Box 10: Participatory Monitoring and Evaluation to Assess Targeting Performance

Annexes:

Annex A: Country Case Studies:

- Former Yugoslav Republic (FYR) of Macedonia Community Development Project: Two-Staged Geographical Targeting in Post-Conflict Setting
- Nicaragua Emergency Social Investment Fund (FISE): Local Government-Oriented Program with Support to Vulnerable Households
- Senegal Social Development Fund Agency: Targeting the Poorest Rural Villages and Vulnerable Groups
- Yemen Social Fund for Development: Mixed Targeting Methods to Reach Poor Households

Annex B: Calculating Targeting Outcomes

Annex C: Statistical Annex

Bibliography

Acronyms

AFDS – Senegal’s Social Development Fund Agency (*Agence de Développement Social*)
ASIF – Armenia Social Investment Fund
CBO – Community-Based Organization
CDD – Community-Driven Development
CDP – Community Development Project (Macedonia)
FHIS – Honduras’s Social Investment Fund (*Fondo Hondureño de la Inversión Social*)
FISE – Nicaragua Emergency Social Investment Fund (*Fondo de Inversión Social de Emergencia*)
FONCODES – Peru’s National Fund for Compensation and Social Development (*Fondo Nacional de Compensación et Desarrollo Social*)
FOPAR – Argentina’s Participatory Social Investment Fund (*Fondo Participativo de la Inversión Social de Argentina*)
MASAF – Malawi Social Action Fund
MDG – Millennium Development Goals
NGO – Non-Governmental Organization
OED – Operations Evaluation Department
PIU - Project Implementation Unit
PM & E – Participatory Monitoring and Evaluation
PNIR – Senegal’s National Rural Infrastructure Project (*Projet National d’Infrastructure Rural*)
PRA – Participatory Rural Appraisal
PRSP – Poverty Reduction Strategy Papers
SF – Social fund
IEG - Independent Evaluation Group
VPRC - Village Poverty Reduction Committees in India’s Tamil Nadu Empowerment and Poverty Reduction Project

Acknowledgements

This paper was commissioned by the World Bank’s Social Funds Group, under the supervision of Samantha de Silva, within the Social Protection Unit of the Human Development Network. Peer reviewers were Sarah Adams (consultant, external reviewer), Margaret Grosh (Social Protection Unit, Human Development Network), Scott Guggenheim (Social Development Department, East Asia and the Pacific Region), Peter Lanjouw (Development Economics Research Group, Poverty Reduction and Economic Management Network), Caroline Mascarell (Human Development Unit, Eastern Europe and Central Asia Department), Eileen Murray (Human Development Unit, Middle East and North Africa Region), Jacomina de Regt, Social Development Unit, Africa Region), and David Seth Warren (Human Development Unit, Latin America and Caribbean Region). Additional comments were received during the presentation of the draft report made on November 30, 2006 at the World Bank in Washington, DC.

Executive Summary

Objectives

i. Social fund/CDD programs have gained increasing attention for their capacity to support poor communities, especially in the context of scaling up efforts to end extreme poverty. The main objective of this toolkit is to enhance program design to better serve the poor. The toolkit approach is designed to provide technical staff in the Bank and client Governments with the concepts, empirical evidence, noteworthy case studies of different approaches and the operational elements necessary to develop more comprehensive poverty and vulnerability targeting mechanisms.¹

Conceptual Issues

ii. Governments may seek to target resources to poor communities and households for a variety of reasons, both related to economic growth and equity objectives. Targeting may also be useful to maximize impact on key development indicators or to optimize resource expenditures in the face of budget constraints. Targeting specific populations can help to solidify nation-building and ease regional or intra-ethnic tensions. Targeting the poor and vulnerable may also serve political objectives, especially in democracies where delivering services to the poor are typically a strong part of electoral promises.

iii. Who benefits from public spending is a deeply political question that goes to the nature of power relations within a society. An important aspect of these political economy issues is the so-called ‘paradox of targeting’ whereby better targeting may serve to undercut broader political support for a program (Gelbach and Pritchett 1997). A critical question in developing a targeting mechanism (or avoiding sabotage to an existing mechanism) is to identify in whose interest is targeting the poor since different stakeholders may have very different views on the optimal level of targeting.

iv. Poverty targeting is directly linked to a program’s objectives. For social funds and other CDD programs, these objectives typically include reaching the poor, vulnerable and under-served but specific terminology and areas of emphasis vary by country. Programs may target the rural poor, low-income groups, critically vulnerable, or communities affected by conflict.

Summary of Social Fund/CDD Performance in Reaching the Poor

v. Overall, public expenditures tend to be regressive. Typically, sectoral spending patterns among essential public services for the poor, like education, health care and water supply, disproportionately benefit the better-off households. Even within targeted programs, actual performance may not match program goals. A recent worldwide study

¹This toolkit was commissioned by the World Bank’s Social Protection Unit of the Human Development Network. The prime focus is on the design of social funds. However, as the boundaries blur between types of projects classified as CDD, the paper also includes examples of CDD projects not labeled as social funds in order to capture the wider experience and be useful to the broader audience of similar programs.

on poverty-targeted social programs found that while the median program transferred 25 percent more to poor individuals than would universal allocations, one-quarter of these targeted programs were in fact regressive with benefits tilted toward the non-poor (Coady, Grosh and Hoddinott 2004). These general tendencies provide a useful context to appreciate the challenge of getting resources to the poor.

vi. In terms of specific data on social fund/CDD performance, evidence of geographical targeting outcomes show a generally pro-poor distribution of resources. Moreover, it appears that geographical targeting improves over time. In addition, common to all country findings, the poorest districts or provinces received at least their population share based on poverty ranking. This refutes the assertion that within demand-driven programs the poorest districts lack the capacity to participate. Also of note, there is usually a high variation in per capita spending among districts. This may be due to demand factors (interest in participating, lack of social cohesion) or supply side factors (program phase-in, political considerations).

vii. Given the challenge of improving living conditions and meeting the MDGs, errors of exclusion are just as relevant to program performance. Many programs start on a smaller, pilot scale with the intention of scaling up. This leaves most villages and households without access to benefits. This is true even among larger scale programs, like the KDP in Indonesia, which reaches only about a quarter of rural districts.

viii. There is a general assumption that combining geographical targeting with a pro-poor menu and inclusive processes will positively affect poor households. Data on household targeting performance is limited but generally finds that the majority of social fund beneficiary households are poor. However, in terms of distribution of beneficiaries across poverty deciles, there was not much positive discrimination towards the poor, although neither was there exclusion. Recent findings for Yemen show a more pro-poor targeting of resources to the poorer households, with the bottom 10 percent of households receiving 17 percent of social fund financing. All studies show that the poorest of the poor tend to receive at least their relative population share. There is some evidence that household targeting can improve over time. Targeting results of such programs that provide public goods will always show a certain degree of errors of inclusion, particularly in light of the evidence on the high degree of inequality within small geographic units. The greatest variation in household targeting results is not between countries but between types of sub-projects. For example, latrines tend to be overwhelmingly used by the poor and sewerage the non-poor.

ix. In addition to geographic and household outcomes, the issue of preference targeting asks whether the voices and preferences of the poor were taken into consideration in determining which investment was chosen. This is an extremely complex question to answer empirically. The existing evidence is incomplete and results are open to interpretation. Some findings are common to all of the studies done to date, such as high levels of household satisfaction with the chosen project, and a wide diversity of perceived priorities within communities. However, in determining whether the top ranking priority was chosen, results vary, for multiple reasons ranging from community

strategic behavior (e.g. communities may choose a lower priority if it appears more likely to be approved, simpler to implement etc.) to elite capture. In terms of elite capture, there is relatively consistent evidence that community leadership plays a critical role, but it is less clear whether this is for good or ill. Other evidence suggests that the higher the level of local inequality, the greater the risk in local elites skewing project choice.

Social Fund/CDD Targeting Methods and Mechanisms

x. There is no ‘one size fits all’ targeting strategy. The best targeting mechanism will reflect the local context, including institutional framework, information availability, degree of inequality, governance factors, and the demographic profile, including presence of ethnic minorities. Design of a targeting mechanism should be explicitly linked to a program’s objectives. For most social funds/CDD programs there will be three standard pillars of a poverty targeting mechanism: (a) geographic targeting, (b) the menu and eligibility criteria; and (c) an inclusive and participatory microproject identification and implementation process. The relative importance of any one method will depend largely on program objectives. Since social fund/CDD programs usually have multiple objectives, the use of several targeting methods is necessary to optimize targeting results. This also better controls for the limitations of any one method. An overview of the essential elements of a social fund targeting mechanism is presented in Figure A below.

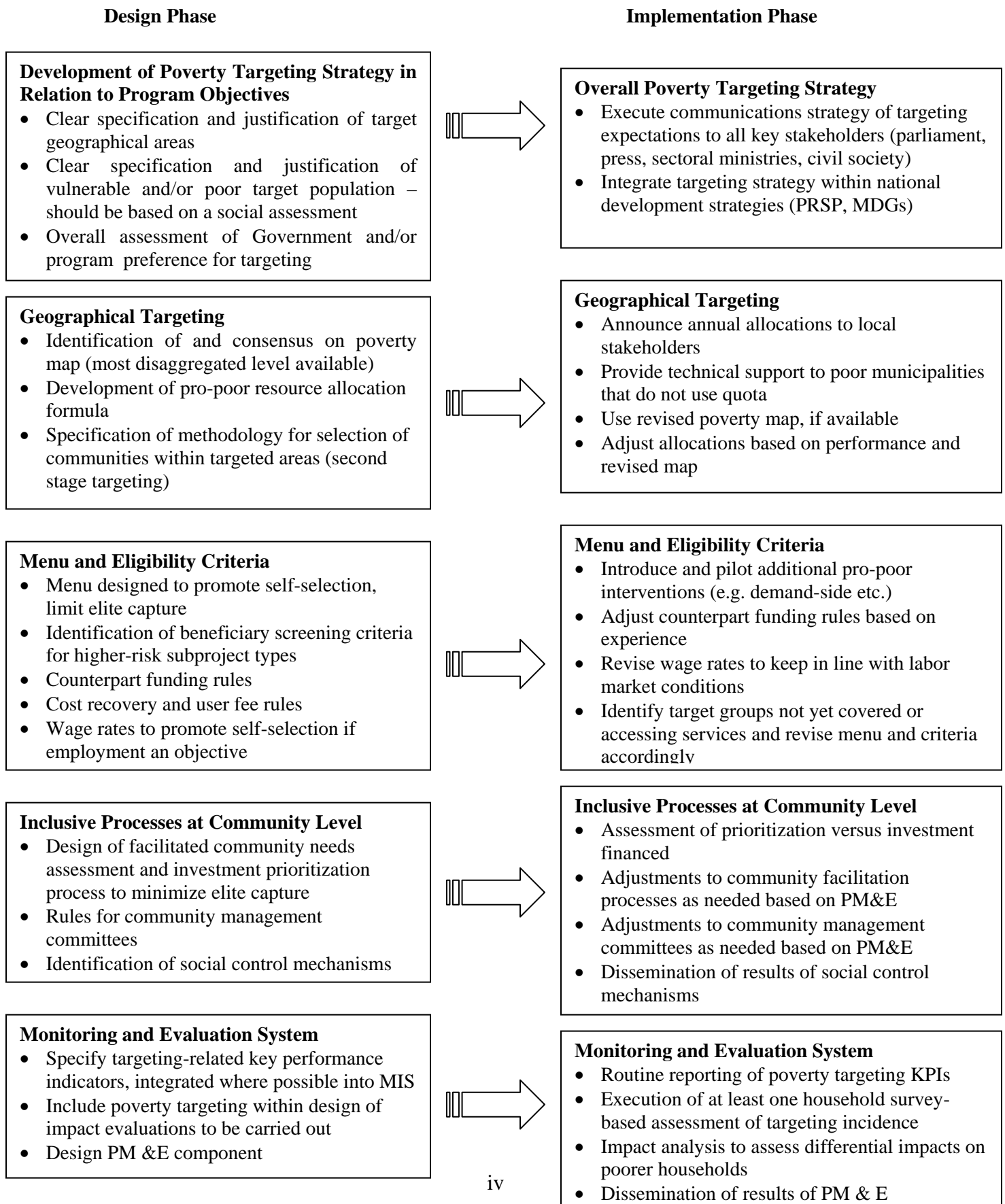
Geographic Targeting Mechanisms

xi. Geographical targeting is the most common form of targeting method used in social fund and community-driven programs. Geographical targeting is used (a) to identify eligible or priority zones of intervention; (b) to transmit national priorities, like emergency reconstruction; (c) to develop pro-poor resource allocation targets; and/or (d) to orient promotional and facilitation efforts, particularly to identify communities that may need more intensive facilitation and training in order to effectively access funds.

xii. Geographical targeting has several advantages. It is relatively low cost and administratively simple, particularly when using an existing poverty map. Objective criteria to allocate resources foster transparency and minimizes political interference. It also helps correct for weaknesses in the ‘first come, first served’ model where the more capable communities may access resources first.. Geographical allocations help target resources to those communities that may need more time to organize their participation. And, in the decentralization context, up-front knowledge of municipal allocations enables local governments to build their planning around more predictable resources flows.

xiii. Geographical targeting also has some drawbacks. Countries may lack reliable and timely data. This is particularly true in countries following crises, like natural disasters or civil conflicts, where assets have been destroyed and populations displaced. Geographical data on poverty may not be sufficiently disaggregated to be of much value as a poverty predictor. Also in need of consideration is whether or not Governments have the political will to follow through with pro-poor resource allocations, even when a good map exists.

Figure A: Essential Elements of a Social Fund Poverty Targeting Mechanism



xiv. The particular poverty map selected should reflect a general consensus of key stakeholders. 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. If the program is also seeking to support the decentralization process, the poverty map should be at least at the municipal level. There may be instances where there is no viable poverty map available. In such settings, easily identifiable proxy indicators can be developed, like remoteness or other access to service measures.

xv. Establishing a resource allocation formula is an important step in geographical targeting. The relative preference for poverty targeting is a political economy issue rather than a technical one and will determine whether the allocation is closer to a per capita allocation or whether resources are more intensely targeted to poor areas.

xvi. Several programs use a two-stage approach to geographical targeting. This consists of using one methodology for identifying poverty levels between geographical units at the higher level, and then another for identifying priority zones (municipalities or communities) within these zones. The first stage is typically based on national poverty maps. The second stage can either be objective, indicator-based determination of priority areas or it can be subjective, community-based targeting which transfers control over defining priority communities to local stakeholders. The community-based method relies on local knowledge of poverty conditions to accurately identify priority areas.

The Menu and Eligibility Criteria

xvii. When developing a menu of eligible investments, there are two characteristics that can affect targeting results. First, results will be more pro-poor to the extent that the menu can be constructed to include those types of subprojects with a high propensity of use by the poor, or conversely to limit types that have a lower propensity of use by the poor. A second issue is whether the investment can be accessed by everyone (a public good) or by only a select group (a private good). Certain kinds of private goods may have a higher risk of elite capture, like microfinance and income generating projects.

xviii. Beyond sub-project types, certain eligibility criteria may exclude the poor. Programs may establish a minimum eligible size for communities due to concerns over cost effectiveness of investments. Regarding legal aspects, some programs require evidence of land title prior to construction of infrastructure or legal status of community groups in order to manage funds. Requirements of capacity and prior experience can also create barriers for the poor. Policies regarding user fees can also influence who has effective access. For instance, water supply systems with piped house connections may not be affordable for poor households. Counterpart funding requirements can also affect access and skew project choice.

xix. Eligibility criteria can also promote access by certain target groups. For example, the Kecamatan Development Project in Indonesia grants communities funding for two projects, requiring that the second specifically benefit women. Several social funds in Africa include mandatory HIV-AIDS prevention and treatment messages within their IEC campaigns. Several programs have developed special programs with ring-fenced funding and different eligibility requirements for specific vulnerable groups. For example, in both Nicaragua and Honduras, the respective social funds have established vulnerable groups programs directed at indigenous communities. Specific criteria can also be applied to certain subproject types to encourage them to be more pro-poor. For example, guidance is available to micro-finance programs on methods to promote better access by the poor.

xx. In terms of targeting of employment benefits for programs that have employment generation objectives, labor intensity and wage rates need to be addressed explicitly within the menu and eligibility criteria of a program. Since most community counterpart comes from donations of unskilled labor, this policy needs to be reconsidered in such programs. International experience suggests that the best policy for targeting benefits to the poor is to set wages no higher than the market wage for unskilled labor.

Building Inclusive Processes at the Community Level

xxi. The rules around identification of priorities, formation of community project committees and microproject implementation can affect targeting outcomes. This includes both whether the poor are effectively included as beneficiaries of investments as well as whether their preferences are reflected in a community's chosen priorities. Process design options focus on three stages of the subproject cycle: (a) community mobilization and needs identification; (b) formation and functioning of community management committees; and (c) social control mechanisms.

xxii. The initial process for mobilizing communities and identifying and developing project proposals must explicitly address the issue of poverty targeting and inclusion of the poor. An essential element is to clearly transmit the targeting objectives of the program to the local level because local actors may not share the same targeting concerns as the national level or donor agencies. Community mobilization activities usually include: (a) conducting a facilitated community needs assessment to develop local knowledge about local stakeholders and conditions; (b) hiring field facilitators to mobilize the community to participate in the project, including communication of project goals and rules of the game and to provide assistance in developing project proposals; and (c) requiring transparent and open procedures for prioritizing investment proposals. Community mobilization processes can be one-off exercises to prioritize investments for a specific program or have a broader mandate to support the decentralization process through integration with municipal government planning processes.

xxiii. Program rules for prioritizing investments can affect preference targeting. When there is a risk of co-optation of the process, potential mitigation measures may include (i) formal voting on preferences, (ii) providing for separate categories (like specific projects for women or vulnerable groups), (iii) application of points in the ranking system for

investments that respond to the needs of the poor, or (iv) positive incentives of increased funding for project committees that display inclusive outcomes.

xxiv. To further promote inclusive processes, programs have sought to regulate procedures for forming community project committees. For example, both the Zambia Social Investment Fund and India's Tamil Nadu Empowerment and Poverty Reduction Project require a minimum number of women be represented on the local project management committees to address the more limited role women often play in village decision-making. In many programs, community project committees are provided small budgets to cover incremental costs of managing micro-projects.

xxv. While broader social control mechanisms are seen as tools for transparency they can also promote pro-poor targeting outcomes. Corruption is a form of elite capture and social control mechanisms can help curtail this at the local level. Inclusive information flows are a necessary foundation for social controls. Community members must be accurately informed of the objectives, procedures, roles of local stakeholders and intended benefits of a program. Creative mechanisms have been used in making sure that the poor and marginalized are as well informed as the community leadership, including development of outreach materials in local languages, use of radio and community theater where literacy is low, dissemination through alternate channels of local stakeholders (like using community associations and women's groups to complement 'official' channels) and posting of key information in places accessible and open to the public. Such 'external' control need not always be from the central level or program officers. In the Northeast Brazil program, nearby communities monitor each other.

Monitoring Performance in Reaching the Poor

xxvi. The final element of an effective poverty targeting mechanism is a monitoring and evaluation system that allows for tracking of targeting performance. In reviewing the Project Appraisal Documents for a sample of social funds and other CDD programs, few included explicit targeting objectives within the key performance indicators (KPIs) of the program. Even fewer flagged potential targeting problems within the identification of project risks.

xxvii. Performance indicators should be consistent with the project development objective and the specific targeting mechanisms. For example, if a program seeks to reach the poorest communities using poverty maps, performance indicators should include monitoring geographic allocations; if an objective is to create empowerment and inclusion at the local level, indicators should measure the degree of participation of marginal groups in project processes as well as outcomes on preference targeting; if the aim is to benefit the poor and vulnerable, household measurements of program incidence will be necessary.

xxviii. Poverty targeting performance should be measured at both the geographical and household levels. The geographical level is the easiest and least costly as it consists of simply comparing actual spending levels against a geographical poverty map. It is more

difficult and costly to assess household poverty targeting results as this typically relies on household surveys in order to develop robust measures. Alternatives to embedding the measurement of household targeting outcomes within the national household survey process include finding proxy indicators, like level of education of the household or number of children in the family.

xxix. A wealth of insights on poverty targeting dynamics at the local level can be gleaned from qualitative or interpretative mechanisms, including beneficiary assessments and, increasingly, the use of participatory monitoring and evaluation tools. Social funds were one of the first programs to mainstream the use of beneficiary assessments as part of project monitoring. Beneficiary assessments are typically carried out every 2 to 3 years in order to get input from the communities and households about project implementation, including elements related to targeting performance. This initial experience with beneficiary assessments, which are typically seen as one-off evaluations carried out by an external consultant, has evolved into a more systemic and systematic approach to gathering input on program performance from the ground up through ‘participatory monitoring and evaluation (PME)’. There are four core principles of PME: (a) primary stakeholders are active participants – not just sources of information; (b) building capacity of local people to analyze, reflect and take action; (c) joint learning of stakeholders at various levels, and (d) catalyzes commitment to taking corrective actions. Participatory monitoring and evaluation can provide important cross-checks on poverty targeting performance.

Conclusions

xxx. Poverty targeting mechanisms may need to be adjusted overtime. Program objectives evolve. Feedback on targeting incidence and local dynamics may point to areas where eligibility criteria or facilitation techniques need to be added or changed. A formal review of targeting mechanisms and performance would be advisable, preferably every two to three years (typically equivalent to mid-term review and end of a funding cycle).

xxxi. In managing conflicts between targeting and other objectives, program managers are advised to recognize upfront the trade-offs between objectives, the need for explicitly ordering objectives (which is a first-order concern versus a second-order concern), design implementation mechanisms to compensate for these trade-offs (for instance more intensive facilitation to ensure participation by weaker communities), and the importance of identifying and continually assessing the risks to targeting outcomes.

Objectives and Outline of the Report

Context

1. One of the core challenges to poverty reduction is to ensure that investments effectively reach their intended population. The credibility and effectiveness of development efforts is undermined when resources fail to reach those most in need. To address this, programs are increasingly being required to show their results, including whether poor communities and households actually benefit.

2. Social funds were one of the first wide-scale experiences with multi-sectoral, demand-driven development funds. They presented an innovation in development finance in that intervention zones were not pre-selected and, at least initially, a first-come, first-served approach was adopted. Communities were free to choose what type of investment they preferred. This was a significant departure from the more centralized, sector specific development programs where beneficiary communities and investments were identified upfront and often without community input. As such, social funds were obliged to develop mechanisms to orient resources and identify investments on an on-going basis. Overtime, they gained a reputation for reaching populations that are usually underserved by existing, more centralized development schemes.

3. Social funds are part of a broader class of development intervention, denoted as community-driven development (CDD) which gives control over planning decisions and investment resources to the local level. This encompasses a large range of programs such as most social funds, community-based rural development programs, participatory decentralization projects, community management of local natural resources, and community empowerment programs, among others. CDD programs have shown that with access to information, appropriate training and financial support, poor communities can effectively organize to identify priorities and address local problems, by working in partnership with local governments and other supportive institutions.² CDD programs have an implicit or explicit objective of reversing existing power relations in order to create agency and voice for the poor, while allowing them to have more control over development assistance (Mansuri and Rao 2003).

4. Social fund/CDD approaches have gained increasing attention for their capacity to support poor communities, especially in the context of scaling up development efforts to end extreme poverty.³ A July 2005 article by Joseph Stiglitz, the ex -World Bank Chief Economist and Nobel Prize winner, called for increased funding for international aid, emphasizing that, *“of course, not all foreign-aid money is well spent. But the aim should be to improve the efficiency of government...In this there have been marked improvements in recent years. For example, the World Bank has been allocating more of its money to countries with a proven track record in spending money well. It has been*

² Definition from World Bank CDD website

³

exploring new ways of "delivering" aid, sometimes using state and local governments where that appears more effective. Similarly, so-called "social funds," whereby communities design projects and compete for money, have enhanced participation and "ownership" of development projects."

5. At the same time, because these approaches rely on local capacity, it is feared that the poorer communities are at a disadvantage or elites within communities may capture program benefits. As pointed out in Mansuri and Rao (2003), any naive understanding of notions like community, participation and social capital can obscure differences that critically influence outcomes. Such differences may be driven by local structures of power, authority and gender, by social divides based on caste, race or ethnic identities, by differential interests in the provision of particular public goods or services or by differential resources due to economic inequality.

6. Most of the debate about poverty targeting has focused on which of these claims are correct: are these programs effective at reaching the poor or are the poor excluded from the benefits? Firm conclusions are constrained by a dearth of comprehensive empirical data, or contradictory data between country case studies and variations in performance over time. In fact, it appears that performance is not so much related to the class of intervention, i.e. whether community-driven or not, but to the design features, objectives and implementation issues of the particular program. In the context of the various claims and counterclaims about targeting performance, there has been limited technical discussion as to which strategies and processes lead to better poverty targeting, or what program managers can do to concretely improve the effectiveness in reaching the poor. This toolkit seeks to fill that gap.

Objectives and Approach

7. The toolkit was commissioned by the World Bank's Social Fund group within the Social Protection Unit of the Human Development Network. Therefore, the prime focus is on the design of social funds. However, as the boundaries between types of projects classified as CDD can be blurred, this paper also includes examples of CDD projects not labeled as social funds in order to capture the wider experience and be useful beyond the more narrow brand name of 'social funds'.

8. The main objective of the toolkit is to enable program managers in client countries and Bank staff to better design community-driven programs to reach the poor. Specifically, this report seeks to:

- a) Introduce Bank staff and CDD/social fund managers to key issues involved in targeting the poor;
- b) Discuss reaching poor communities and households within the context of the variety of broader objectives of CDD/social fund operations;
- c) Present the existing empirical evidence on the ability of SF/CDD programs to target resources to poor communities and households and to effectively incorporate the poor into program structures and decision-making processes;

- d) Analyze country level experience of CDD programs to identify design options and best practice approaches; and
- e) Provide guidance to permit CDD/social fund managers to effectively monitor poverty targeting outcomes.

9. The toolkit approach is designed to provide technical staff with the concepts, understanding of the empirical evidence, noteworthy case studies of different approaches and the operational steps necessary to develop better targeting of investments to benefit the poor. While this toolkit is aimed at those involved in social fund/CDD operations, poverty targeting is an issue applicable across a large range of development interventions. The report builds on the academic and research literature on poverty targeting in general and specifically oriented to community-driven development.

10. Information was gathered from project documentation as well as Task Team Leader interviews covering operations in each region and from flagship types of CDD operations (social funds, community empowerment projects, participatory decentralization, community management of natural resources, post-conflict community-based reconstruction) to ensure broad representation. Several country case studies are provided in the Annexes to give readers a more in-depth appreciation of poverty targeting design in different contexts.

Outline

11. Following this introductory section:

- Chapter 1 presents a discussion of **poverty targeting terms and conceptual issues**, including basic definitions. Poverty targeting is placed within the overall context of program objectives and broader political economy issues.
- Chapter 2 reviews the existing empirical evidence on the **poverty targeting performance** of social funds, both at the geographical level in terms of reaching poor districts and at the household level in terms of reaching poor people. Findings on the inclusiveness of processes and the extent to which investments reflect the priorities of the poor are also presented.
- Chapter 3 presents technical guidance on social fund/CDD **poverty targeting methods and mechanisms**. The chapter covers geographical targeting strategies, issues related to the menu of eligible investments and building participatory and inclusive processes for sub-project identification and implementation.
- Chapter 4 covers **monitoring and evaluation of poverty targeting**, including key performance indicators and types of qualitative and quantitative evaluations that can be applied to determine the success of these programs in reaching the poor.
- Conclusions summarize **optimal poverty targeting** design features to be included in any CDD program.

Chapter 1: Poverty Targeting: Terms and Conceptual Issues

A. General Poverty Targeting Terms

12. A glossary of terms commonly used in poverty targeting is provided in Box 1. Poverty can be measured using consumption, income or access to service levels for households and/or communities. Consumption or income based measures are generally a more accurate reflection of a household's ability to satisfy their basic needs. For instance, households with widely varying consumption levels may share access to basic services like schools and roads. Reliance on service access indicators tends to bias against the urban poor because they live in a more infrastructure-rich environment but remain economically disadvantaged. Where income or consumption measures are not available, access to services can be a proxy measure of poverty and is useful for identifying low-service communities in order to direct public infrastructure investments to coverage gaps.

13. The most commonly used poverty measure is the headcount index, or share of the population whose income or consumption is below the poverty line. Other measures, like the depth and severity of poverty can help better illustrate the poverty contours of a country or district. For example, some regions may have a high poverty incidence but a low poverty gap, denoting generalized poverty but not of a severe nature. This could be more typical of a rural area that has a relatively productive agricultural base or peri-urban area with high levels of transient poor. Another region may have an overall low poverty headcount, but those households below the poverty level tend to be extremely poor, such as the capital city of a country with pockets of destitution.

14. These different measures take on operational importance when designing program interventions depending on whether program objectives are to reach the poor or the poorest, and whether the aim is to lift them out of poverty or improve their relative position. For example, a program that seeks to improve the situation of the poorest may have a low impact on poverty rates (the headcount index) at the national level if it only improves the relative position of the poorest but does not succeed in them rising above the national poverty line. On the other hand, a program that focuses on households closest to the poverty line, typically the transient poor, may exclude the structural poor entirely.

15. Poverty targeting can be carried out by a variety of methods, typically divided into individual assessment, self-selection and categorical targeting. Individual assessment of the person or household is based on household consumption or other 'proxy' indicators of means, like education level or housing quality. This requires accurate information on an individual or household. Individual assessment methods are more appropriately used in programs whose benefits are scaled to the household or individual, like scholarship programs, food stamps and other social assistance, or conditional cash transfers which give stipends to poor households contingent on attendance at schools and health centers. Individual assessment targeting is not appropriate when the benefits are at the village or district level, such as constructing roads or provision of water.

Box 1: Definition of Common Poverty Targeting Terms and Concepts

- **Poverty Measures:**
 - **Incidence of poverty (headcount index):** This is the share of the population whose income or consumption is below the poverty line.
 - **Depth of poverty (poverty gap):** Measures how far off households are from the poverty line. This measure captures the mean aggregate income or consumption shortfall relative to the poverty line across the whole population.
 - **Poverty severity (squared poverty gap):** This measures not only the distance separating the poor from the poverty line (the poverty gap), but also inequality among the poor.
- **Targeting method** refers to the set of rules, criteria and other elements of program design that define beneficiary eligibility
 - **Individual Assessment:** eligibility on a case by case basis via direct means, proxy means or subjective assessment
 - E.g. conditional cash transfers, scholarships
 - **Self Selection:** idea is that the non-poor will not be interested in the type of benefit, either because they do not need it, tend not to consume it, or have preferable substitutes.
 - E.g. low wage public works programs, lower quality services like health centers (longer waits), subsidies on inferior foods
 - **Categorical and Geographic:** Targeting by social characteristic (ethnicity, gender, family status) or geographic region
 - E.g. women's projects, indigenous development funds, regional programs, district level allocations based on poverty
- The broader term **targeting mechanism** is used to refer to the larger elements of program design, including the choice of intermediary agents, organizational design and processes
 - **A mechanism may contain a mix of targeting methods** – e.g. low wage public works geographically targeted
 - **Community-based targeting** – a mechanism whereby community groups or agents are contracted to carry out one or more of the following activities: (i) identify recipients for cash or in-kind benefits, (ii) monitor delivery of those benefits, or (iii) engage in some part of the delivery process (Conning and Kevane 2001).
- **Evaluation Terms**
 - **Pro-Poor or progressive distribution** – the incidence of program benefits or beneficiaries where the poor receive more than their relative population share.
 - **Targeting Errors:**
 - **Type I errors – errors of inclusion:** when non-poor individuals are included in the program due to inaccurate eligibility specification, incentive effective effects, elite capture etc. – also known as 'leakage'.
 - **Type II errors – errors of exclusion:** When the poor are excluded from program benefits due to budgetary limitations, geographical delimitations of program scope, lack of outreach to inform the poor of a program, etc.)

16. Self-selection relies on the poor to opt into program participation and the non-poor to opt out based on the type of service or good provided. Subsidies applied to goods consumed largely or disproportionately by the poor, like kerosene or broken rice, are examples. Public works programs that offer below market wages set a costless screen against leakage since better-off households are unlikely to work for lower wages.

17. Categorical targeting relies on easily verifiable attributes of households and communities. For example, age, gender, presence of a disability and ethnicity can be used to identify households and in some cases communities (i.e. indigenous areas) for targeted interventions. Characteristics are chosen for their correlation with poverty levels but are more easily verifiable than consumption or income. Geographical targeting belongs to this class of targeting method, with place of residence a proxy for poverty level.

18. A program's targeting mechanism encompasses the set of targeting methods used as well as the choice of processes and operating procedures employed to identify, screen and promote effective targeting outcomes (Conning and Keane 2001). A targeting mechanism may use one or more targeting methods to achieve its objectives. For example, a public workfare program may use a poverty map to select eligible communities, combined with self-selection through lower than market wages. A program seeking to empower poor communities may select geographical areas and then define a pro-poor menu of eligible interventions and set out a participatory process and governance structure at the local level all as parts of its poverty targeting mechanism.

19. The inability of centralized ministries to effectively reach the poor has led to experimentation with new bottom up service delivery options and poverty reduction mechanisms that more actively involve the poor and their communities in program design implementation and monitoring, as through community-based targeting mechanisms. This type of mechanism involves the community members in beneficiary selection and benefit delivery (Conning and Kevane 2001). The selection can be done at either the household level or selection of poorest villages in a geographical area. Community-based mechanisms can be used with CDD or non-CDD programs. Non-CDD programs, like centrally-managed social assistance programs, may allow for part of beneficiary selection procedures be carried out under local control. Conversely, CDD programs often employ a broad range of targeting mechanisms including geographical targeting, self-selection and other methods in complement to community-based methods.

20. In their review of community-based targeting, Conning and Kenave (2001) identify the advantages and disadvantages to devolving control over targeting to the local level.⁴ Advantages include (i) lower administrative costs; (ii) faster set-up where other administrative structures are weak; (iii) better social control and accountability, (iv) better

⁴ Community-based targeting can be used in non-community driven programs as well. For example, a social safety net program that designates transfers to poor households may not transfer any control over resources and decision-making beyond local participation in the generation of beneficiary lists. All other aspects of benefit delivery could remain with the central agency. Such a program would be an example of a non-CDD program using community-based targeting as part of its targeting method.

information for identification of needs, (v) less incentive or opportunity to provide false information on assets, income, shocks, (vi) local definition of deprivation may be more adaptable to local conditions and culture than rigid technical information; (vii) strengthened social capital and community organizations; and (viii) disadvantaged groups may be empowered to better articulate and press demands. On the other hand, community-based targeting may lead to increased conflict and division within the community and places high time costs on community leaders. Program goals may be subverted to serve elite interests; or local targeting preferences might differ substantially from national or donor preferences.

21. Beyond methods and mechanisms, there are several concepts applied to the evaluation of targeting performance. Programs are categorized as ‘pro-poor’ when the incidence of program beneficiaries or resources going to the poor (households or communities) is greater than their relative share in the population. For example, if 60 percent of the population is below the poverty line, and only 55 percent of program beneficiaries are poor, even though the majority of beneficiaries are poor, this would not be characterized as a pro-poor expenditure incidence because the poor are relatively underrepresented. Programs where the poor are overrepresented are ‘pro-poor’, or have a progressive incidence of program benefits.

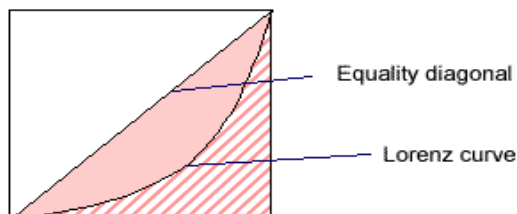
22. In assessing relative targeting performance, the simplest measures focus on leakage and undercoverage rates. Leakage rates are defined as the fraction of total program resources which go to the non-poor, and undercoverage rates as the fraction of the poor who do *not* benefit from the program:

- a) **Undercoverage, or Type I errors**, occur when poor households are excluded from program benefits. An example would be a program that aims to reach 30 percent of poor households but in fact only reaches 20 percent. The 10 percent of eligible households excluded from program benefits represent the undercoverage of the program. Program coverage rates or errors of exclusion are important in developing an appreciation for impacts at the national level. A program may be very good at reaching poor households, but reaches so few that there is no significant impact on poverty reduction or service access at the national level. The challenge to CDD programs is to achieve scale-up to a level that affects national indicators of wellbeing.
- b) **Leakage, or Type II error**, is when the non-poor benefit. This is basically an indicator of level of efficiency. These errors of leakage occur for a variety of reasons, including lack of information on who is poor, inability to exclude individual households from benefiting (e.g. all households in the community can access the well, the school or the health center or subsidies on products anyone can buy like on rice or gasoline), as well as political economy issues including inability of program managers to resist pressures.

Box 2: Formulas for Calculating Targeting Accuracy - Gini Coefficient and Coefficient of Concentration

The Gini coefficient is based on the Lorenz curve, a cumulative frequency curve that compares the distribution of a specific variable with the uniform distribution that represents equality (see figure below). This equality distribution is represented by a diagonal line, and the greater the deviation of the Lorenz curve from this line, the greater the inequality. The Gini Coefficient ranges from 0 to 1 (0 is perfect equality and 1 total inequality).

Areas for calculation of the Gini Coefficient



The Concentration coefficient is calculated the same way as the Gini Coefficient, but varies between -1 and $+1$. The values are negative when the curve is above the diagonal and positive when they are under the curve. For example, a concentration coefficient of 0 would be neutral pro-poor and one of 0.5 more pro-poor.

Coefficient of Concentration

$$C = \frac{n}{n-1} G$$

G stands for Gini coefficient.

See Annex B: Calculating Targeting Outcomes for further guidance

23. A second approach looks at the relative distribution of resources (or program participants) across the income distribution. There are various measures of the relative progressiveness of resource (or beneficiary) distribution (see Box 2). Comparing a ranking of individuals, households or geographic units by poverty levels with the fraction of resources transferred to each decile or quintile of this ranking can be calculated as “concentration curves”. Concentration curves give a more complete picture of benefit incidence than simply dividing beneficiaries between the poor and the non-poor. For example, a concentration would show the share of resources going to the bottom poorest decile of (10 percent) of population, the poorest 20 percent of population and so on.

24. In addition to these more empirical measures, there are community-based evaluations of targeting ex-post. Beneficiary perceptions of social exclusion, program coverage and fairness in access to resources are an important complement to insights on targeting performance, particularly when empirical evidence is not available.

B. Conceptual Issues in Poverty Targeting

Why target?

25. Governments may seek to target resources to poor communities and households for a variety of reasons:

- a) To increase **overall economic growth rates** as persistent inequalities can be a drag on economic growth;
- b) To promote more **balanced growth** and development between regions via targeted infrastructure and service development in underserved areas;
- c) To **optimize resource expenditures** in the face of budget constraints. Public funds are limited and leakage of budget resources outside of the intended beneficiary group has opportunity costs and inefficiencies;
- d) To **redistribute wealth** via public resources transferred to poor households in order to pursue societal equity objectives;
- e) To **maximize impact** on key development indicators. To meet the Millennium Development Goals, like substantial reductions in infant and maternal mortality, Governments may get the biggest bang for their buck by targeting investments where service coverage or welfare rates are lowest.
- f) To **solidify nation-building**, reduce conflict and/or ease regional or intra-ethnic tensions, for example by ensuring that investments reach minority groups or hinterland areas; and
- g) To **address crisis and vulnerability**, Government's may develop targeted programs to respond to natural disasters that affect a certain portion of the population, like earthquakes, drought or locust invasions, or more generalized risks and shocks such as malaria or malnutrition against which a certain segment of households are particularly vulnerable.
- h) To **support political objectives**, particularly in democratic settings where delivering services to the poor and underserved regions are typically a strong part of electoral promises.

General political economy issues

26. Who benefits from public spending is a deeply political question that goes to the nature of power relations within a society. The literature on the political economy of public spending highlights many reasons why spending decisions are made not on the basis of technocratic criteria but on calculations of political power, patronage and favoritism. Power is consolidated by controlling the levers of public spending.

27. An important aspect of these political economy issues is the so-called 'paradox of targeting' whereby better targeting may serve to undercut broader political support for a program (Gelbach and Pritchett 1997).⁵ Programs that narrowly target benefits on the

⁵ Key readings on the political economy of expenditure and the paradox of targeting include:

- Keefer, P. and S. Khemani "Democracy, Public Expenditures and the Poor" World Bank Research Observer v 20 No 1 Spring 2005 pp1 – 27.

poorest groups may not have a sufficiently broad constituency to make claims on public resources. In tight budget environments, targeted programs can be seen as taking away expenditures from more powerful groups. For example, investments in getting the poorest children into school may not be valued by parents more concerned with raising the quality of education for middle-class students or opening access to higher education. Analysis of a large public workfare program in India found that while the program was successful in targeting the poorest households through workfare, the scale of spending and its longevity was due mainly to political support from the better-off areas which benefited disproportionately from where the infrastructure was located.

28. In whose interest is poverty targeting? This is a critical question in developing a targeting mechanism (or avoiding sabotage to an existing mechanism). Different stakeholders may have very different views on the optimal level of targeting. Existing power structures and government bureaucracies have typically left poorer communities underserved, as witnessed by the lower level of infrastructure and service found there, and so already face an internal incentive system with a tendency to skew resources away from the poorer areas.⁶ A donor agency may have a stronger preference for targeting because their poverty reduction objectives and/or their own political constituencies want to see aid flows reduce extreme poverty. As central governments develop national poverty reduction strategies, their own preference for targeting may be stronger than that of local governments who face pressure from those communities ‘next in line’ for infrastructure investments. Or, the relative neediness of various rural villages may not be readily distinguishable to local decision-makers, who may tend to see every village as equally worthy of support. In addition, the ‘tyranny of the majority’ may result when local preferences are determined via majority voting or public fora, which may not reflect the interests of the poorer households, vulnerable groups, or ethnic minorities.

-
- Perotti 1993. Political Equilibrium, Income Distribution and Growth, Review of Economic Studies, V. 60 1993 pp 755-76.
 - Benabou 2000. Unequal Societies, Income Distribution and the Social Contract, American Economic Review v 90 1 2000 pp 96-129.
 - Sen A “The Political Economy of Targeting” in Public Spending and the Poor: Theory and Evidence D van de Walle ed 1995 pp 11-24
 - Gelbach J.B. and L. Pritchett “More for the poor is less for the poor: the politics of targeting’ World Bank Research Group Poverty and Human Resources 1997
 - De Donder P and J. Hendriks, “The political economy of targeting “Public Choice v 95 1998 pp 177-200.
 - Moncrieffe, J. “Power Relations, Inequality and Poverty” Poverty Reduction Group, World Bank and Overseas Development Institute, monograph, August 2004.

⁶ Keefer, P. and S. Khemani (2005) find that incentives to provide broad public goods and reduce poverty vary across countries. Politicians often have incentives to divert resources to political rents and private transfers that benefit the few at the expense of the many. Misallocation has persisted despite a sea change in the way governments are selected and remain in office. Low income voters make up a large share of the voters – especially in developing countries. However, policy makers in poor democracies regularly divert spending away from areas that most benefit the poor or fail to implement policies that improve the services that are known to disproportionately benefit the poor. The authors cite three political market imperfections: (a) lack of information among voters about the performance of politicians, (b) social fragmentation among voters – identity-based voting, and (c) lack of credibility of political promises to citizens. The public services most important to the poor – health and education – are the most vulnerable to these distortions.

How important is targeting to program objectives?

29. Poverty targeting is directly linked to a program's objectives. Box 3 presents examples of project development objectives of social funds and other CDD programs. These objectives typically include reaching the poor, vulnerable and under-served but specific terminology and areas of emphasis vary by country. Programs may target the rural poor, low-income groups, critically vulnerable, or communities affected by conflict.

Box 3: Examples of Poverty-Oriented Project Development Objectives

- **Armenia Social Investment Fund.** To assist the Government in its continuing endeavor to improve living standards of the lower income groups and strengthen local institutions.
- **Benin National Community-Driven Development Project.** To test the implementation of CDD by line ministries, local governments and communities to improve the access of the poorest communities to basic social and economic services.
- **Egypt Social Fund for Development.** To create jobs and provide community infrastructure and services through labor intensive works via: a) small-scale public works programs in partnership with communities and local government, which are executed by small local private contractors; b) community development program to support the development of community infrastructure and services, in partnership with local groups.
- **India: Tamil Nadu Empowerment and Poverty Reduction.** To reduce poverty among the rural poor and other vulnerable groups, currently outside the reach of most development interventions, through assistance for productive livelihood activities, in a more enabling village environment, using the CDD approach.
- **Macedonia Community Development Project.** To support post-conflict development efforts aimed at fostering reconciliation amongst its people, reducing social tensions, and building local social capital under an integrated development framework designed to respond to priority social needs and facilitate the transition from conflict to peace.
- **Malawi Social Action Fund** To empower individuals, households, communities, and their development partners in the implementation of measures which can assist them in better managing risks associated with health, education, sanitation, water, transportation, energy, and food insecurity, and to provide support to the critically vulnerable.
- **Nicaragua Poverty Reduction and Local Development Project.** To improve access to priority small-scale social and economic infrastructure and services to the poor; strengthen local capacity (municipalities, community organizations, NGOs and private sector); and (iii) develop a coherent social safety net.
- **Yemen Social Development Fund.** To further improve access of low-income groups to basic social services, while providing an example of an effective, efficient, and transparent institutional mechanism for providing social services by (i) refining social service delivery approaches and (ii) empowering local communities and councils.

Source: World Bank Project Appraisal Documents

30. Against this general focus on poverty and vulnerability, there is a great deal of variety in the overall objectives of any specific social fund or CDD program. Originally, many programs were designed as emergency responses or as a new approach to managing basic, small-scale infrastructure investments in weak and poor performing institutional environments. Programs typically had limited objectives in terms of

institutional development impact or poverty targeting. Over time, most of the social funds have evolved either to increase their focus on specific groups of the poor and vulnerable (marginalized populations, vulnerable groups) or to improve local governance, the responsibility for which is increasingly being municipalized. The relevance and nature of the poverty targeting challenges are different depending on program focus.

Who are the poor and vulnerable and where do they live?

31. The lack of clear specification of the target group can lead to targeting errors. Without better specification, program goals can become confused and performance difficult to measure. For example, programs need to clarify if their objective is to reach poor communities or poor households or both. In most CDD and social fund operations the implicit objective is to do both. If a program is successful in targeting poor communities but only the better-off households benefit, objectives may not be met.

32. In defining the target population, the terms “poor” and “vulnerable” are often used interchangeably even though these groups may not be the same. Vulnerability is defined as the ex ante probability of the household to be poor in the next period, given assets and likely exposure to risks. A household can be vulnerable but not poor because their predicted poverty rate in the future is quite high if they are exposed to a high probability of shocks (e.g. exposure to natural disasters). On the other hand, a household can experience a momentary downturn but not be vulnerable to future poverty. This is the case of the openly unemployed or ex-civil servants for whom, given their education and asset levels, their current poverty status may be quite transitory. And, a household can be part of what is commonly referred to as a “vulnerable group” but not be poor per se, for example the rich disabled and better-off female headed households.

33. In terms of geographical targeting, the term ‘community’ enjoys widespread use but poses operational challenges. At what geographic scale is the community?⁷ Is it a village, a district or a county? Is the program objective to reach poor districts or to reach poor villages within poor districts? Moreover, boundaries may be different between school districts versus health districts versus local government districts. Also communities may not exist at a large enough geographic scale for cost-effective delegation. For example, villages below a certain minimum population may not be candidates for a school, health center, piped water or other infrastructure investments due to resulting inefficiencies in service delivery.

34. A common fallacy of targeting is that everyone in rural areas is poor or that all poverty is rural. Rural poverty, though high overall, may vary significantly between rural regions. For example, the 2002 rural poverty headcount in Senegal was 66 percent, but this varied among regions from a high of 76 percent in rural Kolda to a low of 46 percent in rural Louga. So, even though poverty is widespread in rural Senegal, a random distribution of program resources in rural Louga would be more likely to reach a non-poor than poor person. Moreover, in countries with higher urbanization rates, while the

⁷ The concept of community may not be geographical in nature but one of shared attributes, like producers’ organizations or displaced persons.

poverty rate is higher in rural areas, a greater absolute number of poor live in the cities. A program that overlooks the urban poor would have a high error of exclusion.

35. Another fallacy of targeting is that in reaching the poorest communities, only poor households will benefit. Recent advances in small area estimation techniques for poverty mapping have determined poverty levels for highly disaggregated units, like districts, wards and sub-districts (Elbers, Lanjouw, Mistiaen, Ozler and Simler 2004). This has revealed the levels of inequality between districts and within districts. Analysis of three countries found that “within” community inequality is larger than “between” community inequality for all three countries studied, as shown in Table 1.⁸ This within district inequality is true for the poorest communities as well. In all three countries, median inequality in the poorest quintile communities is no lower than in any of the richer quintiles. Furthermore, the range of inequality levels across communities is the widest in the poorest quintile, even when only rural communities are considered.

Table 1: Income Inequality in Ecuador, Madagascar and Mozambique

	No of Subgroups	Share of inequality due to within group inequality	Share of inequality due to between group inequality
Ecuador			
All communities	1,579	58.8	41.2
Urban	664	76.7	23.3
Rural	915	85.9	14.1
Madagascar			
All communities	1248	74.6	25.4
Urban	131	76.7	23.2
Rural	1117	81.9	18.1
Mozambique			
All communities	424	78.0	22.0

Elbers, Lanjouw, Mistiaen, Ozler and Simler (2004)

Elite capture

36. Inequality within a community can affect targeting performance. In the general literature on development programs, there is a growing body of analysis on the issue of ‘elite capture’ of program benefits at the local level. Elite capture can be defined as the use of political power, social influence and links to external agents by the better-off, more educated and well-connected to capture the benefits of local investments, both through gaining unequal access to the benefits or by shaping the nature of local investments to their own interests.⁹ Local elites may include traditional leaders (clan or caste chiefs, religious leaders), more recent elites (democratically elected local Governments, NGO representatives), or those that have more effective voice and influence by virtue of economic resources (the wealthier) or education (local administrators, etc.).

⁸ The study defines “community” as the lowest level of government administration (either commune, administrative post, parroquia or zona),

⁹ Rao and Ibanez (2003) distinguish between ‘use targeting’ which asks if targeted groups gain proportionately more from the provision of services, and ‘preference targeting’ which asks if the preferences of the poor have been adequately considered in the selection of the project and its beneficiaries.

37. General views on community dynamics range from a view of community where local elites grab for power and resources to the detriment of the whole and in pursuit of their own narrow interests, to the Utopian community where leadership facilitates collective actions aimed at improving the welfare of the whole. The international evidence is far from settled on the nature and extent of elite capture, and whether it is in fact worse or better with decentralizing control to the community level (Bardhan, and Mookherjee. 1999).¹⁰ Elite capture appears to be shaped by the levels of income inequality, ethnic heterogeneity, governance and social cohesion among other factors. While it is possible to avoid local elite capture by centralizing control and to avoid central elite capture by decentralizing it, ultimately, the greater risk depends on specific country and community circumstances.

38. CDD approaches that vest community leadership structures with control and decision-making power need to be cognizant of the risks of local elite capture. As posited by Platteau and Gaspar (2003) *‘we believe that anecdotal evidence about the misdeeds of local elites is plentiful enough, at least in poor countries such as those of Sub-Saharan Africa, to justify a cautious attitude about the possible impact of the CDD approach’*. The issue may not be so much how to avoid elite capture, but rather how best to use the power and energy of the elite to serve the poor (Narayan, 1995).

Key trade-offs and limitations

39. Practitioners often face real-world trade-offs and limitations in developing poverty targeting strategies. Technical limitations include the quality of data and level of expertise necessary for sophisticated methodologies. In most developing countries, data problems include not being collected or processed regularly, not available at disaggregated levels, and measurement errors stemming from high levels of subsistence activities and non-market transactions. Robust methodologies for developing disaggregated poverty maps or measuring performance in reaching poor households have high technical requirements. For example, very complex statistical applications are often required to measure household incidence. This level of expertise may not be easily available. In addition, in countries where inequality is low, clustering around the poverty line is high and may be very volatile, so data must be collected frequently and often at different times throughout the year especially in agriculturally-based societies.

40. Design trade-offs also affect the poverty targeting mechanism selected. Being demand-driven, poverty maps can identify target areas but they cannot ensure that communities will apply for funding. Some districts or communities will be more responsive than others which may affect the distribution of resources across the poverty map. Similarly, a community may not prioritize labor-intensive investments which may

¹⁰ In Tanzania, higher inequality is associated with less democratic forms of decisionmaking (La Ferrara 1999). Bardhana and Mookherjee (1999) argue that local capture is more likely the higher income inequality and the less mobilized (informed) are voters at the local level. Lanjouw and Ravallion (1998) on public works projects in India find early on capture of benefits – only after coverage of the interested non-poor households does program spread to poor. Galasso and Ravallion (2000) obtain similar results for Bangladesh food for education program where greater inequality reduced the incidence of the poor in receiving the targeted benefits.

conflict with employment creation objectives. A further design trade-off involves the level of program intervention (household versus community). Community-level interventions, like schools and roads cannot exclude the non-poor from access. If a program wants to reach vulnerable households, it may choose to operate in some of the better-off urban areas, but target more intractable social problems within them like support to street children or single mothers, rather than community-wide infrastructure.

41. Poverty targeting can be in conflict with other CDD program objectives, like building institutional capacity. Developing effective mechanisms for transferring control over resources to community groups may be easier to do in better-off districts and municipalities where a minimum of capacity already exists. Or, in a post conflict setting, the interests of national cohesion and nation-building may take precedence over a more selective allocation of resources to poor communities.

42. Efficiency issues can also influence the design of a targeting mechanism. Poverty targeting may be affected by the presence of other donor resources. Resource allocation formulas may need to take into consideration the overall weight of spending in poor communities. In terms of administrative cost and efficiency, the cost of developing more stringent targeting mechanisms, like screening of income levels of beneficiary households or participatory rural assessments to identify individual target households in every village, may be prohibitive. Moreover, programs of national scope may require establishing operations in all regions, even though the cost of setting up offices is higher in regions with relatively low numbers of poor people. It may be politically unacceptable to exclude regions from coverage based solely on efficiency criteria.

43. And finally, political trade-offs are a reality for program managers. Broad-based support is important, particularly to the extent that it ensures program survival. Political support may vanish with finer levels of targeting. Or, key constituencies may feel disenfranchised, like the urban poor, in programs that are restricted to rural areas. There may be political trade-offs between reaching a large number of poor people versus only poor people. Political objectives of national-scale programs may seek a presence in all districts and municipalities and so need to accept a higher level of inclusion errors. In addition, the targeting preferences of central and local governments may not coincide. While the central level may prefer to handpick communities of intervention, transferring decision-making power to local governments about which communities are prioritized may result in different targeting outcomes.

Chapter 2: Summary of Social Fund/CDD Performance in Reaching the Poor

A. General targeting performance of public spending

44. A general assumption is that programs which aim to serve poor communities and households in fact reach their intended beneficiaries. Evidence shows that such optimism is unwarranted. Overall public expenditures tend to be regressive. An urban bias in public spending has long been recognized in the development literature (Lipton 2005, van de Walle 1995). Within what is considered essential public services for the poor, like education, health care and water investments, sectoral spending patterns also typically benefit disproportionately the better-off households.¹¹ Even within targeted programs, actual performance may not match program goals. A recent worldwide study on the results of 122 poverty-targeted social programs in 48 countries concluded that while the median program transferred 25 percent more to poor individuals (those in the bottom 2 quintiles) than would universal allocations, one-quarter of these targeted programs were in fact regressive with benefits tilted toward the non-poor (Coady, Grosh and Hoddinott 2004). The main findings were that there did not appear to be any one type of program or targeting method superior to the others, using more than one targeting method increased targeting performance and no matter how good the choice among methods or mechanisms, effectiveness of implementation was a key factor (see Box 4).

45. These more general findings on targeting provide a useful context to appreciate the general challenge of getting resources to the poor. In terms of specific data on social fund/CDD performance, results can be viewed at three levels: (a) the ability of a program to reach poor communities (geographical targeting); (b) the ability to reach poor people (household level targeting); and (c) the ability to incorporate the poor into the processes so that their voices are heard and preferences reflected in subproject choice (preference targeting). The following sections present the available empirical evidence to date. The most comprehensive and robust look at targeting outcomes at both the community and household level, was carried out as part of the six-country social funds impact evaluation looking at implementation experience in the 1990s (Rawlings, Sherburne-Benz and Van

¹¹ Van de Walle (1995) in reviewing overall performance of public spending on the poor finds that it is important to look at within sector components. For example, in the education sector, benefit incidence analyses typically find that primary, and often secondary, schooling are pro-poor both in absolute levels and percentage terms because in most developing countries poorer families tend to have more and younger children, and that poor children are more likely to attend school at the primary than at other education levels. Tertiary education, in contrast, is invariably pro-rich. The overall progressivity will often depend on the composition of education. The same can be true of the health sector. In a study of targeting outcomes for programs in Mexico (de Janvry 2005 – see Chart 1 in Statistical Annex), overall fiscal spending from taxation is regressive (in absolute terms), as well as most pension transfers, higher and upper secondary education, the electricity subsidy, employment programs and all health programs including primary health care. Pro-poor spending results were found for education at lower secondary level, primary and pre-school as well as some rural development and targeted social transfers.

Domelen, 2004). More recent information on specific country outcomes is incorporated where relevant. As a caveat, it is important to remember that not all programs have similar targeting objectives and may face different trade-offs depending on the country context. Caution must be taken in interpreting comparative results. For example, a higher percentage of poor households among beneficiaries in one country could denote either a more effective targeting mechanism or a higher generalized level of poverty compared to other countries.

Box 4: International Experience with Poverty Targeted Social Programs

A database of 122 targeted antipoverty interventions in 48 countries (Latin America and Caribbean, Sub-Saharan Africa, Europe and Central Asia, Middle East and North Africa, and South and East Asia) was reviewed to assess performance in reaching poor households. These programs included cash transfers (welfare and social assistance, child benefits and social pensions), near cash transfers (food stamps), food transfers, universal food subsidies, nonfood subsidies, public works and social funds.

The study found that:

- Targeting is better:
 - in richer countries;
 - in countries where governments are more likely to be accountable; and
 - in countries where income inequality is higher.
- By targeting method:
 - Means testing, geographic targeting and self-selection based on a work requirement are all associated with an increased share of benefits going to poor people;
 - Proxy means testing, community-based selection of individuals and demographic targeting to children show good results on average but with wide variation; and
 - Self-selection based on consumption, and demographic targeting to the elderly show little potential for good targeting.
- Based on regression results, more than one method is associated with improved targeting, each additional method improving performance by 15 percent.
- No matter how good the choice among methods or mechanisms, effectiveness of implementation is a key factor determining targeting performance

Source: Coady, D., M. Grosh and J. Hoddinott, "Targeting Outcomes Redux", World Bank Research Observer v 19 no 1 Spring 2004. pp 61-86.

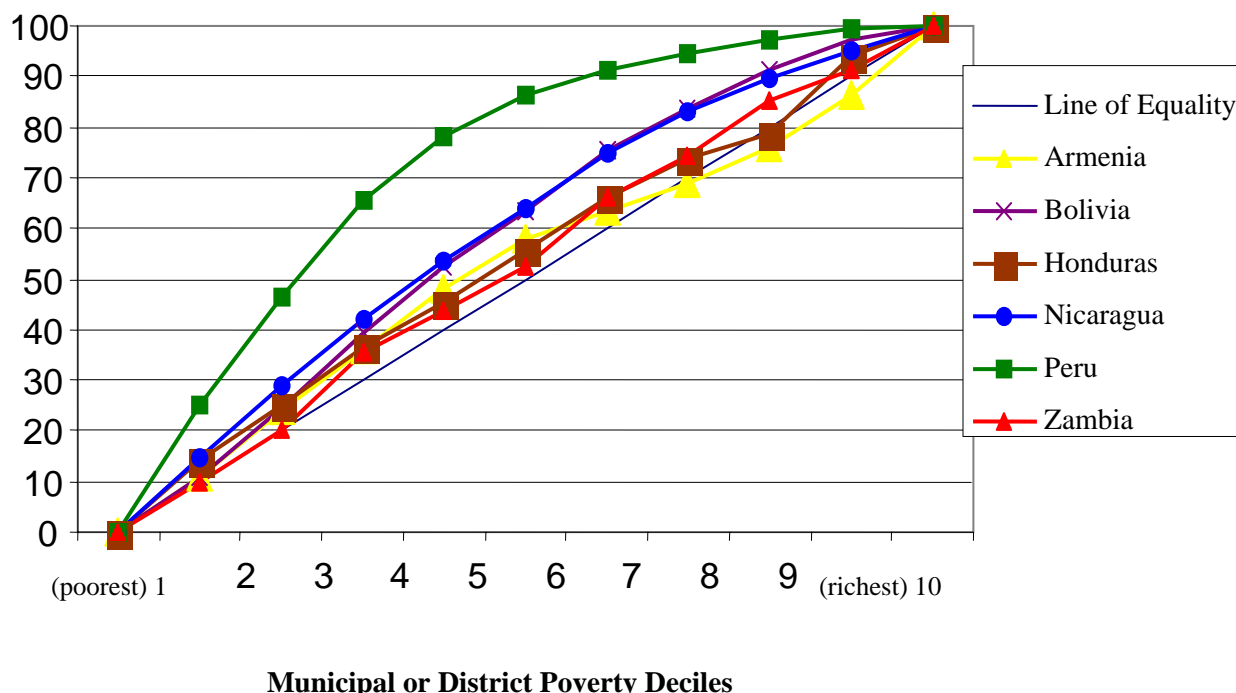
B. Geographical targeting performance

46. Evidence of geographical targeting outcomes show a generally pro-poor distribution of resources. In a comparative look at outcomes of early period social funds in six countries – Armenia, Bolivia, Honduras, Nicaragua, Peru and Zambia – the cumulative distribution of program resources from inception until 1998-1999 was

generally pro-poor (Figure 1)¹², although often only modestly. ¹³ However, in all cases, results were far more pro-poor in more recent years, showing improvements over time (Annex C: Statistical Annex). In a more recent evaluation of the Honduras FHIS, the poorest quintile municipalities received 31.8 percent of FHIS 1998-2002 resources, up from 25.2 percent for the 1991-98 period.

Figure 1: Geographic distribution of resources has generally been pro-poor

Cumulative % of Resources



Concentration Curves – this Chart depicts targeting data in the form of concentration curves. Municipal and district populations are ranked on the horizontal axis from poorest to richest. Each decile represents 10 percent of the population. Where a municipality's population spans more than one decile, correction factors are used to create the corresponding decile. Total social fund resources are accumulated on the vertical axis. The 45 degree line is the line of equality where the population receives exactly its proportional share of resources. Any curve above this line represents a progressive distribution of resources, and below the line a regressive distribution.

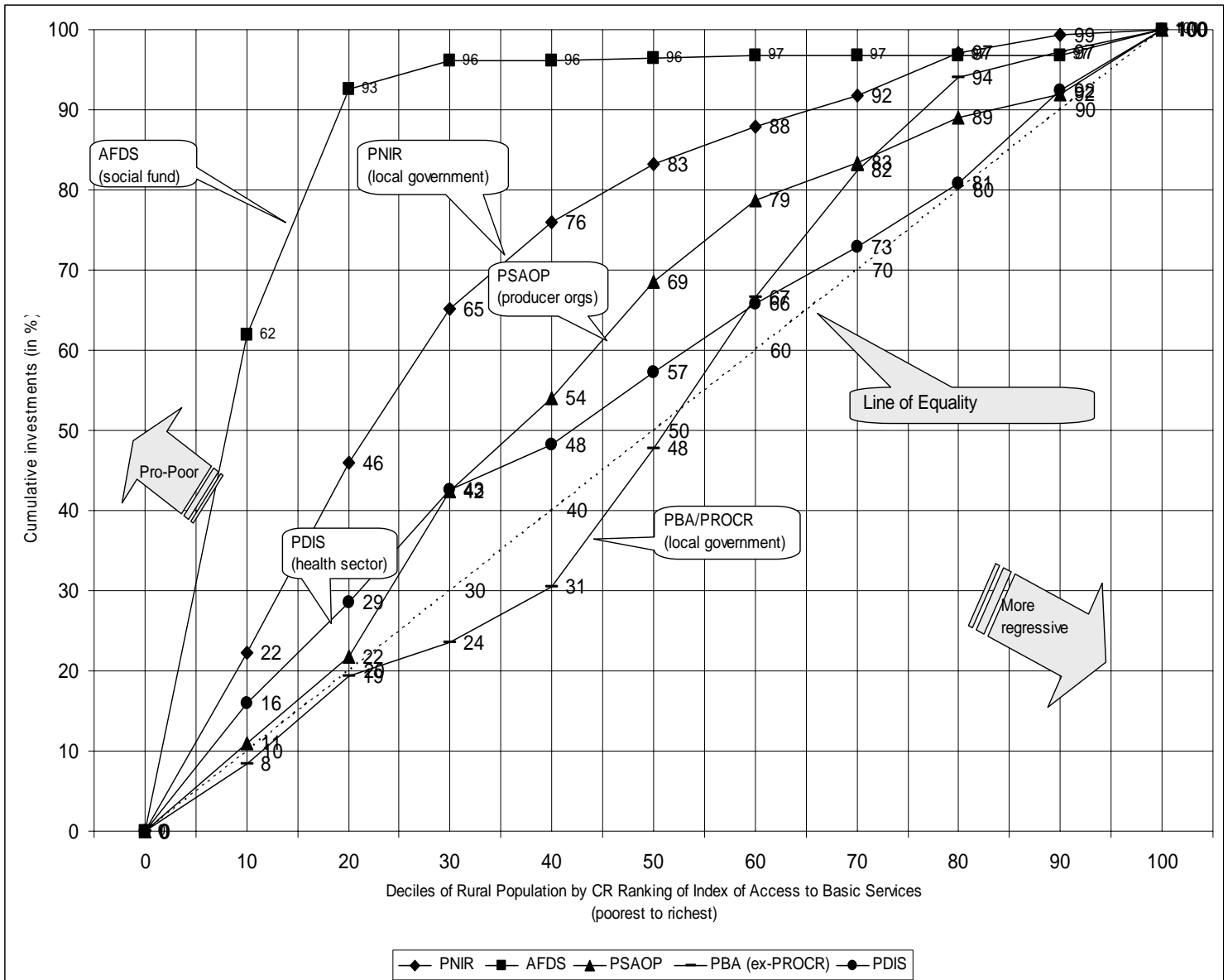
Source: Rawlings, L., L. Sherburne-Benz and J. Van Domelen. Evaluating Social Funds: A Cross-Country Analysis of Community Investments. World Bank Regional and Sectoral Studies, 2004.

¹² The only slightly regressive finding is for Armenia, However, one of the objectives of the Armenia Social Investment Fund was to respond quickly to crisis, including the reconstruction needs of earthquake ravaged zones, and the earthquake affected both poorer and better-off regions.

¹³ The intention of this report is not to compare social fund and CDD targeting with other types of interventions. When this issue was addressed in Rawlings, Sherburne-Benz and Van Domelen (2004), it was found that in all of the six countries, social fund geographical targeting performance tended to be better than other programs, including municipal transfers (Bolivia), other social sector programs (Peru), and a range of public interventions (Armenia).

47. More recent results confirm the tendency toward pro-poor geographical targeting. For example, a World Bank study of rural Senegal (World Bank 2006) compared the geographical targeting of the main sectoral and multi-sectoral rural development programs (Figure 2). The study found that the best performer was the social fund (AFDS) which allocated 93 percent of its resources to the poorest quintile rural districts (CR-*Communauté rurale*) compared with 46 percent for the Bank-financed rural infrastructure project through local governments (PNIR) and 20 to 26 percent for other multi-sectoral and sectoral projects. The success of the social fund's targeting was due to the use of a poverty targeting map to select only the poorest districts as well as the program's foundation in community groups which had a strong base in the poorest districts.

Figure 2: Senegal: Comparative Targeting Performance of Rural Programs



Source: "Managing Risk in Rural Senegal", Africa Region World Bank 2006.

Note: CR — the equivalent of rural districts.

48. Common to all country findings, the poorest districts or provinces received at least their population share based on poverty ranking. For example, the 10 percent of population living in the poorest areas received 10 percent of program resources in Zambia, 25 percent in Peru and 62 percent in Senegal of cumulative program resources. This refutes the common concern about demand-driven programs that the poorest districts lack the capacity to participate.

49. Also of note, there is typically a high variation in per capita spending among districts. For example, in Zambia investments (1991-98) among the poorest districts ranged from US\$1.60 to US\$12.90 per capita. Several factors explain this outcome. On the demand-side, communities self-select and are not obliged to present proposals. Some may wait to see the outcome of a neighboring community's participation in the program before deciding to organize. Other communities lack the social cohesion or interest in organizing to participate. This results in varying degrees of demand-responsiveness among communities. On the supply-side, physical investments are lumpy and vary in their cost per beneficiary levels and so can result in large differences in per capita investment levels by district. Since most programs cannot start in all communities or districts at once, this also leads to differences in resource intensity within districts. Lastly, even using poverty maps, without pre-set allocations at the level of districts or municipalities, political considerations can enter into determining investment patterns.¹⁴

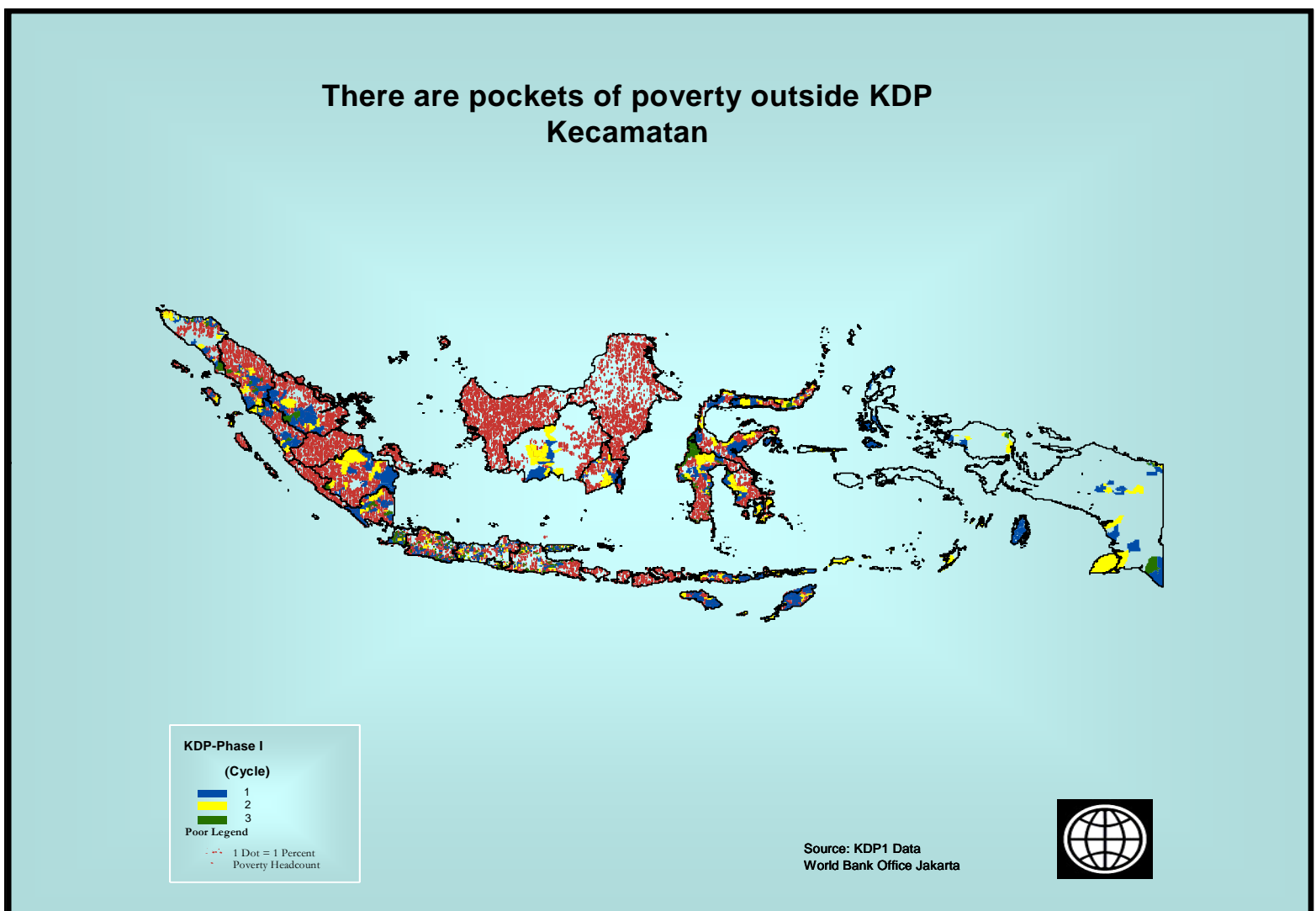
50. There are several design features that appear to promote a pro-poor geographical distribution of resources over time, including:

- a) evolution of program objectives has shifted from emergency to longer-term poverty reduction, resulting in poverty targeting becoming more explicit;
- b) progressive effect of proactive outreach to assist poor communities to compete for resources;
- c) positive discrimination in resource allocation through the increasing use of poverty maps and pro-poor resource allocation formulas;
- d) Tapping into the full-range of implementation capacity, including local governments and community groups. Civil society (either NGOs or grassroots community-based organizations) are often active beyond the reach of the centralized or even deconcentrated/decentralized agents of the State;
- e) an increase in demand responsiveness as more risk averse or remote communities see that programs fulfilled their promises of financing, and
- f) exogenous factors like fiscal decentralization (e.g. Bolivia) may enable poor municipalities to increase their effective demand for financing by being able to hire technical assistance or provide greater counterpart resources.

¹⁴ Two studies have explored political aspects in the allocation of social fund resources and the findings are consistent with the general literature on electoral politics and public spending. In Schady's 1999 study on political aspects of FONCODES spending in Peru, the author concludes that it appears decisions about FONCODES funding were made on the basis of both political and poverty criteria. FONCODES displayed high variation in per capita expenditures between provinces – some provinces received no transfers whatsoever, while others received more than six times the mean per capita transfer. Regression results show that provinces with high levels of poverty, marginal voters, and core supporters all received a disproportionate share of FONCODES expenditures.

51. It is also important to consider errors of exclusion in geographical targeting. The above discussion, and most analysis of targeting outcomes, focuses on leakage and how to avoid these errors of inclusion. However, given the challenge of improving living conditions and meeting the MDGs, errors of exclusion are just as relevant to program performance. The first generation of social funds, which started as an emergency response to the social costs of adjustment, tended to be larger-scale and national in scope. Without the emergency impetus, many newer programs start on a smaller, pilot scale with the intention of scaling up. This leaves a large percentage of villages and households without access to benefits. Even the larger-scale programs, like KDP in Indonesia, reaches only about a quarter of rural districts (see Figure 3 below), though between 50 and 60 percent of the poorest districts (Statistical Annex Chart 3).

Figure 3: Indonesia - KDP Geographical Coverage and Errors of Exclusion



Shaded areas denote KDP sub-districts and dots denote poor areas outside of KDP intervention areas.
Source: Atalas, V. An Evaluation of Kecamatan Development Project, June 2003, World Bank.

C. Household level targeting performance

52. There is a general assumption that combining geographical targeting with a pro-poor menu and inclusive processes will positively affect poor households. To test this, there are two main measures of household targeting performance: (a) an absolute performance measure that determines how many beneficiaries are above or below the poverty line; and (b) a relative measure that looks at the share of beneficiaries or program resources across the country's income or consumption spectrum.

53. Data on household targeting performance is limited. In terms of the absolute poverty measures, the previously cited six country impact evaluation found that the majority of social fund beneficiary households were poor (Table 2). However, it is important to also assess whether a greater share of program beneficiaries are below the poverty line than observed in the national population. For instance, even though the results for Zambia show that over 70 percent of beneficiaries fall below the poverty line, this is also true of the population at large, whereas 66 percent of Peruvian beneficiaries were below the poverty line versus only 50 percent of the national population.

Table 2: Household Targeting Compared to National Poverty Lines

	Honduras	Nicaragua	Peru	Zambia
% of SF beneficiaries below poverty line	58	55	66	71
% of national population below poverty line	54	48	50	72
% SF below extreme poverty line	16	18	23	57
% national pop. Below extreme poverty line	11	17	20	56

Source: Rawlings, Sherburne-Benz and Van Domelen 2004

54. In terms of the relative distribution of beneficiaries across poverty deciles, Figure 4 presents concentration curves from the six country impact evaluation and Figure 5 data from the Yemen Social Development Fund. The earlier results show not much positive discrimination towards the poor, but not much exclusion either.¹⁵ The findings for Yemen show a more pro-poor targeting to the poorer households, with the bottom 10 percent of households receiving 17 percent of program funds. As with geographical targeting, all studies show that the poorest of the poor tend to receive at least their relative population share.¹⁶ While this reduces concerns about elite capture of benefits, it is worth noting that the programs were not altogether successful in limiting beneficiaries among the upper income deciles. One limiting factor is that these programs usually finance public goods. For example, once a school or road is built, anyone can use it. Targeting results of such programs will always show a certain degree of errors of inclusion, particularly in light of the evidence on the high degree of inequality within small geographic units.

¹⁵ Given the previously discussed regressive tendency of public spending in general and many social programs in particular, this is a relatively positive outcome. In Rawlings et.al., social funds typically had better household results than other programs in the same country. In a 48 country study of poverty-targeted social programs, the social funds studied had performance about in the mid-range (Coady et. al. 2004).

¹⁶ Geographic and household targeting results are not directly comparable in Rawlings et.al. because they correspond to different time frames. In addition, the geographical analysis uses the entire portfolio, whereas the household analysis only covers the main sub-project types. Also, variation in the absolute level of poverty between countries precludes any relative judgments about program performance between countries.

Figure 4: Household Targeting Results

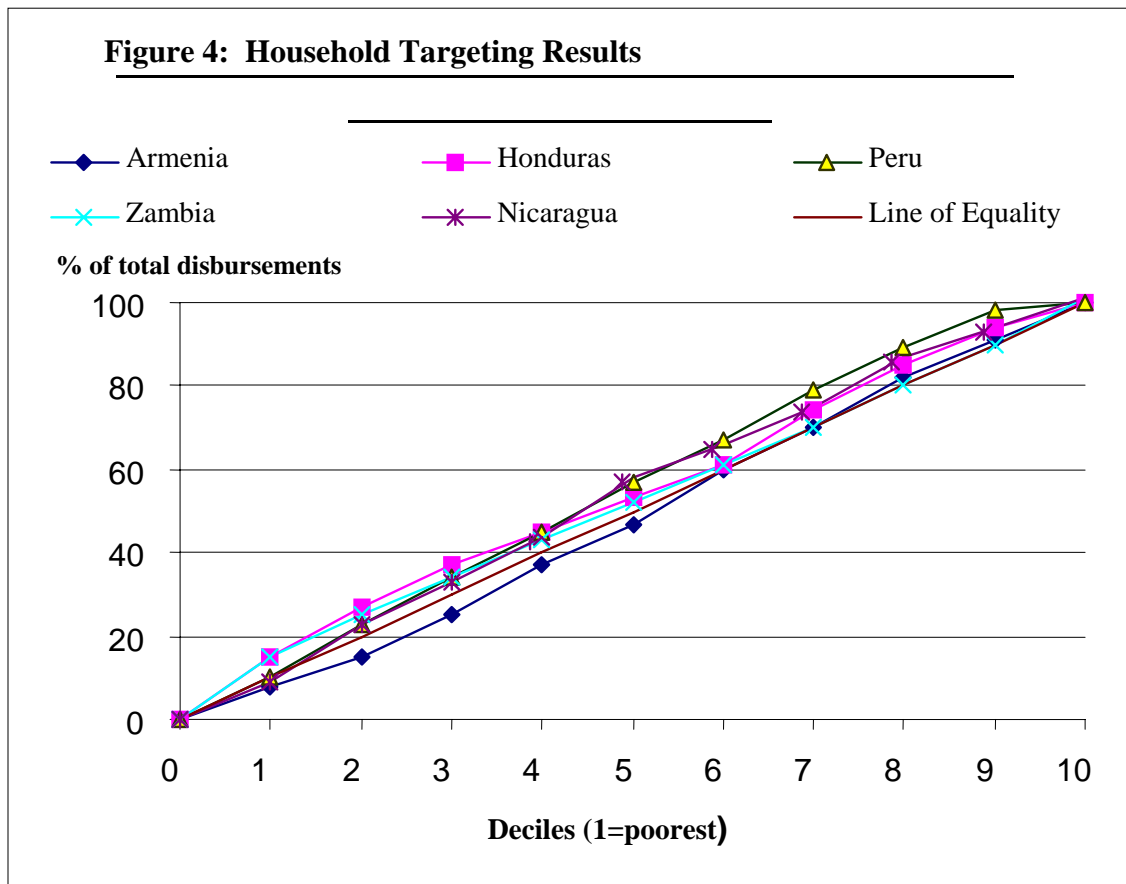
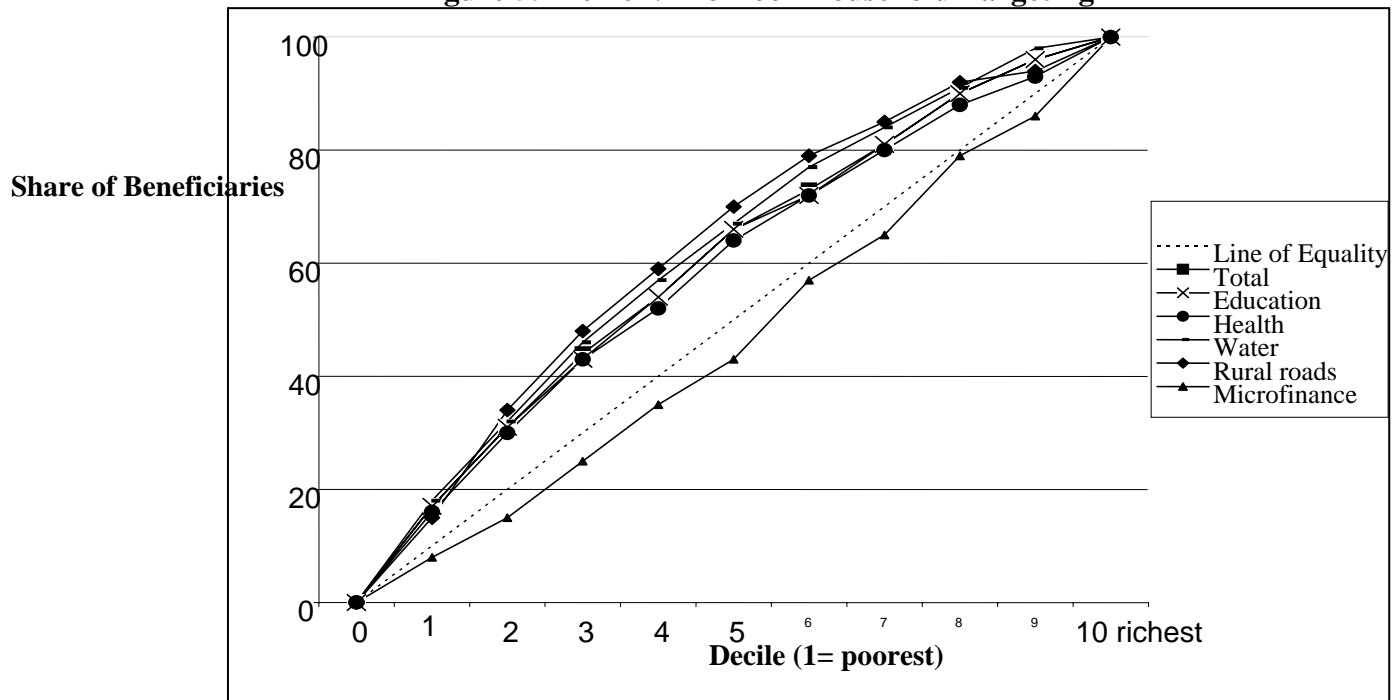


Figure 5: Yemen: Pro-Poor Household Targeting



55. There is some evidence that household targeting can improve over time. Honduras is the only country that has systematically measured relative household program incidence over time. Table 3 below shows that the FHIS has been able to better exclude the non-poor households in recent years, reducing the share of better-off households (the top 40 percent) from 39 to 21 percent of program beneficiaries.

Table 3: Improvements in Honduras FHIS Household Targeting Over Time

Household Poverty Decile	Share of Beneficiaries 1991-98	1998-2003	Change
1 (poorest)	15	14	-1
2	12	17	5
3	9	12	3
4	8	8	0
5	7	18	11
6	8	10	2
7	13	8	-5
8	11	6	-5
9	9	4	-5
10 (richest)	6	3	-4

Source: ESA Consultores, 2005.

56. The greatest variation in household targeting results is not between countries but between types of sub-project. In the Yemen example above, rural roads and water projects were the most pro-poor. In contrast, microfinance programs tended to benefit better-off households. Similar findings were reported in the six country impact evaluation (Annex C: Statistical Annex). Latrines tended to be the most pro-poor, followed by health centers. Education and water projects were generally pro-poor, but sewerage investments were highly regressive.¹⁷ Because of the difference in household use patterns by poverty level, the type of investment has a strong influence on targeting outcomes.

D. Preference Targeting

57. The issue of preference targeting asks whether the voices and preferences of the poor were taken into consideration in determining which investment was chosen. This is an extremely complex question to answer empirically. The existing evidence is incomplete and results are open to interpretation. The most rigorous way to analyze preference targeting performance is to collect baseline data on what people think the greatest needs in their community are through household surveys, and then compare this to what is eventually implemented. In the absence of this, research has used general queries on satisfaction and appropriateness, retrospective questions on priorities and questions on the level and make-up of the participatory process.

58. Some findings are common to all of the studies done to date:

- a) All studies converge with the finding of high levels of household satisfaction with the project chosen (Mansuri and Rao 2003, Rao and Ibanez 2003, Owen

¹⁷ Largely because sewerage is installed in neighborhoods with existing water connections, requires minimum population density and also comes with a cost for households to connect and use (both the piped connection to the house and the installation of toilets), poorer households tend not to benefit as much.

and Van Domelen, Rawlings, Sherburne Benz, Van Domelen 2004, World Bank OED 2002). Moreover, all studies found that, when queried, most households said they would not have wanted another type.¹⁸

- b) There is a wide diversity of perceived priorities within communities. In Honduras, the highest ranking priority was water, but this garnered only 22 percent of the ‘votes’. Similarly, in Jamaica, in only one of the communities studied did more than 50 percent of community members share the same perceived priority. This means that in almost all cases the project chosen will not reflect a majority preference. In the absence of a clear consensus, there must be a process in place to equitably manage investment selection.

59. In terms of whether the top ranking priority was chosen, results vary. For example, the Jamaica study found that the top priority (as queried through recall questions) was chosen in only two of the five communities studied. However, this disconnect was not observed in other countries. In Honduras, water, health and education projects were all the top priority in the community where they were implemented, but sewerage and latrine projects were not. In Zambia, 83 percent of newer projects corresponded to the community’s top priority as compared to only 67 percent of on-going or completed projects, showing improvements in the project selection process.

60. There are multiple reasons for divergence from the top priority. For example, communities may choose a lower priority if it appears more likely to be approved or easier to implement etc. The top priority also may not be technically feasible, as in the case of improved water supply where costs of drilling or conveyance are prohibitive. For health and education, the lack of a commitment from the sectoral authorities to supply teachers or health personnel to staff facilities may constrain community choice. Additionally, there may be financing available from the Government or donors for specific items on a community’s investment priority list.¹⁹ The requirement of in-kind or cash contributions from communities may also affect the investment chosen.

¹⁸ Ex post beneficiary satisfaction may not be a reliable indicator of ex ante preferences. Studies need to be carefully designed to differentiate between “We did not get what we wanted, but at least we got something,” versus “This project is what we needed most.” (Mansuri and Rao, 2003)

¹⁹ In Honduras, focus group interviews in those few communities where the top priority had not been financed queried the reasons behind the actual selection. In one village where a new school was built, the community would have preferred a new drinking water system (as reported by the Men’s Focus Group) or a new health center (as reported by the Women’s focus group). The water project proposal was developed before the school proposal and had the Mayor’s support, but was blocked by the refusal of a neighboring village to share its water source. Meanwhile, the teacher of the deteriorated school had mobilized community support for including a new school building in the municipality’s request to FHIS. The school proposal was finally preferred to the health center proposal since the teacher’s post already existed so there would be no need to lobby the ministry for hiring personnel to staff the center. In another community, a sewerage system was constructed. However a large part of the community would have preferred a new drinking water system or agricultural production support projects. According to local interviews, the sewerage project was chosen to take advantage of the additional resources from a Swiss fund, which was limited to this type of project. *ESA Consultores (1999)*

61. In terms of elite capture, there is relatively consistent evidence that community leadership plays a critical role, but it is less clear whether this is for good or ill. In one cross-country review of beneficiary assessments of social funds, a common finding was that *“behind a community’s more passive or active posture in the world is the existence of effective leaders...community leadership plays a crucial factor in being able to effectively present and execute projects”* (Owen and Van Domelen 1998). Similarly, the Jamaica study concluded that *“better off, better networked individuals seem to dominate the participation process and receive their preferred project...The entire process is best characterized as benevolent capture. It was not a broad based community driven process but pushed and activated by a few local leaders who nevertheless seemed to be doing it for reasons that benefited the community”* (Rao and Ibanez 2002). Furthermore, households with higher economic status, lower family size, longer-term residence, those more likely to socialize in traditional activities and those with greater access to local leaders were more likely to have their priority needs satisfied.

62. Table 4 below shows clearly the difference in preferences between gender and poverty level in Indonesia’s Kecamatan Development Program (KDP). While both prioritize roads, women prefer health, education and drinking water projects more than men. The poorest households favored irrigation and health more than the better-off, who favored roads much more highly. KDP’s requirement of a separate program chosen specifically by women, allows women’s preferences to be chosen. In terms of poverty level, the general (community-wide) project chosen tended to reflect the preferences of the middle two quartiles, rather than either the richest or poorest segments of the villages. But whether this is elite capture or ‘tyranny of the majority’ is open to debate.

Table 4 : Preference Targeting in Indonesia’s KDP, in percentages

	Project Type Chosen		Most Preferred Project Type					
			Gender		Per-Capita Expenditure Quartile			
Project Type	General Proposal	Women’s Proposal	Male	Female	Q1	Q2	Q3	Q4
Roads	54	35	61	38	33	47	57	63
Bridge	10	0	3	1	4	2	2	2
Water	8	27	3	23	9	20	11	9
Irrigation	19	22	22	20	35	20	16	11
Sanitation	4	4	2	2	2	5	2	0
School	4	8	2	4	5	2	4	2
Scholarship	0	0	4	7	7	2	5	6
Health	0	2	1	5	5	2	2	2
Other	2	2	2	1	0	0	2	6

Source: Olken, B. “Political Institutions and Local Public Goods: Evidence from a Field Experiment in Indonesia”, draft Pilot Project Report, East Asia and Pacific Region, World Bank, November, 2006.

63. In recent analysis on Ecuador, the role of local inequality is explored in terms of its impact on the type of investment chosen. The study looked at latrine projects because they are overwhelmingly used by the poor and they are a private good, not open to general public use. Since the better-off would not prioritize latrine investments, the authors posit that greater levels of income inequality would tend to exclude latrines from being chosen. The data demonstrate this, finding that communities with higher inequality were less likely to choose latrines (Araujo, et. al. 2005).

Chapter 3: Social Fund/CDD Targeting Methods and Mechanisms

A. Matching Targeting Mechanisms to Program Objectives

64. There is no ‘one size fits all’ targeting strategy. Poverty targeting mechanisms should be simple, explicit, monitorable and based on common objective criteria. The mechanism should address the risks of elite capture and potential leakage of benefits. The best targeting mechanism will reflect the local context, including institutional framework, information availability, degree of inequality, governance factors, and the demographic profile, including presence of ethnic minorities. A program’s targeting mechanism may change overtime in response to evolving objectives, targeting performance feedback, availability of resources, development of new data sources or shifts in Government’s overall priorities. The effectiveness of the targeting mechanism chosen will depend on the capacity of program managers to design, implement and monitor its performance.

65. Design of a targeting mechanism should be explicitly linked to a program’s objectives. For most social funds/CDD programs there will be three standard pillars of a poverty targeting mechanism: (a) geographic targeting, (b) the menu and eligibility criteria; and (c) an inclusive and participatory microproject identification and implementation process. The relative importance of any one targeting method will depend on program objectives. As presented in Table 5, for programs that address infrastructure gaps in poor areas or promote decentralization, the importance of using geographical maps that correspond to local municipalities is high. Maps are also important for allocating resources in an equitable fashion in post-conflict settings. However, if the ultimate objective of a program is more oriented to the household level, issues like having a pro-poor menu of investments and eligibility criteria take precedence. If the objective is to create temporary employment for the poor, the most significant issue for targeting performance will be the wage rate. If the goal is to reach specific vulnerable groups, the priority will be on the inclusion of specific types of projects (like literacy training) and on ensuring that the participatory processes that identify these groups and their priorities are important.

66. Since social fund/CDD programs usually have multiple objectives, the employment of several targeting methods is necessary to optimize targeting results. This also serves to better control for the limitations of any one method. However, these multiple program objectives can result in incoherent targeting strategies. For example, for programs that seek to build capacity, there may be a trade-off in reaching the poorest communities versus orienting capacity building efforts to better organized municipalities where results may bear more fruit. For example, as the Zambia Social Investment Fund adopted objectives of building local government capacity, results measurements included the number of district governments that ‘graduated’ in the sense that they were able to take on more of the subproject cycle functions. These tended to be more successful in

better-off municipalities. Other social funds have faced transitory trade-offs between longer-term objectives of pro-poor resource allocation and being called upon to play a short-term response role to natural disasters by virtue of their often superior delivery systems. In such cases of trade-offs, it is important to (a) explicitly rank objectives in order of priority and (b) be transparent in making any short-term adjustments. For example, in the case of emergencies, funds can be designated for emergency response with a separate targeting system and reporting indicators rather than lumped into the general allocation formula.

Table 5: Relative Importance of Targeting Method vis a vis Program Objectives

Program Objective	Potential Elements of a Targeting Mechanism		
	Geographical – Poverty Maps	Menu and other Eligibility Criteria	Inclusive /Participatory Processes
Reach poor or poorest communities, underserved areas (geographical)	HIGH	MEDIUM	LOWER
Improve access to social and economic infrastructure by poor households	MEDIUM	HIGH (pro-poor menu, demand-side support)	MEDIUM
Create temporary employment for vulnerable groups	LOWER	HIGH (wage rate)	MEDIUM (worker selection)
Improve welfare of vulnerable groups	LOWER (not identifiable on poverty maps)	HIGH	HIGH
In post-conflict setting build social capital and prevent recurrence of conflict	HIGH (to ease tensions over resource allocation)	LOWER	HIGH
Build the capacity of local Governments, support decentralization	HIGH (to give local government predictable resources)	LOWER	MEDIUM (to improve local governance)
Build capacity of community groups, empower the poor	LOWER	MEDIUM	HIGH (to ensure voice for poor)

67. As a general caveat, there are diminishing returns to targeting as poverty reaches 100 percent. If everyone is poor, there is less need to identify the poor and if a project's objectives are defined in terms of headcount, there would be no need to distinguish further between households. For example, in a country like Zambia, where poverty was at 71 percent and 71 percent of social fund household targeting beneficiaries were poor, the generalized nature of poverty means that there might be little gain from further refining methodologies. However, even where poverty is high, there is the potential for elite capture of benefits. This is particularly relevant for programs with limited funding.

B. Geographic Targeting Mechanisms

68. Geographical targeting is the most common form of targeting method used in social fund and community-driven programs, and social funds have helped pioneer the practice of using poverty maps for program allocations. Geographical targeting is used in a variety of ways:

- c) **To identify eligible or priority zones of intervention.** This can be either in absolute terms, i.e. to designate zones of exclusion, or in a relative sense to prioritize zones. For example, the Senegal Social Development Fund only works in rural communes with the lowest levels of basic infrastructure. The Northeast Brazil project uses poverty maps to identify eligible municipalities. FONCODES in Peru ranks districts by poverty level and then gives preference in the queue to project requests coming from the poorer areas.
- d) **To transmit national priorities.** Geographical targeting can identify priority zones that reflect evolving national investment priorities or other aspects like vulnerability. For example, in the Bolivia Social Investment Fund, a certain level of priority was given to frontier regions in order to help solidify Government presence throughout the territory. In Armenia, the urgent needs of earthquake reconstruction targeted certain zones. And, in Madagascar, Honduras and Nicaragua, social funds were asked to reorient their investments to areas damaged by cyclones and hurricanes. In Sierra Leone and Angola, the social fund targeted newly-accessible communities as conflicts calmed.
- e) **To develop pro-poor resource allocation targets.** The demand-driven nature of these programs requires that there be rules of the game for future resource allocations. Poverty maps are commonly used to develop targets so that poor regions receive higher per capita transfers than better-off ones (e.g. Nicaragua, Armenia, Malawi –see country case study annexes).
- f) **To orient promotional and facilitation efforts.** Geographical targeting is often used to direct program efforts to inform communities and build capacity. To ensure that the poorest communities can effectively participate, targeting is often used to identify communities that may need more intensive facilitation and training in order to effectively access funds.

69. Geographical targeting has several advantages. It is relatively low cost and administratively simple. In most instances, a program can use an existing national poverty map, so the marginal cost of identifying poor regions or districts is in effect zero.²⁰ Using objective criteria to allocate resources fosters transparency and minimizes political interference. It also helps correct for weaknesses in the demand-driven, ‘first come, first served’ model where the more capable communities may make it through the door first. Geographical allocations help reserve resources for those communities that may need more time to organize and carry out the initial planning and prioritization

²⁰ The cost of producing a poverty map varies widely depending on many factors. The most expensive element is producing the national poverty data, which is usually based on a census or national household survey. The incremental cost of producing a map from existing data is relatively small. Where national poverty maps do not exist, social funds have often financed their development with IDA resources.

activities. And, in the decentralization context, up-front municipal allocations enable local governments to build their planning around more predictable resources flows.

70. Geographical targeting also has some drawbacks. Countries may lack reliable and timely data. This is particularly true in countries following crises, like natural disasters or civil conflicts, where assets have been destroyed and populations displaced. Geographical data on poverty may not be sufficiently disaggregated to be of much value as a poverty predictor. Also Governments may not have the political will to follow through with pro-poor resource allocations.

Which map?

71. The map selected should reflect a general consensus of key stakeholders. 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. This promotes the function of geographical targeting to increase transparency and reduce political pressure on programs. If a program develops its own map, it may not have the legitimacy to withstand political pressures.

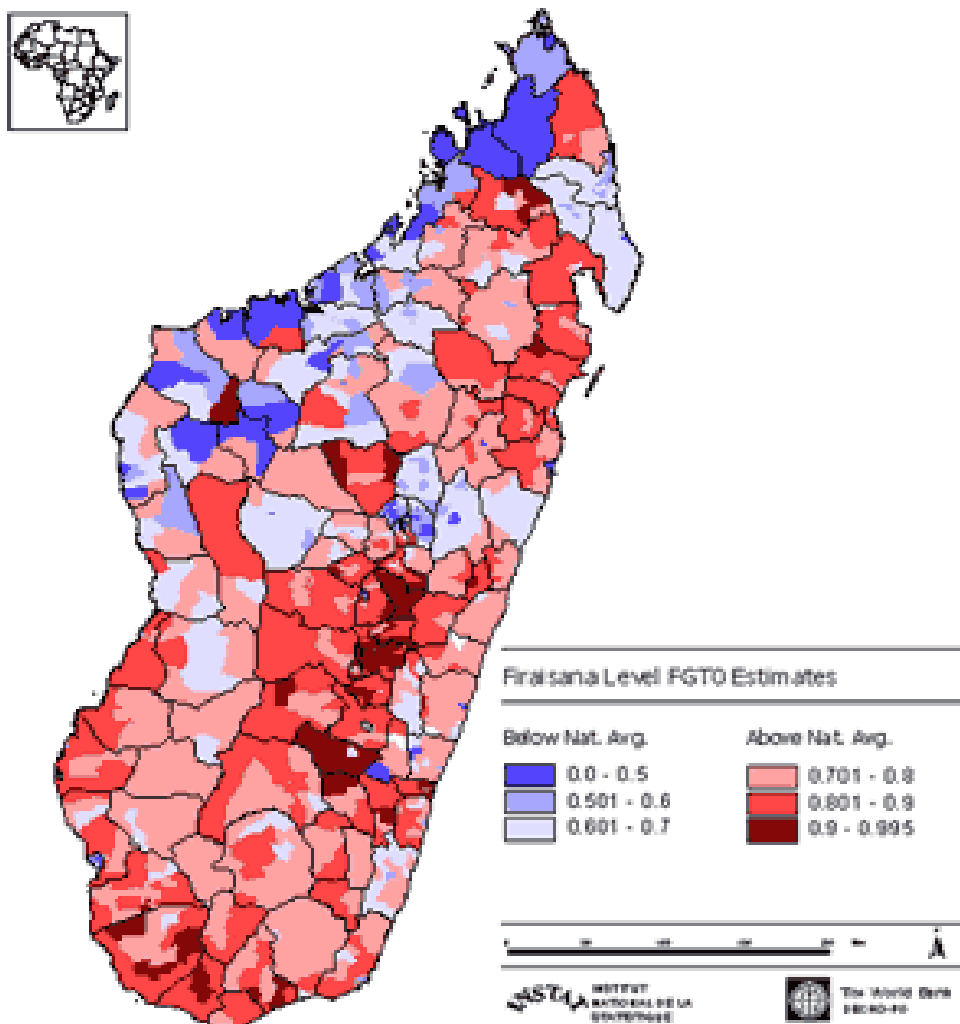
72. The map can either be based on unmet basic needs or household income/consumption measures, though the latter is preferable. There is a great deal of overlap between basic needs and other poverty measures, so the overall effect of using one or another may not be that great. However, it is generally better to use a consumption measure as a better reflection of poverty. Moreover, maps based on an income/consumption definition of wellbeing are more likely to be interpretable in the same terms as are national level assessments of poverty. This makes it easier to define project objectives at the national level without concern that in moving from the national to the local there is some kind of conceptual wedge being introduced. There may be cases where a program is more narrowly focused on a given objective (like employment creation or reduction of malnutrition) where a map based on a more specific indicator (like unemployment or malnutrition) would be appropriate.

73. A program should seek the map most disaggregated to the lowest administrative level of the country (see Box 5 on small area estimation poverty maps). If the program is also seeking to support the decentralization process, the poverty map should be at least at the municipal level. Moving below the municipal level into ward or sub-districts can help local governments transparently target urban neighborhoods or rural villages in their jurisdiction, depending on whether the level of resources available to the program is sufficient to provide a meaningful choice among localities and projects.

Box 5: Using Small-Area Estimation Mapping for Geographic Poverty Targeting

Annual or bi-annual national household surveys usually contain high-quality information on poverty, including expenditures or consumption levels, access to basic services, asset levels, and demographic characteristics. However, sample sizes typically do not allow for the data to be interpreted at highly disaggregated levels (i.e. down to municipal, district or sub-district levels). Costs of expanding sample sizes are prohibitive. National censuses are carried out every ten years and do allow for more geographically disaggregated data analysis but do not contain much coverage of poverty conditions. To develop better poverty maps, a team of researchers in the World Bank's Development Economics Research Group developed a methodology that allows for combining these two data sources to develop what has been termed 'small area estimation maps'. These maps are built on a predictive consumption (or expenditure) model based on a set of explanatory variables common to both data sets, and then applying this model to the census at highly disaggregated geographical levels. The technical and data requirements of this technique are relatively rigorous, but an increasing number of countries have developed such maps. An example of a small area estimation map is provided below:

Madagascar Poverty Incidence: Commune Level



Source: Jesko Hentschel, Jean Olson Lanjouw, Peter Lanjouw, and Javier Poggi "Combining Census and Survey Data to Study Spatial Dimensions of Poverty"

74. It is advisable to use only one map for targeting. Some social funds have considered using separate sectoral maps. However, this confuses the global resource allocation function across districts and it introduces an element of central planning which is inconsistent with the development of community priorities from the bottom-up. For example, a sectoral map may show lack of a particular infrastructure, but the community may not place that particular investment as a top priority. Conversely, a sectoral map may show the existence of a primary school, but the community may prioritize an education investment anyway, like adding teacher housing or sanitation facilities to the school or its rehabilitation. It is more transparent to have one allocation per district or municipality rather than separate sectoral allocations.

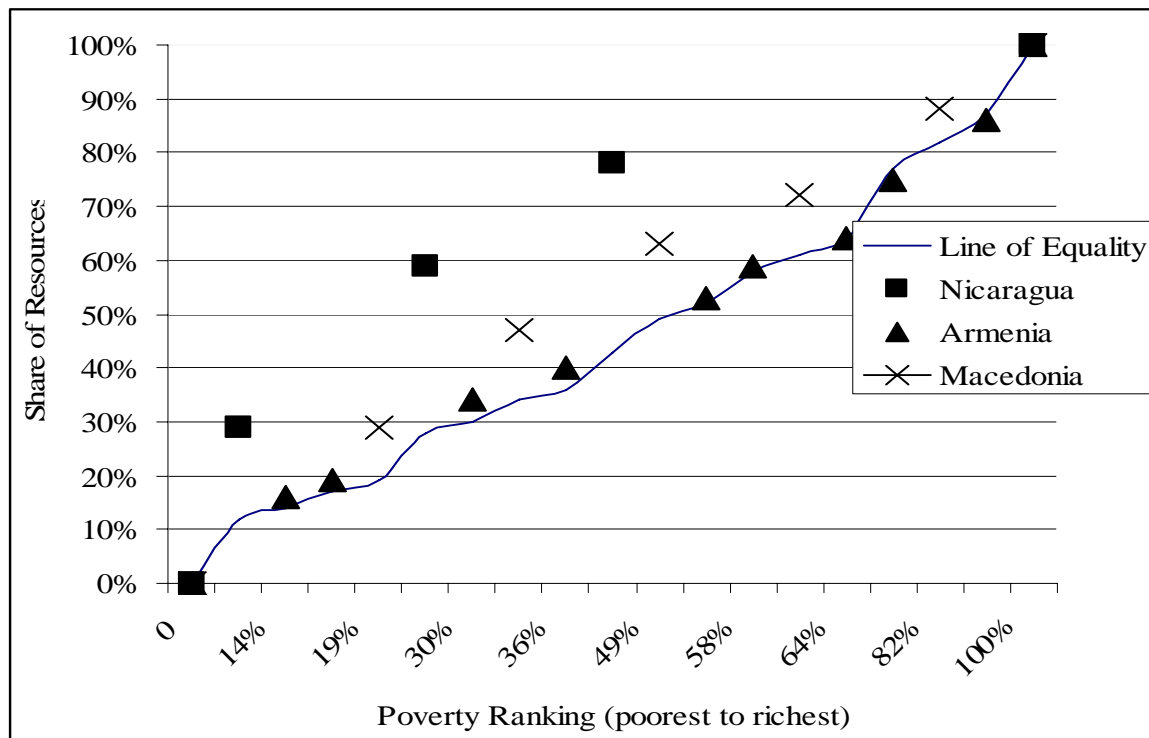
75. Does the particular poverty map matter to targeting outcomes? The answer is both yes and no. The more disaggregated the map, the more likely to reduce leakage rates. For example, in looking at Peru, Schady (1999) finds that moving from no targeting (i.e. per capita allocations) to using a district level map reduces theoretical leakage from 46 to 40 percent and there are small gains observed in each level of disaggregation (Table 4). Moreover, poverty maps can be erroneous or poorly constructed. For example, an analysis of alternative geographical indicators in Peru concluded that the poverty map developed by the Ministry of the Presidency performed much worse than the others and would have led to a regressive incidence of benefits. This is largely because it gave extra weighting to provinces with large absolute numbers of poor, thus rewarding large urban areas. However, the selection of one map over another is not the most important variable in successful geographical targeting. Barring any significant error in the map, there is a great deal of convergence and overlap between different indicators of poverty. The large amount of intra-district inequality means that the challenge of accurately targeting poor communities, villages and neighborhoods exists below the level of the poverty map, and other methods beyond poverty maps are important. And, finally, the map only sets a reference framework. The actual resources allocated between geographical units will depend on political will, formula selected and monitoring compliance with resource allocations. In other words, it is not so much the map itself, but how the map is used.

76. There may be instances where there is no viable poverty map available. In such settings, several alternatives are available. Easily identifiable proxy indicators can be developed. For example, remoteness is a consistently robust proxy indicator for community poverty levels. This can be measured by distance to road or time to reach provincial city or other easily calculated access measures. Another reasonable proxy is some composite indicator of lack of infrastructure. For example, communities that do not have a health center, a secondary school, and market infrastructure could be prioritized.

Developing funding allocations

77. Establishing a resource allocation formula is an important step in geographical targeting. Whether or not to target poverty is a political economy issue rather than a technical one and will determine whether the allocation is closer to a per capita allocation or resources more intensely targeted to poor areas. Figure 6 shows the concentration curve resulting from the target (not actual) resource allocation formulas for three different programs. In the case of ASIF in Armenia, the target regional allocations are very close to the per capita allocations, with only a slight weighting towards the poorer regions. In Macedonia, the poorest quintile (20 percent) would receive about 30 percent of program resources. In Nicaragua, resource allocations are even more progressive. The poorest municipalities are to receive more than twice their population share. This difference is due to a number of factors. Income inequality is higher in Nicaragua and the Government is seeking to correct this. Armenia has a more equal income distribution and the ASIF had broad reconstruction objectives following the earthquake and economic crises. In Macedonia, the main objective of the social fund is to diffuse ethnic and social tensions, requiring a broad distribution of resources so that all regions feel implicated.

Figure 6: Relative Pro-Poor Weighting of Geographical Resource Allocations



Two-Stage Geographical Targeting

78. Several programs use a two-stage approach to geographical targeting. This consists of using one methodology for identifying poverty levels between geographical units at the higher level, and then another for identifying priority zones (municipalities or communities) within these zones. The first stage is typically based on national poverty

maps. The second stage can either be objective, indicator-based determination of priority areas or it can be subjective, community-based targeting which transfers control over defining priority communities to local stakeholders. The community-based method relies on local knowledge of poverty conditions to accurately identify priority areas. In general, the second stage of poverty targeting is more challenging than the first stage. The identification of needy communities within each region requires a micro level approach which calls for different types of skills, surveys, trained staff, resources and time. The second stage usually has two elements: (i) an analytical process of mapping and profiling to prioritize intervention zones, and (ii) promotion, outreach and communication activities to transmit program objectives and criteria and catalyze community demands. These two-stage methodologies are particularly useful when the existing national poverty maps do not differentiate poverty levels within the lower administrative units. Moreover, researchers have observed that poor provinces or districts may be less good at prioritizing poor communities within their boundaries than are better-off districts. A transparent process to ensure that the poorer communities within poor districts are prioritized can help correct this tendency (Ravallion 1998).

79. Country examples of two-stage geographical targeting include:

- a) Macedonia Community Development Project (CDP): The two-stage mechanism includes a regional allocation as well as a second-level targeting within regions based on data from a comprehensive community mapping and profiling exercise. The regional allocation aims to ensure equity and transparency in the use of CDP funds to ease ethnic tensions and mitigate political pressures. This regional allocation is based on population and a composite poverty-conflict index. The local community targeting is based on a municipal profiling survey designed and conducted by the CDP PIU for 123 municipalities which ranked municipalities based on several criteria (number of households receiving state benefits, unemployment rate, rural versus urban and income averages). Municipalities were grouped into three clusters with outreach and capacity building activities first concentrated in Cluster 1 and then extended to Cluster 2 municipalities. Within each cluster, project funds are provided only to needy communities based on community profiling. The second stage targeting is supported by (i) intensive research and assessments on critical needs of communities, as perceived by their members, (ii) support for self-management through empowerment and capacity building of communities, and (iii) strategic communications and coordination to inform citizens about CDP objectives and procedures and inform central and municipal government authorities of policy issues relating to CDP.
- b) Brazil Northeast Rural Poverty Reduction Project: Geographic targeting is done by levels: (a) geographically by poverty level and other characteristics of the municipalities; (b) within municipalities to target rural settlements and communities; and (c) community-based selection of poor beneficiaries and particularly vulnerable groups by the project Municipal Councils. Targeting at first and second level defines the project area. For example, in the State of Ceará, Level 1 identified eligible municipalities based on indigence and federal dependency ratio (covering a population of 4.1 million out of 6.3

million state population). Within Level 2, only those communities of less than 7,500 people were selected, reducing the target population to 2.5 million.

- c) Argentina Participatory Social Investment Fund (FOPAR). FOPAR developed a district level poverty map using a composite unmet basic needs indicator. Poverty was found to be concentrated in 92 out of 122 of the poorest districts in the ten northern provinces of Argentina. FOPAR allocated resources to these 92 districts in proportion to the total population identified as lacking at least 3 basic needs. Within each province, poor communities in rural areas were eligible if they were located in a district with at least 40 percent of the population had unmet basic needs. To prioritize deprived neighborhoods within urban areas, FOPAR used a community-based targeting mechanism whereby representative Participatory Provincial and Municipal Councils identified eligible neighborhoods.

Managing resource allocation adjustments

80. Governments may have several reasons to deviate from a set resource allocation formula. In establishing the initial resource allocations, funding levels may be adjusted based on the presence of other donor programs to correct historical imbalances that have favored the capital city area (for example see Macedonia case study in Annex A). Multiple objectives of any particular social fund or CDD program may also call for adjustments in resource allocations. In the case of the Yemen Social Fund, the geographical allocation formula is not applied to the cultural heritage part of the program's budget, which is considered a special-purpose program within the social fund.

81. During implementation, resource allocation targets may need to be adjusted. One challenge programs often face is the different pace of absorption of funds of various districts or municipalities. It is common that several areas will quickly reach their target allocations far before the end of a program phase. In such cases, the choice is either to suspend proposals from those areas, reallocate from less responsive areas or seek additional funding. Some programs, like Nicaragua's FISE, have a rule that resources can be allocated between municipalities, but only within the same poverty category so as not to distort their overall targeting objective. Donor preference may also influence resource re-allocations. This is particularly true when a donor enters with pre-determined preference for regional focus of their funding. Another factor may be the lumpiness of investments, making it difficult to hit the exact resource target. Flexibility can be built in by reserving a percentage of program funds to reward good performing municipalities.

C. The Menu and Eligibility Criteria

Menu of Eligible Investments

82. When developing a menu of eligible investments, there are two characteristics that can affect targeting results. First, results will be more pro-poor to the extent that the menu can be constructed to include those types of infrastructure and services with a high propensity of use by the poor, or conversely to limit types that have a lower propensity of

use by the poor. For example, latrines are considered an ‘inferior’ service in that their use is most concentrated among the poor. A second issue is whether the investment can be accessed by everyone (a public good) or by only a select group (a private good).²¹ Certain kinds of private goods may have a higher risk of capture by local elites, like microfinance and income generating projects.

83. The division of investment types between high and low propensity of use by the poor and along the spectrum of public versus private goods is presented in Table 6. For those services that tend to be both a public good and have a higher propensity for use by the poor, like primary health clinics, rural secondary roads, primary education and public standpipes for water supply, the risks of mis-targeting are lower. These are also the types of projects that appear to be prioritized by communities because everyone has access and everyone benefits. In moving to public goods with a less pro-poor use pattern (lower left quadrant), we find such investments as hospitals, secondary schools and sewerage.

Table 6: Poverty Targeting and the Menu of Eligible Interventions

	Public Goods	Private Goods
Higher propensity of use by the poor	<i>(Lowest risk of elite capture)</i> Primary health care Primary education Rural secondary roads Water supply – Standpipes	<i>(Highest risk of non-selection)</i> Latrines Informal savings clubs Literacy classes for women Backyard poultry production
Higher propensity of use by the non-poor	Water supply – house connections Hospitals Secondary and higher education Highways Sewerage	<i>(Highest risk of elite capture)</i> Irrigation Micro-finance Agricultural extension for high-value crops Community-based health Insurance

84. On the right hand side of the table, private goods (or those predominantly private in nature) are often included in the menu of eligible investments. Some may have a high propensity of use by the poor, like latrines or women’s literacy training. The main targeting risk here is that the non-poor, or local elites, may not be interested in having this type of investment prioritized since they reap little benefit as seen in the example from Ecuador where the more unequal the income distribution in a district, the less likely a pro-poor, private good like latrines would be selected. (Araujo et. al. 2005). The highest targeting risks are those that are both private goods and with a higher propensity for use by the non-poor. Here, elites may be more likely to push for these types of sub-projects

²¹ A public good is defined as a good (or service) where access is ‘non-excludable’. A private good is one where one person’s consumption of the good reduces its availability to others and that use of the service is restricted to those who are willing to pay for it. Many services have characteristics of both a public good and a private good. For example, primary health care may have fees attached to its use. The term *public good* is used to describe products that are dominated by their public good nature, and the term *pure public good* is used to describe products that do not possess any of the characteristics of a private good.

and to benefit from them, particularly income generating opportunities. Additional eligibility criteria, like beneficiaries must come from priority vulnerable groups, can help ease the risks (see Sri Lanka case study in Annex A for strategies to reduce elite capture in a situation of high inequality and financing of private goods).

85. Some programs have adopted a ‘negative’ list, allowing any priorities that the community may identify except a select list of items like purchase of land or vehicles. The idea is to maximize local knowledge and provide space for innovative solutions. However, this may work at cross purposes to improved targeting outcomes if open menus mean better-off households can capture benefits. To address this, program managers may place certain non-poor items on the negative list (like sewerage). For investments that tend to benefit the better-off, using more rigid screening criteria including vulnerability criteria or demographic indicators for households benefiting from irrigation, microfinance or other potentially regressive investments may help to reduce leakage.

Eligibility Criteria

86. Beyond sub-project types, certain eligibility criteria may exclude the poor. Programs may establish a minimum eligible size for communities due to concerns over cost effectiveness of investments. However, the smallest rural communities are often the poorest. Rather than excluding by village size, it is preferable to use specific sectoral criteria (like minimum number of students or minimum population for a health post) and cost-per beneficiary thresholds to determine investment efficiency.

87. Regarding legal aspects, some programs require evidence of land title prior to construction of infrastructure or legal status of community groups in order to manage funds. These criteria may exclude the poorer segments that either do not have the resources to pursue legalization processes or come from less geographically formalized communities (without cadastres, situations of displaced populations, etc.). Many programs have found ways to mitigate the risks of informality without penalizing the poorer communities, including assistance with the formalization process for community land titles, bestowing de facto legal rights onto community project committees, or the use of community acts and other signed documents to confer legitimacy.

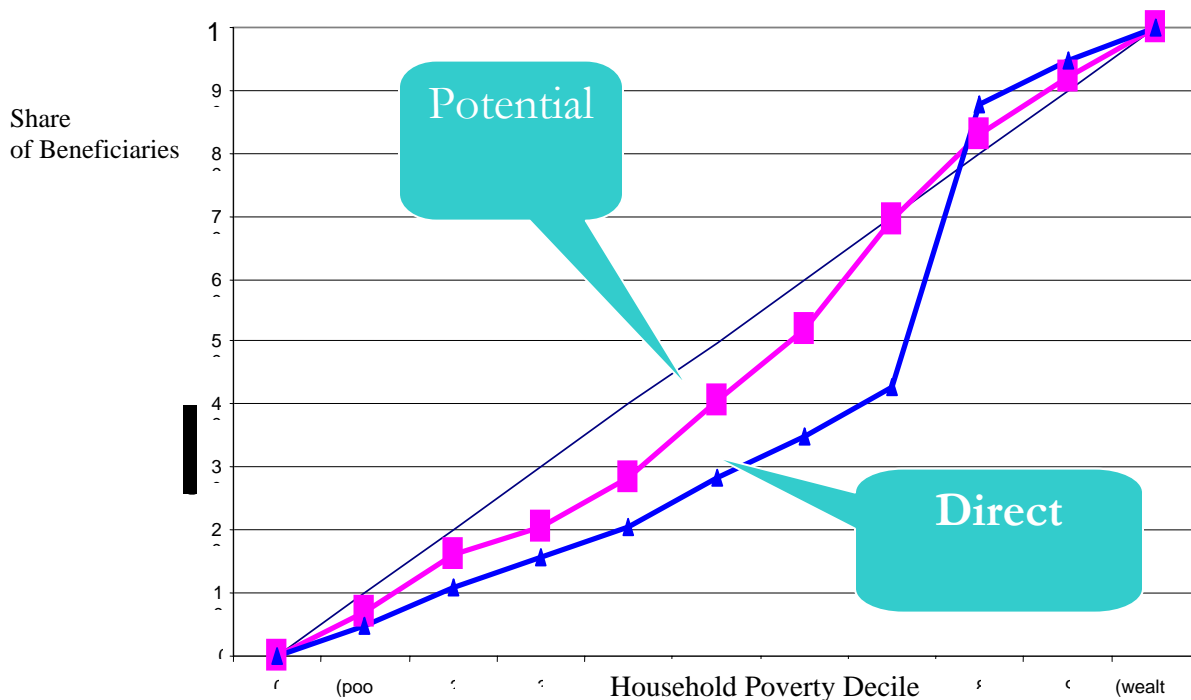
88. Requirements of capacity and prior experience can also create barriers for the poor. Requiring a minimum number of years of experience for community groups and NGOs to act as intermediaries is meant to guard against opportunistic behavior such as NGOs forming simply in response to the availability of funds. However, it can also mean that vulnerable groups, like disabled persons or victims of conflict, have less means of forming community-level associations necessary for project participation. At the municipal level, program rules that require certain measures of municipal capacity to participate may exclude the poorer municipalities that have fewer staff and less training.

89. Policies regarding user fees can determine who has effective access. For instance, water supply systems with piped house connections may not be affordable for poor households. Figure 7 shows the targeting outcomes for sewerage projects in Honduras

differentiated between households that were potential beneficiaries (i.e. sewerage lines built in proximity) and those that were direct beneficiaries (households who hooked up to the system). Fees created an invisible barrier to utilization by the poor. Some programs have addressed these issues by ensuring that technologies selected (like hand-pumped water systems) result in levels of cost recovery within reach of the poor, or by providing financing for private costs associated with an investment (like sewerage connection fees).

90. Counterpart funding can also affect access and skew project choice. Most social funds/CDD programs require a minimum community counterpart contribution in order to ensure community ownership. Some vary the level of counterpart funding by type of sub-project or by poverty level. The the program in northeast Brazil, productive subprojects which are closer to private goods require 20 percent contribution, versus 15 percent for economic and 10 percent for social infrastructure. In Ecuador, where certain types of sub-projects, like educational materials, did not require a counterpart contribution, poorer communities were more likely to choose projects that require no counterpart funding (Araujo et. al. 2005). Counterpart requirements can also be scaled by poverty level.

Figure 7: Honduras: Potential Versus Direct Beneficiaries of Sewerage Investments



91. Eligibility criteria can also promote access by certain target groups. For example:
- The Kecamatan Development Project in Indonesia grants communities funding for two projects, the second one must specifically benefit women.

- b) Several social funds in Africa include mandatory HIV-AIDS prevention and treatment messages within their IEC campaigns and/or include funding for community awareness of HIV-AIDS within all micro-projects.
- c) Several programs have developed special programs with ring-fenced funding and different eligibility requirements for specific vulnerable groups. For example, in both Nicaragua and Honduras, the respective social funds have established vulnerable groups programs directed at indigenous and (in the case of Nicaragua) Afro-Caribbean communities. The FOSIS in Chile established a program for 'hard core 'urban poor (*pobreza dura*) oriented to interventions around drug addicts, gangs, the homeless and other socially marginalized. In Senegal, the social fund ensures infrastructure designs include access by the disabled, for example wheelchair ramps to schools and health centers.
- d) Specific criteria can be applied to certain subproject types to encourage them to be more pro-poor. For example, guidance is available to micro-finance programs on methods to promote better access by the poor (see Box 6).

Box 6: Making Micro-Finance More Responsive to the Poor

A 1998 study was carried out under the auspices of the Consultative Group to Assist the Poorest (CGAP) to review the poverty targeting strategies of 25 micro-finance providers around the world. The study found that effective poverty targeting was a combination of identifying the poor, reaching the poor, attracting the poor, and discouraging the non-poor. Effective poverty targeting strategies typically combined different methods:

- **Ways of Identifying and Reaching the Poor.** As a first cut, geographic areas in which poverty is concentrated are identified. Then, local and subjective methods can be used, including (a) identification of the poor by their peers by forming a savings and credit group; (b) eligibility criteria to identify candidates for group membership such as landlessness, income below a threshold, capability to work in income generating activity, married status, and female gender; (c) participatory wealth ranking methods to rank households on the basis of community-defined poverty/wealth criteria; or (d) objective indexes, surveys, assets and means tests administered by field staff.
- **Ways of Attracting the Poor.** Another aspect of targeting is when customized design and marketing of financial products attract the target group to the micro-finance provider. They may be attracted by the opportunity to save voluntarily, to take out a small sized loan, to borrow in times of crisis, to purchase insurance or by the security that group-lending schemes provide.
- **Ways of Discouraging or Excluding the Non-Poor.** Small loan size, high interest rates, and high opportunity costs of frequent group meetings are ways in which the provider screens for a client's level of commitment and her or his opportunities to access alternative financial service options. Housing characteristics and minimum poverty or income levels are examples of criteria that exclude the non-poor.

Source: "Lessons Learned From the Poverty Targeting Strategies Used By Micro-Finance Providers", A. Mathie, June, 2001 The Coady International Institute, St. Francis Xavier University

Targeting of Employment Benefits

92. While most CDD and social fund programs are not conceived as full-fledged workfare programs, many have employment creation objectives. Target groups include the unemployed, retrenched public sector workers and rural landless. Employment benefits can be particularly important in response to economic crisis (like Argentina's workfare program *Trabajar* to address high unemployment periods), to assist during the reintegration process in post-conflict settings (as with Sierra Leone's NASCA), or to help vulnerable households during the 'lean' season (e.g. Malawi's MASAF program).

93. To meet employment objectives, labor intensity and wage rates need to be addressed explicitly within the menu and eligibility criteria of a program. Design options to promote labor intensity include (a) set a minimum labor share for any project; (b) eliminate those project typologies with the lowest labor share, (c) set overall targets for each region and leave the project mix to local determination; or (d) reward with more points or greater priority the more labor intensive interventions. Since most community counterpart comes from donations of unskilled labor, this policy needs to be reconsidered in such programs, with the possible substitution of materials or cash.²² In addition, flexibility in the wage rate between urban and rural areas may be necessary given labor market differences.

94. International experience suggests that the best policy for targeting benefits to the poor is to set wages no higher than the market wage for unskilled labor (Subbarao 2001). Most programs that have safety net objectives have been granted some form of waiver from the official minimum wage where this is higher than market wage rates. In the case of Argentina's *Trabajar* program, discretion on wage setting was given to local communities, resulting in some communities deciding on even lower wages depending on the local labor market. Malawi's MASAF also used a wage below the minimum wage rate to promote self-targeting, but the beneficiaries perceived this wage to be too low, leading to low morale and low labor productivity. The challenge remains of setting a wage which does not attract the non-poor while offering adequate support.

D. Building Inclusive Processes at the Community Level

95. The rules around priority setting, formation of project committees and implementation can affect targeting outcomes. This includes both whether the poor are included as beneficiaries of investments as well as whether their preferences are reflected in a community's chosen priorities. There are differing viewpoints on how much participation and empowerment is appropriate.²³ Participation by beneficiaries raises the

²² International benchmarks for labor intensity show a wide range, reflecting a tension between employment and infrastructure goals. In low income countries, labor intensity tends to vary between 30 and 70 percent. Programs which place greater emphasis on the infrastructure created rather than the employment benefits of construction tend to have labor intensities on the order of 25 percent, which typically includes new building construction (like classrooms, health centers, etc.).

²³ As posited by Amartya Sen (1984; 1995) the problems of social exclusion and entitlement failure are often deeply rooted in local social divisions and the way the community operates and regulates access to

likelihood that an investment will be used and maintained. Beyond participation, most CDD programs transfer a degree of control to the community through a combination of greater voice and choice in the type of investments as well as community management of resources. Others explicitly seek more fundamental changes in social and economic relations. Mansuri and Rao (2003) call for CDD programs to be ‘transformative’.

96. Specific design options will depend on where a program’s objectives fall in the continuum between participation and social change. From a more narrow poverty targeting perspective, i.e. ensuring that the poor are reached and that their preferences are reflected in investment choice, process design options focus on three stages of the subproject cycle: (a) community mobilization and needs identification; (b) formation and functioning of community management committees; and (c) social control mechanisms.

97. Social funds and other CDD programs have tried a wide variety of process designs to better reach, integrate and empower the poor. To date, there has been little empirical data on which strategy works better in what setting. Moreover, different processes may be necessary for different types of communities depending on who is likely to be seeking rents (contractors, the local elite, certain ethnic groups, NGOs, local program officers, local government), the level of experience of local actors with participatory approaches, the risks presented by the project menu (public versus private goods, etc.), local income inequality and social structures and a host of other factors.

Community mobilization and facilitation

98. The initial process for mobilizing communities and identifying and developing project proposals must explicitly address the issue of poverty targeting and inclusion of the poor. The World Bank’s Participation Sourcebook cautions that participatory methods that have been used successfully to involve government officials and other relatively powerful stakeholders in development initiatives may be inappropriate or inadequate for reaching the poor (World Bank 1996).

99. An essential element to setting up rules of the game that limit rent seeking is to clearly transmit the targeting objectives of the program to the local level. Local actors may not share the same targeting concerns as the national level or donor agencies.²⁴ Therefore, initial discussions should seek agreement with local actors on targeting objectives, including how the target group is defined and by what monitoring indicators targeting performance will be measured. This is true for programs that work directly with community groups as well as those that support local governments.

resources. Changing these structures and breaking down social divisions often requires challenging established structures and mobilizing the disadvantaged.

²⁴ A study of the poverty targeting of various social safety net programs in Indonesia found that “as the social safety net programs got under way, it soon became apparent to central government officials that ‘local voice’ also had to be taken into account, and that targeting directives that were regarded as unacceptable (for example, program benefits should only be delivered to those on the BKKBN list of KPS families) were likely to be simply ignored or significantly altered at the grass-roots level. Attempts to design programs according to administrative targeting criteria determined in Jakarta were soon revealed to be incapable of being implemented in the field (Perdana and Maxwell 2002).

100. Community mobilization activities usually include: (a) conducting a facilitated community needs assessment to develop local knowledge about local stakeholders and conditions; (b) hiring field facilitators to mobilize the community to participate in the project, including communication of project goals and rules of the game and to provide assistance in developing project proposals; and (c) requiring transparent and open procedures for prioritizing investment proposals. According to a review of 16 social funds, participation in the identification stage was better where there was both a formal mechanism (like a community assembly) and where community committees were eligible to execute projects (Owen and Van Domelen 1998).

101. There are several methodologies have been used to mobilize communities and assist them in developing investment priorities. An initial social assessment is often carried out. This can be an important tool to identifying some of the social exclusion issues present in different country contexts. In post-conflict settings, an initial social assessment can explore approaches to rebuilding social capital as well as targeting groups likely to be excluded from a community process, such as displaced persons and refugees or ex-combatants from minority groups. A social assessment can also be useful to identify rules, like counterpart funding requirements, that can affect targeting outcomes.

102. Community mobilization processes can be one-off exercises to prioritize investments for a specific program or have a broader mandate to develop integrated investment plans. A common technique, particularly for programs that work directly with communities, is Participatory Rural Appraisal.²⁵ To support the decentralization process, more programs are seeking to integrate these bottom-up planning approaches within municipal government planning processes (see Box 7 on the Honduras experience).

Establishing local priorities and inclusive institutional structures

103. Program rules for prioritizing investments can affect preference targeting. When there is a risk of co-optation of the process, potential mitigation measures may include (i) formal voting on preferences; (ii) providing for separate categories (like specific projects for women or vulnerable groups); (iii) application of points in the ranking system for investments that respond to the needs of the poor; or (iv) positive incentives of increased funding for project committees that display inclusive outcomes.

²⁵ Participatory rural appraisal (PRA) refers to a family of participatory approaches and methods that emphasize local knowledge and enable local people to make their own appraisal, analysis, and plans. PRA uses group animation and exercises to facilitate information sharing, analysis and action among stakeholders. Although originally developed for use in rural areas, PRA has been employed successfully in a variety of settings. A series of open meetings generally frame the sequence of PRA activities. Other tools common in PRA are semi-structured interviewing, focus group discussions, preference ranking, mapping and modeling, and seasonal and historical diagramming. Useful References: World Bank Participation Sourcebook; Participatory Approaches: A Manual and Tools (VLPA). World Bank, 2002; Theis, J. and H. Grady. 1991. *Participatory Rapid Appraisal for Community Development*. London: Save the Children Fund

**Box 7: Honduras Social Investment Fund –
Building Pro-Poor Participatory Processes within Municipal Planning**

The Honduras Social Investment Fund (FHIS), initiated in 1990, has moved over time to better integration with the evolving national decentralization process, and has helped direct that process to include more participatory, community-driven aspects. To address the risks of local elite capture through local governments and to promote greater transparency and inclusiveness in a relatively unequal income setting, FHIS piloted a facilitated municipal planning process in 27 pilot municipalities in 2001. The objective of the pilot was to distribute available resources within municipalities in an equitable, just and targeted manner, favoring the areas of greatest poverty and prioritizing investments on a democratic basis.

Specialized NGOs were contracted to facilitate the process of needs identification and prioritization. The main aim was to generate preferences from small units or communities within a municipality and aggregate them until they were incorporated into the overall municipal investment plan. Community representatives were trained in facilitation and the basic methodology for discussing needs and priorities. Each small community then sent one man and one woman to a ‘zonal assembly’ (6-8 communities within an area). The top three priorities from that open assembly were brought to the broader municipal forum.

An ex-post evaluation identified the following lessons learned in terms of building pro-poor processes within municipal planning:

- Technical assistance and external monitoring were critical to credibility and transparency. The selection and training of local facilitators tapped into local knowledge. In low literacy and education level settings, local facilitators need reinforced and appropriate training
- Participants were highly appreciative of the system of voting on priorities according to objective criteria as a more transparent process than many local decisions.
- Women’s participation in decision-making increased and most actors looked favorably on this development even though there is still room for greater equality.
- The use of manuals, poverty maps and other planning instruments reduced chances for distortion and were appreciated by participants.
- The role of technical staff of local government was seen as very positive, tapping into local expertise and creating institutional linkages, and
- Continuous feedback to the public on the process encouraged social control to minimize elite capture.
- For small and dispersed communities, even though poverty levels are high, so are the unit costs of infrastructure provision. A distinct policy should be developed to guide investments in these small population groups.

Source: ESA Consultores “*Evaluación de la Prueba Piloto de Planificación Participativa del FHIS – Informe Final*” Tegucigalpa 2003.

104. In a recent study, the Indonesian program KDP set up a randomized controlled experiment to test whether program rules affected the decisions made by communities. The basic findings were that shifting to voting from consensus-based decisions had no substantial impact on whether the poor’s preferences in project type were chosen, but it did have a substantial impact on villagers’ impressions of program transparency and legitimacy and overall satisfaction levels (see Box 8 for study details).

105. Programs have sought to regulate procedures for forming community project committees, for example:

- e) In the Brazil Northeast Poverty Alleviation Projects, 80 percent of the members of the project-formed Municipal Councils are comprised of representatives from rural communities and local civil society, and 20 percent from the public sector. This is meant to guard against the clientelism observed in local decentralized structures in Brazil.
- f) The Zambia Social Investment Fund requires that a minimum number of women (how many?) be represented on the local project management committees to address the more limited role women often play in village interfacing with officialdom.
- g) In India, the Tamil Nadu Empowerment and Poverty Reduction Project “Puthu Vazhvu” forms Village Poverty Reduction Committees at the village level. Each hamlet in the village is represented in the VPRC through a female member elected from the target poor. The existing village level institutions are also represented in VPRC to ensure convergence and partnerships. VPRC also has representation from the scheduled castes and scheduled tribes and the disabled. At least 50 percent of the representatives must be women.
- h) In the former Yugoslav Republic of Macedonia, the Community Development Project vets the composition of local project committees and verifies that the ethnic division of the local population is accurately reflected in the committee.

106. In addition to committee composition, operating procedures can help promote a more pro-poor approach. One of the most important of these are rules for transparency in decision-making, including meeting requirements (attendance level, frequency, voting). Many programs require open meetings and public displays of decisions reached. This decreases the chances for ‘back-room’ dealings by the local elite. Moreover, several programs (e.g. Armenia, Tamil Nadu) require a minimum level of attendance at all critical decision meetings. In India, for meetings to be valid, they must have at least two-thirds representation of the target poor participating, with women comprising at least 50 percent of the attendance.

107. Lowering barriers to participation is important. In many programs, community project committees are provided small budgets to cover incremental costs of managing micro-projects, for example to cover the costs of transportation and the purchase of materials like notebooks and other fungible needs. In Argentina’s FOPAR, training programs for vulnerable women could expense childcare for their children while they participated as well as the costs of transportation to the training site and provision of meals during training. Other ‘invisible’ barriers include project proposal forms that are too complicated, or written in languages not spoken by the majority of the local poor.

108. Empirical evidence on the effectiveness of various requirements regulating the procedures for project committees is scant. Reserving quotas have most often been applied in the case of gender or ethnic groups. But gender or ethnicity may be an imperfect fit with poverty levels. For example, does the wife of the mayor effectively speak for poor women? Moreover, cultural norms may mean that even when such ‘affirmative action’ steps are taken, they may not translate into real empowerment. Do the representatives from vulnerable groups tend to speak out? Does anyone listen?

Box 8: Preference Targeting Outcomes Under Different Program Rules in Indonesia’s Kecamatan Development Program (KDP)

A pilot study examined how the collective decision-making mechanism affects village choices in the KDP program. Under KDP, villages hold a series of meetings to decide how to use CDD grants. Each village chooses two projects, one in which all village members participate in the project selection meeting (the ‘general project’), and one where only women participate (the ‘women’s project’). The study’s objective was to ask whether altering political decision-making rules to give power to those typically disenfranchised could be accomplished by other means than making political reservations or quotas for women and minority groups. The pilot randomly allocated 46 villages to either a meeting-based approach where the project was chosen through consensus or a voting-based approach where the project was selected through secret ballot. If the meetings tended to be dominated by village elites, secret ballot would be a way to reduce their power in decision-making processes. Key findings of the study were:

- In general, **women’s preferences were better reflected in the women’s projects** than in the general project.
- On voting versus meetings to determine investment choice, **voting had little measurable effect on the type of project selected**. This result negates the hypothesis that voting would result in a different choice than the potentially elite-controlled consensus process.
- For the **women’s projects, voting was more likely to favor the village elites** and poor women were less likely to have their preferences reflected in the final choice. There is no obvious explanation for this outcome, but it does raise an interesting challenge that reserving quotas for women seems to increase chances of women’s preferences being chosen, but also decreases chances that the poor will have their preference selected.
- In terms of project location, **voting resulted in women’s project’s being located in the poorer hamlets of the village**, which is also somewhat counterintuitive since one might suppose that under a direct vote, more populous (and hence wealthier) hamlets would vote for projects in their own locality, when in fact the results are the opposite. One observation from the meetings was a tendency for substantial inter-temporal trading in which representatives from some hamlets would support projects from other hamlets in one year in return for promises that their hamlet would be supported in subsequent years.
- **Voting increased villager satisfaction with the KDP program by 12 percentage points**. It also increased the degree to which villagers perceived KDP projects to be fair and legitimate.
- **Voting increased the number of villagers which said they would benefit from the selected KDP proposals** by 18 percentage points, and increased the number who said they would utilize the selected projects by 8 percentage points.

Source: Olken, B. “Political Institutions and Local Public Goods: Evidence from a Field Experiment in Indonesia”, draft Pilot Project Report, East Asia and Pacific Region, World Bank, November, 2006.

Social control mechanisms

109. Social control mechanisms are often more broadly seen as tools for transparency and not as a specific poverty targeting tool. However, they can be a critical component of ensuring pro-poor targeting outcomes. Corruption is a form of elite capture and social control mechanisms can help curtail this at the local level.

110. Inclusive information flows are a necessary foundation for social controls. Community members must be accurately informed of the objectives, procedures, roles of local stakeholders and intended benefits of a program. Creative mechanisms have been used in making sure that the poor and marginalized are as well informed as the community leadership, including development of outreach materials in local languages, use of radio and community theater where literacy is low, dissemination through alternate channels of local stakeholders (like using community associations and women's groups to complement 'official' channels) and posting of key information in places accessible and open to the public. Some country examples include:

- a) In evaluating Madagascar it was found that corruption can be successfully constrained through more transparent funding mechanisms and access to mass media, particularly radio programs rather than print media (Francken, Minten and Swinnen 2005).
- b) In the case of the Zambia Social Recovery Project initial feedback on information gaps at the local level led program managers to introduce measures including distribution of project manuals to beneficiary groups and a mandatory project launch workshop. Beneficiary assessments done pre- and post procedural changes found that, on a scale of 1 – 10 with 10 representing fully-informed participants, projects initiated prior to the changes averaged 3.8 while those initiated after averaged 7.1 (reported in Owen and Van Domelen 1994).

111. Beyond information, social controls can take several forms. Most programs have transparency requirements, like the keeping of project bookkeeping records open to the public. In the case of Argentina's FOPAR, beneficiary committees filled out periodic reports on micro-project implementation including their satisfaction with community-level dynamics. While most of these procedures are oriented toward promoting transparency, they also can have collateral effects on reducing elite capture – particularly as it may involve the awarding of contracts or management of project resources.

112. In many cases the very nature of unequal power relations will weaken the effectiveness of local social control and external controls need to be put in place as a complement to local efforts. As concluded in the review of community-based targeting mechanisms (Conning 2001), the best community targeting outcomes are likely to be achieved within hybrid systems which allow for significant local agent discretion but also stipulate clear rules and targeting guidelines and which keep local agents accountable through external auditing and evaluation, mandatory public meetings and competition among groups for contracts and elected office. It is important that the social fund/CDD

program set up such control points to ensure fairness of processes.²⁶ For example, in Sri Lanka's Gemi Diriya Program, villagers have agreed to a code of ethics, called the ten Golden Rules, which builds a type of social contract between participants (Box 9)

113. Such 'external' control need not always be from the central level or program officers. In the case of the Northeast Brazil program, communities vie for resources within the overall municipal envelopes established. Monitoring of one community by another is part of the supervision system, with the incentive that if a supervising community finds cases of elite capture in another community they can have that community excluded from future funding. Beyond this 'stick' approach, the Sri Lanka program provides a 'carrot' whereby village project committees that succeed in reaching the ultra poor and integrating vulnerable groups into both program benefits and decision-making are rewarded with incremental investment resources

Box 9: Sri Lanka: Social Controls for the Benefit of the Poor

The Gemi Diriya Program seeks to empower the poor by giving them authority to decide their priorities, plan and implement them and manage their funds. The Gemi Diriya Program has laid down certain rules, which must be followed in order to maximize the benefits from the program, creating an explicit social contract with the program participants:

Golden Rule #1: We must **contribute to our own development**. Every one in the village must work as a team and contribute time, money and labor.

Golden Rule #2: We must have **confidence in ourselves** and practice self-help.

Golden Rule #3: We are **accountable to the village** for all of our actions

Golden Rule #4: **Good governance** is the key to success, built on the principle of trust among all of the villages and between the village community and other partners.

Golden Rule # 5: Let us **develop our village step by step**, based on what we can afford and successfully manage.

Golden Rule # 6: **Cost-effectiveness** pays.

Golden Rule #7: Be open and **transparent** in our dealings - Everybody should have access to all the information related to village development activities.

Golden Rule #8: Uphold the principles of **equity and inclusion** -it is our responsibility to ensure that, all members of the village, especially those who need support the most, like the landless, the women, the unemployed youth etc. are involved in the development process and equally share the benefits of development.

Golden Rule # 9: Act timely and **ensure quality** so we become eligible to receive subsequent installments of project funds.

Golden Rule # 10: **Seek help** when required

²⁶ For example, in the Macedonia Community Development Project, community ranking of projects is reviewed and validated by the CDP PIU, with each participating community presenting up to 5 proposals. For example, in one community a very active member of the private sector was instrumental in pushing for a local road to be placed at the top of the list, which would have benefited his factory. The CDP flagged that community for follow-up site visits and interviews with community members to ensure that the road was indeed a community priority (see case study Annex A).

Chapter 4: Monitoring Performance in Reaching the Poor

A. Key Performance Indicators and Quantitative Measures of Program Incidence

114. The final element of an effective poverty targeting mechanism is a monitoring and evaluation system that allows for tracking of targeting performance. Without this, a program will be ‘flying blind’ with no way of knowing whether in fact their objective of reaching the poor is being met. In reviewing the Project Appraisal Documents for a sample of social funds and other CDD programs, few included explicit targeting objectives within the key performance indicators (KPIs) of the program. Even fewer flagged potential targeting problems within the identification of project risks, including such issues as elite capture at the local level or political interference with program resource allocations. When they were present, most poverty targeting KPIs were related to the geographical distribution of resources and some included a concern for inclusive processes at the local levels.

115. The performance indicators should be consistent with the project development objective and the specific targeting mechanisms. For example, if a program seeks to reach the poorest communities using poverty maps, performance indicators should include monitoring geographic allocations; if an objective is to create empowerment and inclusion at the local level, indicators should measure the degree of participation of marginal groups in project processes as well as outcomes on preference targeting; if the aims to benefit the poor and vulnerable, household measurements of program incidence will be necessary.

116. Examples of targeting performance indicators include:

Indicators of Coverage:

- Percentage of urban and rural population benefiting from the project
- Percentage of population benefiting from improved services to total population in targeted regions
- Percentage of poor municipalities receiving funding

Indicators of Geographical Targeting Efficiency

- Increased share of project funding going to the poor or poorest municipalities or communities
- Absolute share based on funding formula of project funding going to the poor or poorest municipalities/communities (e.g. 40 percent to poorest municipalities)

Indicators of Household Level Targeting Results

- Increased access to and utilization of basic infrastructure and services by the poorest quintile households.
- At least X number of specific vulnerable groups are assisted (elderly, disabled, malnourished)

Indicators of Inclusionary Processes

- Percentage of community members (or more specifically poor households or selected vulnerable groups) that are satisfied with the project selected
- Levels of participation by selected groups in the sub-project cycle (identification, execution, operations and maintenance)
- Presence of vulnerable groups (women, poor etc) on local project committees
- Percentage of #1 priority determined in community consultations chosen as investment
- Level of knowledge among certain groups (poor, women, minorities) about program rules and processes
- Increased participation of local governments, NGOs, community-based organizations (CBOs) and local communities in the decision making

117. Poverty targeting performance should be measured at both the geographical and household levels. The geographical level is the easiest and least costly as it consists simply of comparing actual spending levels against a geographical poverty map. The incidence resources can be assessed vis a vis the program's original resource allocation targets and/or a concentration curve (or coefficients) can be developed to show the degree to which program resources are distributed in a pro-poor manner (see annex for examples of how to construct such measures). It is important to track geographical poverty targeting performance fairly regularly and at least on an annual basis as it may be necessary to make adjustments in allocations or to slow down resource flows to highly proactive districts in order to meet targeting goals.

118. It is far more difficult and costly to assess household poverty targeting results as this typically relies on household surveys in order to develop robust measures. The methodologies applied in the impact evaluation results presented in Chapter 2 were based on over-sampling project areas with national household survey instruments. This allows for a comparison of project beneficiaries with national poverty profiles. Project households are identified for their relative place on the income or consumption distribution of the country. A further advantage of this approach is that it is able to place beneficiary households accurately as being either above or below the national poverty line at the same moment and using the same survey instrument and methodology as when it was constructed, reducing the likelihood of measurement error.²⁷

119. Alternatives to embedding the measurement of household targeting outcomes within the national household survey process include finding proxy indicators, like level of education of the household or number of children in the family or other such indicators that vary less over short periods of time (unlike income or consumption for example) and then comparing the level of beneficiary households with some other national data source (the closer in time the better). Other programs have used absolute measures, like the share of program beneficiaries living on under US\$1 per day. However, the accuracy of such measures are subject to debate as there are no robust control group measures and the

²⁷ This method can also assess potential versus actual beneficiaries by differentiating between those households living within access to a particular service versus those that actually use the service.

methodologies for sampling and accurately calculating such indicators with project communities have often been lacking, particularly when done within the context of ex-post evaluations which may not have adequate sample frames or sample sizes for statistically significant estimations.

B. Qualitative Assessments Participation and Empowerment

120. A wealth of insights on poverty targeting dynamics at the local level can be gleaned from qualitative or interpretative mechanisms, including beneficiary assessments and, increasingly, the use of participatory monitoring and evaluation tools. While the empirical usefulness is limited in measuring poverty levels, these approaches can reveal information on patterns of elite capture and other community dynamics around participation, convergence between the priorities of the poor and investment selected (preference targeting), adequacy of information and social controls at the local level and local citizen insights into the responsiveness and performance of local governmental and non-governmental actors involved in the program.

121. Social funds were one of the first programs to mainstream the use of beneficiary assessments as part of project monitoring. Beneficiary assessments are typically carried out every 2 to 3 years in order to get input from the communities and households about project implementation, including elements related to targeting performance. Beneficiary assessments typically include both a household survey component which permits some quantitative analysis, along with focus group interviews and other qualitative techniques that permit greater depth of inquiry into program dynamics at the local level. Beneficiary assessments have been used to query several aspects of poverty targeting, including (a) who has been involved in various stages of investment identification and implementation, (b) perceptions of transparency and equity; (c) the role of community leadership and various stakeholder groups at the local level to identify patterns of elite capture; (d) appreciation of who benefits most from a given investment; and (e) assessment of general levels of information of various stakeholders, including the poor and vulnerable. Useful resources for task teams are provided in Box 11.

122. This initial experience with beneficiary assessments, which are typically seen as one-off evaluations carried out by an external consultant, has evolved into a more systemic and systematic approach to gathering input on program performance from the ground up through ‘participatory monitoring and evaluation (PME)’.²⁸ Participatory monitoring and evaluation seeks to put local communities in charge of assessing whether a given intervention achieved the objectives expected by the community. The community becomes the ‘measurers’ and not just the ‘measured’. The World Bank’s social development website identifies four core principles of PME: (a) primary stakeholders are active participants – not just sources of information; (b) building capacity of local people to analyze, reflect and take action; (c) joint learning of stakeholders at various levels, and (d) catalyzes commitment to taking corrective actions. Participatory monitoring and evaluation can provide important cross-checks on poverty targeting performance.

²⁸ It has also been referred to as “community-based monitoring and evaluation”

Additional information on PME, useful resources and country examples are provided in Box 10.

Box 10: Participatory Monitoring and Evaluation to Assess Targeting Performance

There are a growing number of countries that have implemented elements of participatory monitoring and evaluation (PM&E) to get feedback from the community level on program performance. Core principles of PM&E are (as put forth in the World Bank's Participation Website) include:

- primary stakeholders are active participants – not just sources of information
- building capacity of local people to analyze, reflect and take action
- joint learning of stakeholders at various levels
- catalyzes commitment to taking corrective actions

PM&E differs from conventional monitoring mainly by inverting the role of the 'beneficiary' from one of observed to observer:

	Conventional M&E	Participatory M&E
Who plans and manages the process:	Senior managers, or outside experts	Local people, project staff, managers, and other stakeholders, often helped by a facilitator
Role of 'primary stakeholders' (the intended beneficiaries):	Provide information only	Design and adapt the methodology, collect and analyze data, share findings and link them to action
How success is measured:	Externally-defined, mainly quantitative indicators	Internally-defined indicators, including more qualitative judgments
Approach:	Predetermined	Adaptive

Source: IDS 1998

In terms of assessing poverty targeting, PM & E has several useful aspects. PM & E provides the opportunity for the identification of locally relevant indicators of poverty and identification of vulnerable groups. In many cases, there may be specific local terminology for the poorer segments of society or for local definitions of vulnerability. It also allows for feedback on perceptions of how widely the benefits of an investment are spread and whether there are dynamics of elite capture present. Issues of the invisible barriers – economic, social cultural – to accessing infrastructure and services can be assessed from the viewpoint of those the infrastructure is meant to serve.

Useful Resources:

- Participatory Monitoring and Evaluation: Learning from Change, Institute for Development Studies Policy Briefing No. 12, 1998.
- Voices for Change: Participatory Monitoring and Evaluation in China, Edited by Ronnie Vernooy, Sun Qiu, and Xu Jianchu, International Development Research Council (IDRC) 2003.
- Participatory Monitoring and Evaluation in Latin America: Overview of the Literature with Annotated Bibliography, Katherine Pasteur and Jutta Blauert, Institute of Development Studies (IDS), University of Sussex, May 2000
- Sleeping on Our Own Mats: An Introductory guide to Community-Based Monitoring and Evaluation, World Bank Africa Region, Rural Development II October 2002
- World Bank's Participation Website.

Chapter 5: Conclusions

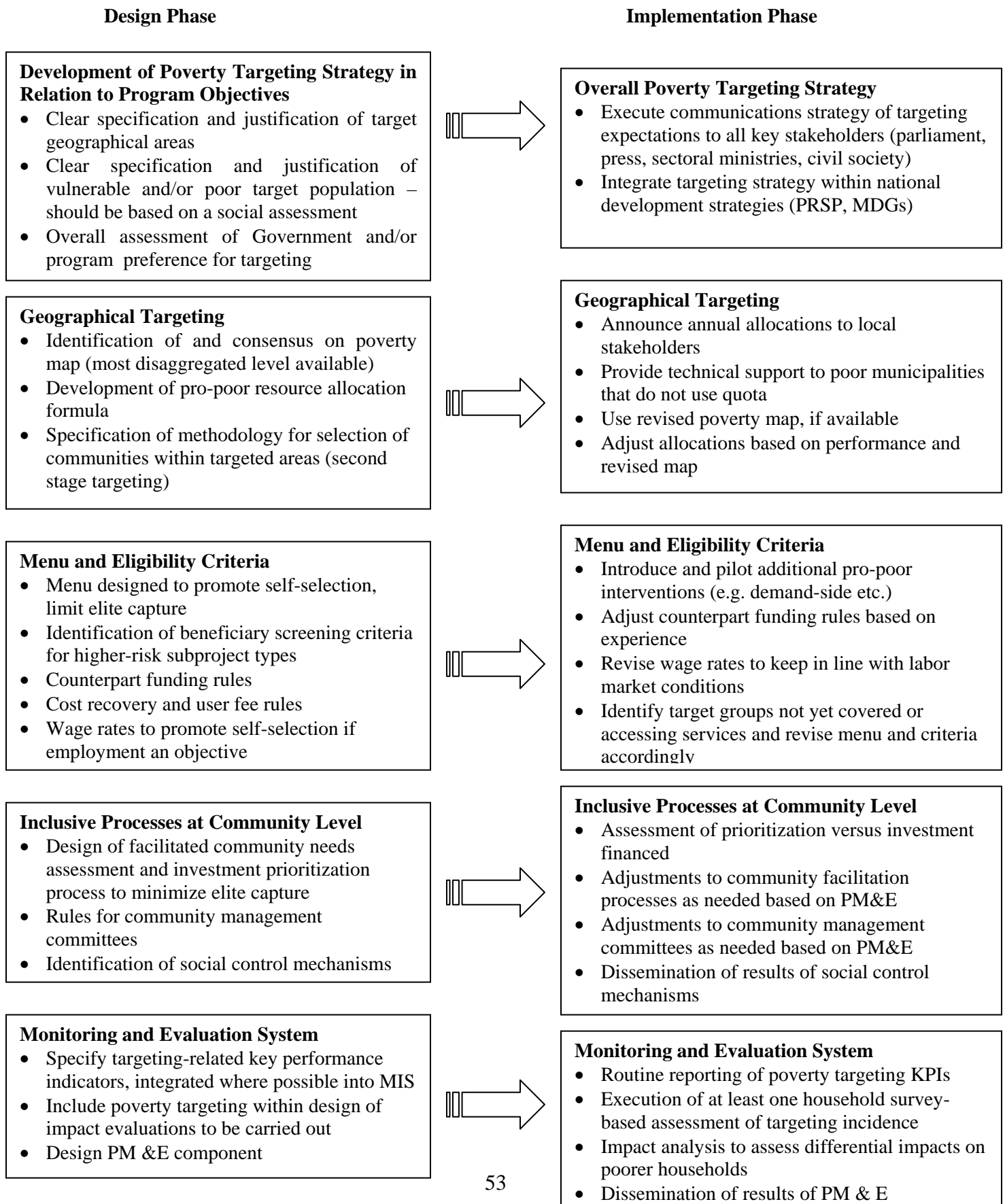
123. This toolkit has reviewed the conceptual issues, empirical results and key design elements for improving the performance of social funds and other multi-sectoral CDD programs in reaching poor communities and poor households. As general guidance, the level of targeting should match project or program objectives. If a program seeks to reach the poorest communities, resources should be tilted in that direction. If a program claims to address needs of vulnerable groups, those vulnerable groups should have priority access and appear among the beneficiaries. If a program has broad goals of reaching the poor, performance should show a pro-poor allocation of benefits.

124. While the ultimate program design will depend on program objectives and country factors, a minimum set of optimal design features can be distinguished from the general experience. Targeting mechanisms designed for all social funds and other CDD programs should address the following points (see Figure 8 for greater detail):

- a) Explicit geographical allocations/targets. These targets should be picked up in key performance indicators. These allocations will need to be adjusted throughout program implementation;
- b) Menu that promotes self-selection, which may include expansion to demand-side interventions. For programs that use negative lists, sub-project types that tend to produce poor targeting outcomes could be included;
- c) Pro-poor eligibility criteria, including eligibility criteria for community groups and NGOs, counterpart funding rules, cost recovery and user fees, wage rates if temporary employment is a goal, and so forth;
- d) Closer attention to processes within the community, including facilitation techniques aimed at addressing the potential for elite capture;
- e) Monitoring of actual geographical allocations versus targets. The best designed poverty map and resource allocation system is of little use if actual resource allocations do not follow the targets;
- f) Monitoring of community processes through participatory monitoring and beneficiary assessments carried out periodically to get direct feedback from the beneficiaries about issues around elite capture and preference targeting; and
- g) Monitoring of household level program incidence through household impact evaluation surveys.

125. It is important to emphasize that poverty targeting mechanisms may need to be adjusted overtime due to the evolution of program objectives. Feedback on targeting incidence and local dynamics may point to areas where eligibility criteria or facilitation techniques need to be added or changed. A formal review of targeting mechanisms and performance would be advisable, preferably every two to three years (typically equivalent to mid-term review and end of a funding cycle).

Figure 8: Essential Elements of a Social Fund Poverty Targeting Mechanism



126. Within the search for improved targeting outcomes, the trade-offs discussed throughout the toolkit need to be considered. In managing conflicts between targeting and other objectives, program managers are advised to recognize upfront the trade-offs between objectives, the need for explicitly ordering objectives (which is a first-order concern versus a second-order concern), design implementation mechanisms to compensate for these trade-offs (for instance more intensive facilitation to ensure participation by weaker communities), and the importance of identifying and continually assessing the risks to targeting outcomes.

127. Targeting performance is a result of the combination of targeting objectives, methods and mechanisms as well as the effectiveness of implementation. The ultimate poverty targeting results in terms of errors of exclusion and inclusion will depend on a host of factors, some of the most important being political will and the development of pro-poor rules of the game. The empirical results of evaluations done on social funds consistently point to generally pro-poor results, but there may be a wide variation in how pro-poor a given program is over time. Devising strategies to reach the poorest communities and households helps serve the overall development objectives of a country, including achieving the Millennium Development Goals. But beyond meeting targets and moving indicators, poverty targeting strategies should seek to give voice to the poor. Integrating their energy, preferences and commitment within community-driven programs can broaden the basis for economic growth and build social equity.

Annex A: Country Case Studies:

Former Yugoslav Republic (FYR) of Macedonia Community Development Project

Two-Staged Geographical Targeting in Post-Conflict Setting ²⁹

1. Project Development Objectives and Target Beneficiary Groups

Following independence in 1991, the Former Yugoslav Republic (FYR) of Macedonia experienced latent tensions between ethnic Albanians and ethnic Macedonian populations which persisted throughout the decade. In early 2001, armed groups of ethnic Albanians began a low grade insurgency that brought the country to the brink of civil war. By the end of July 2001, there were approximately 170,000 internally displaced persons within Macedonia or in neighboring countries. The main challenge of strengthening social cohesion through an integrated approach emerged in the aftermath of the conflict.

Within this context, it was crucial to address the country's main problems of poverty, unemployment, disparities in living standards, the poor state of social and economic services, and limited public service capacity at the local level. The large number of poor and vulnerable communities tended to be overlooked due to the country's average per capita GNI of US\$1,630 and the relative affluence of urban communities. Poor and vulnerable communities included those in the Eastern region affected by unemployment, conflict-affected communities in Poloski, marginalized communities in remote mountainous villages and vulnerable ethnic groups such as the Roma.

In May 2002, IDA approved a US\$5 million financing for the Community Development Project (CDP). The main objective of the project was to provide support to the Government in its post-conflict development efforts aimed at fostering reconciliation, reducing social tensions and building local social capital. The project focused on piloting small-scale community-based initiatives in selected communities within an integrated development framework. The project was designed to respond to primary social needs, and to facilitate the transition from conflict to peace. It was sought to support the Government's decentralization initiatives aimed at increasing the competencies and accountability of municipal administration, increasing citizen participation in decision-making and ultimately, enhancing empowerment at the local level.

2. Design of the Targeting Mechanism

The geographical targeting mechanism was built on a two-stage approach, which involved regional allocation and a second level targeting within regions:

Regional Targeting. The objective was to ensure regional equity in the use of CDP funds, and to provide the basis for the planning of disbursement of CDP funds by region. In addition, fixing regional allocations mitigated political pressures to move funds across regions during the life of

²⁹ Information draw primarily from Project Appraisal Document, Former Yugoslav Republic of Macedonia Community Development Project (Report 23720-MK, May 2002), Macedonia Community Development Project – Mid-Term Review Report, August 2005, as well as World Bank task team interviews.

the project. Eight regional groupings of municipalities were identified by the authorities corresponding to the geographical regions covered by the eight regional offices of the Statistics Department. It was noted that a large volume of donor funding was being targeted to the conflict-affected regions (in particular Poloski) and to Skopje. Meanwhile, increased unemployment resulting from the closure of a number of textile factories exacerbated existing poverty and intensified social needs in Eastern Macedonia. Given the post-conflict nature of the political economy, there was sensitivity to limiting funds to a few regions, and excluding others. In these circumstances, it was agreed that allocations for Skopje (the capital) and Poloski (Tetovo region) would be limited to US\$1 million and US\$ 1.5 million respectively, and that the rest of the project funds should be targeted to the other six regions on the basis of an objective regional targeting formula.³⁰ The regional allocations were based on two factors: (a) the population size of each region; and (b) a composite poverty-conflict index computed from three poverty indicators and two conflict indicators. The three poverty indicators were: (i) poverty incidence (head count index) or the proportion of the population living below official poverty line; (ii) the severity index (the Foster-Greer-Thorbecke measure P2); and (iii) unemployment - representing poverty of opportunity to secure a sustainable livelihood. The two conflict indicators used were the number of displaced persons by region of origin and the number of houses damaged by region.³¹

Local Community Targeting. Within each region detailed criteria were used by the CDP Project Implementing Unit's promotional team to select municipalities and local communities for initial discussions. As a first step, a *municipal profiling survey* was designed and conducted by the CDP PIU for 123 municipalities (excluding the Skopje Municipality) under the previous territorial structure. Based on the results of the survey, municipalities were ranked according to the following criteria:³²

- Number of households receiving state benefits;
- Rate of unemployment;
- Number of underdeveloped communities within the municipalities based on average income and population distribution; and
- Municipal environment (i.e., whether it is rural or urban).

The selected communities within each municipality were then prioritized for initial discussions on community needs, priorities perceived by the communities, project possibilities, and modalities of

³⁰ In addition to the regional allocations, a small reserve fund of US\$ 500,000 was agreed to, for targeting of funds to meet emergency situations in some communities that may arise during the life of the project.

³¹ In the formula, defined below, each poverty indicator was given a weight of 3 relative to the conflict indicators:

$$A_r = A(N_r \times I_r) / \Sigma(N_r \times I_r)$$

Where A = total allocation available for all seven regions outside Skopski;

A_r = allocation for a given region r;

N_r = population of a given region r;

I_r = poverty-conflict index for a given region r.

The poverty-conflict index (a weighted index) is defined by:

$$I_r = [(P_{0r} + P_{2r} + U_r) \times 3 + C_{1r} + C_{2r}] / 11, \text{ for a given region } r.$$

P_{0r} = poverty rate; P_{2r} = intensity of poverty; U_r = unemployment rate;

C_{1r} = proportion of persons displaced; and C_{2r} = proportion of houses damaged. The sum of weight = 11.

³² The criteria 1-3 have a weight of 30 percent each of the number of points, while the fourth criterion has a 10 percent weight adding up to a total of 100 percent. The importance of each of the criteria is reflected in this weighting system, so that one criterion itself cannot have a decisive impact on the ranking. Rather, the position of a municipality on the ranking list is determined by the collective impact of all criteria.

operation of the CDP. Municipalities (excluding Skopje since the capital city already received sufficient financing) were initially grouped into three clusters and pilot municipalities.

- Cluster 1 included 40 municipalities with the highest ranking according to the above mentioned criteria (the neediest municipalities). This cluster consists of rural municipalities with limited capacity for microproject preparation and implementation.
- Cluster 2 included the 37 municipalities with the next highest ranking according to the above mentioned criteria, excluding the municipalities that existed in the old territorial division (these are municipalities with higher capacity). This cluster also consists also of mainly rural municipalities, but these are municipalities varying in size and possessing higher capacity for microproject development, preparation, and implementation. Such capacity was mainly built in the past few years with assistance of the international donors.
- Cluster 3 comprised the remaining 40 municipalities, or approximately the last third of the municipalities, which are basically the municipalities according to the old territorial division possessing the highest capacity. The municipalities in this cluster are mainly the urban municipalities possessing both expertise and experience in micro-project development, preparation, and implementation.

These clusters, in effect, defined the time frame for carrying out CDP project activities. CDP activities in Cluster 1 began in 2004, and outreach activities were substantially completed in these municipalities by the end of December 2004, supported in parallel by capacity building activities. CDP activities in Cluster 2 commenced in January 2005. However, within each cluster, project funds are provided only to the needy communities, based on community profiling, proposals presented, and micro-projects that meet the final project selection criteria of the CDP PIU.

Beyond this two-stage geographical targeting, the CDP PIU followed a very innovative and comprehensive approach to promotion and outreach through: (i) intensive research and assessments on critical needs of communities, as perceived by their members; (ii) support for self-management through empowerment and capacity building of communities to identify their own priorities; and (iii) strategic communications and coordination to inform citizens about CDP objectives and procedures and to communicate with central and municipal government authorities on policy issues relating to the CDP.

An important feature was the formation of Community Investment Committees (CICs) at the municipal level. Within the framework of the CDP, the CICs also assist the municipal participatory planning process to allocate funds for financing CDP microprojects targeted at meeting the communities' priorities and thus complementing the highly political City Councils representing many communities. These were also created as the direct local counterparts of the CDP Project Implementation Unit (PIU). The Committee's responsibilities include:

- Electing an executive board with a president, a secretary, and an accountant to liaise with the CDP PIU;
- Planning the size and nature of the community contribution (monetary or in-kind) and collecting it;
- Discussing and selecting eligible priority micro-projects;
- Identifying and legally recognizing the entity (represented by a legal association at the CIC) that will sign the framework agreement with the CDP and open a bank account on the micro-project's behalf; and
- Ensuring compliance with technical norms and standards of the line ministry for the type of infrastructure/service involved.

In addition, the eligibility criteria for community investment projects are designed to ensure that the poor and/or vulnerable and various ethnic groups are able to participate in and benefit from project activities. The community outreach, information dissemination and impact monitoring component focuses on ensuring access to information and the involvement of such people. As part of monitoring and evaluation, project beneficiaries are encouraged to reflect on their experiences with a view to providing lessons, not only for the project as a whole, but also to help beneficiaries enhance their own effectiveness.

3. Targeting Results

Final regional allocations versus actual expenditures as of end-May 2005 are presented in the table below. Regarding the overall relationship between these expenditures and allocations, the coefficient of correlation was calculated to be 0.88. This relatively high value (to the maximum of 1.00) shows that funds were disbursed in a manner closely proportional to the allocations. Expenditures average 35.3 percent of the total allocation, ranging from a low of 21.8 percent in Vardarski to a high of 49.2 percent in Poloski. This high proportion reflects the early start of outreach and promotion, the intense needs of the region, and the very active participation in promotional meetings at the municipal level. For example, during the early promotional phase in 2004, out of a total 741 participants at the municipal level in all regions, there were 304 participants in the Poloski region alone.

Region	Revised Regional Allocation	Actual Expenditure End-May 05	Percentage Disbursed	Expenditure plus Commitments	Exp. plus Comm. as % of Allocation
Pelagonija	739,849	257,000	34.74	352,803.00	47.69
South West	1,082,442	384,048	35.48	386,723.00	35.73
North East	849,069	295,027	34.75	409,038.00	48.17
South East	913,801	272,518	29.82	280,230.00	30.67
East	1,110,783	492,533	44.34	505,985.00	45.55
Vardarski	622,302	135,363	21.75	138,131.00	22.20
Skopski	717,372	172,036	23.98	279,448.00	38.95
Poloski	896,715	441,465	49.23	949,135.00	105.85
TOTAL:	6,932,333	2,449,990	35.34	3,301,493.00	47.62

1/ The second revision made in 2005 was to take account of shortfalls in project funding from exchange rate changes.

While there is no data yet available on household level poverty of project beneficiaries, the in-depth assessments carried out in the Mid-term report have demonstrated the efficacy of the Community Development Project in bridging micro and macro, linking local communities with civil society and local government and buttressing local institutions that empower the poor.

5. Lessons Learned

- The regional allocation system was an important tool in creating an objective allocation of resources designed to allay fears of inequitable distribution of resources across ethnic groups and to promote transparency in a post-conflict setting.
- A two staged geographical targeting strategy is useful particularly for start-up programs in order to better phase in program activities, and so that the better-off municipalities do not crowd out access by the poorer ones.
- In a post-conflict setting where ethnic tensions persist and ethnic minorities risk being marginalized, clarifying the rules of the process is critical. Extensive outreach and communication to the population at large, inclusive program rules for how committees are

formed and a facilitated process for identifying communities are all important elements. The PIU took an active role in verifying the ethnic composition of local project management committees and reviewing which ones benefited from the sub-projects selected to ensure inclusiveness.

Nicaragua
Emergency Social Investment Fund (FISE)

**Evolution from an Emergency Fund to Local Government-Oriented
Program with Support to Vulnerable Households**

1. Project Development Objectives and Target Beneficiary Groups

Nicaragua is the second poorest country in Latin America and the Caribbean with approximately one-half of the population living below the poverty. This is equivalent to 2.3 million people, of whom 830,000 (17.3 percent) are in extreme poverty. There are significant regional differences in the incidence, intensity and evolution of poverty. In relative terms, poverty and extreme poverty are concentrated in rural areas. While slowly improving, social indicators continue to be inadequate with some of the worst indicators in the region and highly unequal access to basic infrastructure services between urban and rural areas.

There is widespread consensus in Nicaragua that small-scale infrastructure and social services should increasingly be delivered by local authorities. Local governments have proven far more responsive to the poor and their needs, as shown by the success of the various investment funds that have supported local decision-making. Nicaragua's Emergency Social Investment Fund (FISE) is one of the oldest social investment funds in Latin America. FISE was created in 1990 to mitigate the effects of the economic stabilization program following many years of civil war. Its mandate has since then been amended from providing basic infrastructure and generating employment to playing a key role in improving living conditions and local development opportunities among the poorest segments of the country's population.

In 1996, FISE sought to make a more effective alliance with municipal governments and begin to transfer resources and responsibilities to them for the management of social investments. Beginning in 1999, investments financed by FISE were identified as part of a Participatory Municipal Planning Process, developed in three year rolling municipal investment plans (PIMM). Until 2004, FISE implemented three such processes covering 60 municipalities in 1999, and then in 2002 and 2004 the entirety of the 152 municipalities in the country.³³ The planning process included training to the 1522 Municipal Development Committees (*Comités de Desarrollo Municipal, CDM*), 121 local government representatives, 265 deconcentrated ministry delegations and 44,700 members of local project committees.

Ten years into its institutional lifetime, in 2001, IDA approved a \$60 million financing as part of US\$136 million program for the 2002-2004 period. This was the third IDA financing through the FISE. The proposed project would assist the Government of Nicaragua in implementing a portion of its poverty reduction strategy through the Emergency Social Investment Fund (FISE) by: (i) continuing to improve access to priority small-scale social and economic infrastructure and services to the poor; (ii) strengthening local capacity (municipalities, community organizations, NGOs and private sector); and (iii) developing a coherent social safety net.

2. Design of the Targeting Mechanism

FISE's poverty targeting mechanism has evolved over time. In its initial emergency phase, the approach was first-come, first served, and multiple partners including deconcentrated sectoral

³³ In Nicaragua, municipalities range in population size from about 950,000 for Managua to small rural municipalities of 1,000 people.

agencies, local government and NGOs could present subproject proposals. As the country's decentralization strategy evolved, the importance of pro-poor municipal allocations and participatory planning processes at the local level came to the fore.

In the midst of this transformative process to greater municipal responsibilities and control, the Government of Nicaragua with World Bank support carried out an extensive impact evaluation of FISE's performance as part of a cross-country study of the impact and sustainability of social funds.³⁴ The analysis included poverty targeting performance and found, for the 1991–98 period:

- At the municipal level, the study found that the poorest municipalities received more FISE resources per capita than the other municipal categories, and that the resource allocation to the poorest had become more progressive over time (Table 1 below and Chart 1 end of case study). However, the allocation varied substantially by sector. FISE water system investments were the most progressive in reaching municipalities in extreme poverty, as almost half of the investments were directed to this group. Education and health investments were also well targeted at extreme and high-poverty municipalities. Equally, investments in the environment, municipal infrastructure, and latrines were reasonably well targeted. Most regressive were investments in social assistance, as less than 10 percent of those investments went to municipalities in extreme poverty and more than 40 percent to municipalities with medium and low poverty levels.

FISE Resource Distribution (91-98)	
Municipal Poverty Decile	%
1 (poorest)	15
2	14
3	13
4	11
5	11
6	11
7	8
8	7
9	6
10 (richest)	5

- At the household level, targeting by decile was only slightly pro-poor, with a slight tilt toward the lower 50 percent of the income distribution. 55 percent of FISE beneficiaries were under the poverty line versus 48 percent of the population nationwide. But, the presence of extreme poor at 18 percent of beneficiaries was about the same as the national average of 17 percent.

FISE Household Targeting (91-98)	
Household Poverty Decile	%
1 (poorest)	9
2	14
3	10
4	11
5	14
6	8
7	9
8	12
9	7
10 (richest)	7

- By sub-project type, the study showed that targeting of both education and health investments was generally pro-poor. FISE' latrine investments were very pro-poor, with over one-third of investments targeting direct beneficiaries in the poorest one-fifth of the population. In contrast, sewerage investments were badly targeted, with richest 30 percent of households receiving close to 60 percent of investments. Water investments were distributed evenly across the income range.

Targeting Adjustments Under the Poverty Reduction and Local Development Project

As part of the institutional evolution, FISE set out to improve its poverty targeting performance. Several actions are taken, including improvements to the geographical poverty targeting methodology, changes in the project menu and introduction of new programs targeted to vulnerable groups:

³⁴ Rawlings, L. L. Sherburne-Benz, and J. Van Domelen, Evaluating Social Fund Performance: A Cross-Country Analysis of Community Investments, World Bank 2003.

Changes to Geographical Targeting Mechanism. The allocation of FISE's resources was based on a new municipal-level poverty map. The 1998 Extreme Poverty Map classifies Nicaragua's population according to geographical zones (regions, departments, and municipalities), and by four different poverty levels: severe, high, medium, and low. The classification criterion for the poverty map is based on the extreme poverty gap. Municipalities with an extreme poverty gap of more than 12.0 percent are considered severely poor, municipalities with a gap between 9.2 to 12.0 percent are considered to have high poverty, municipalities in the range from 6.6 to 9.2 are considered as medium poverty ones, and municipalities with an extreme poverty gap of less than 6.6 percent are considered as having low poverty. High-quality data from the 1998 Living Standards Measurement Survey and the 1995 Census were used as inputs.

As done in the past, FISE again assigned its new program funds to municipalities according to their level of poverty with an additional 'performance' bonus. FISE's per capita investment in "extreme poor" municipalities in 2001 was four times higher than in municipalities with "medium" poverty. For the next program (2002-2005), this ratio would be expected to become even more favorable for "extreme poor" municipalities. However, in a departure from the last program, the municipalities would only be able to access 70 percent of this ex-ante assignation automatically. The remaining 30 percent would be conditional on the municipalities' performance (maintenance of existing facilities, efforts to strengthen participation, etc.). It was agreed that the 30 percent flexible ex-ante allocation can only be allocated to municipalities of the same poverty category to avoid re-distribution from extreme poor to less poor municipalities.

Changes to the Menu of Interventions. There were both minor changes made to the FISE menu of eligible investments as well as new programmatic areas that addressed targeting concerns of previous experience. For example, in response to the impact evaluation findings, a decision was made by FISE to halt the contracting of sewerage sub-projects until proper poverty targeting could be assured.

Creation of Programs Targeted to Vulnerable Groups. Since the impact evaluation showed an overall challenge in reaching the poorest of the poor, the new project introduced an innovation fund that would try out different potential approaches (safety net program and social assistance projects) for piloting interventions targeted to the poorest and most vulnerable groups in the country. Increased support to FISE's Safety Net program provided demand-side subsidies to extremely poor households in the country's first attempt at a conditional cash transfer program (*Red de Protección Social*) to provide basic stipends to the poorest households to ensure that their children attend education and health services. To respond to the emergent needs of Indigenous and Afro-Nicaraguan populations suffering from extreme poverty in Nicaragua, the project would support an Indigenous People Development Program (IPDP) in six municipalities of the Atlantic Coast region and Jinotega). The Program would transfer know-how to communities and acquire experience in working with indigenous groups, test new contractual procedures, and draw conclusions for its procedures.

The poverty targeting mechanisms for conditional cash transfer program was a combination of geographic targeting with proxy means test of household characteristics. In the design phase of RPS, rural areas in all 17 departments of Nicaragua were eligible for the program. In the last stage of geographic targeting, a marginality index based on information from the 1995 National Population and Housing Census was constructed, and an index score was calculated for all 59 rural census *comarcas* in the selected municipalities. The 42 *comarcas* with the priority scores 1 and 2 were eligible for the pilot phase's first stage. At the outset, 36.61 percent of the rural population in each of the RPS municipalities was extremely poor, and 78.90 percent was extremely poor or poor, compared with national averages in 1998 of 21 and 45 percent,

respectively. After implementing a registry census in May 2000 (known as the RPS population census I), RPS excluded a small percentage of households who, even though they were verified to be living in the geographically targeted rural areas, appeared not to be extremely poor. Households satisfying one or both of the following were excluded: (a) own a vehicle, truck, pickup truck, or jeep; (b) own more than 14 hectares of land. In addition to these households, 219 (3.8 percent) households were excluded after the orientation assemblies and program registration for one or more of the following reasons: (a) household comprising a single man or woman who was not disabled, (b) household with significant economic resources or a business, (c) household that omitted or falsified information during the RPS population census.

3. Poverty Targeting Results

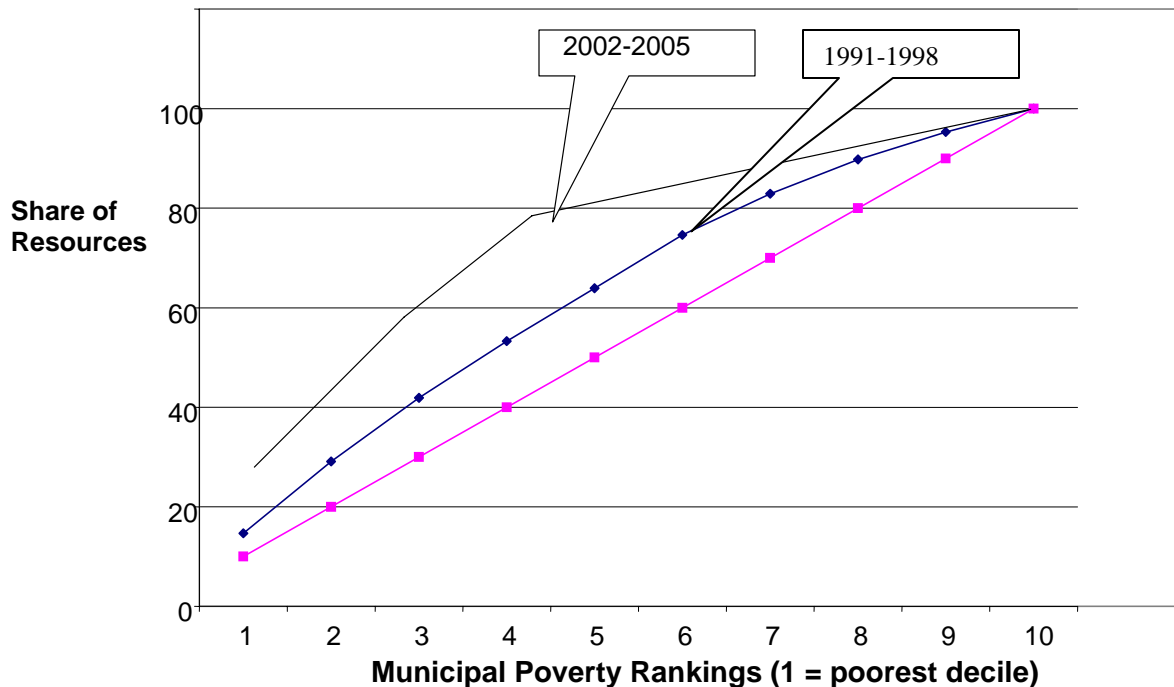
In terms of geographical allocation of resources, results are presented in Table 3. The distribution is strongly tilted toward municipalities of high and extreme poverty. However, when compared with the January 2002 baseline, where per capita investments in extreme poverty municipalities was 4 times that of medium poverty municipalities, the situation at the end of 2005 was only slightly more than double for the extreme poverty zones. Allocations to low poverty municipalities continued to be constrained, with a 2002 baseline of 6 times more in extreme than low poverty municipalities and an end 2005 result of 7 times more for extreme poverty municipalities. In terms of targeting, 77 percent of projects have been in rural areas (64 percent of resources 2000-2004), or a US\$41.20 investment per capita in rural areas versus US\$17.50 in urban areas. Despite this globally improved performance, the actual resources allocated to any particular municipality tended to vary from the agreed upon amount. FISE tracked these variations for each of 151 municipalities through its MIS system. As of mid-2005, 27 municipalities of low or medium poverty ranking had gone over their allocation by over 15 percent out of 86 total in these categories

Table 3: Poverty Targeting Results (2002-2005)

PDO	At end of 2004	As of 10/2005	End of 2006 goal
Per capita distribution of resources per municipal poverty classification (in US\$)	Extreme: US\$47.61 High: US\$35.07 Medium: US\$22.78 Low: US\$6.81	Extreme: US\$62.77 High: US\$45.14 Medium: US\$30.52 Low: US\$8.98	
Percentage of resources by municipal poverty level	Extreme: 31% High: 30% Medium: 19% Low: 20%	Extreme: 29% High: 29% Medium: 20% Low: 22%	Extreme: 31% High: 27% Medium: 19% Low: 24%

Compared with previous 1991-98 performance, municipal level targeting is significantly more pro-poor per Chart 1. The poorest 20% of municipalities received over 40 percent of FISE funds compared with about 30 percent for the previous period.

Nicaragua: FISE Comparative Targeting Performance



Overall, the pilot conditional cash transfer program is well targeted towards the poor, with 42 percent of the population extremely poor and 80 percent poor. Impact evaluation reveals that the program had a significant impact on household income and utilization of health and education services.³⁵ However, the qualitative evaluation found that targeting mechanisms were not well understood at the local level, generating dissatisfaction where people felt they could not rectify errors and pointing to the need for a reliable appeals process.

Results of the Indigenous Program showed significant uptake of activities in the indigenous and Afro-Caribbean communities. These communities also piloted community contracting mechanisms which transferred increased control to these lower-income communities that are often marginalized within mixed municipalities. A good part of FISE operational materials were translated into local languages to the satisfaction of these ethnic groups. However, the low literacy levels require that in addition, program procedures should be presented in graphic form and based on illustrations.

4. Lessons Learned

- FISE's strategy of improving geographic targeting combined with separate targeted programs (e.g. to indigenous communities) and expanding support to demand-side measures was effective at improving targeting results.
- The use of municipal allocations helped promote the decentralization agenda by giving local governments a more fixed idea of the resources at their disposal.

³⁵ See IFPRI's impact evaluation of the program (FCND DISCUSSION PAPER NO. 184)

- There was a great deal of variations in the actual amounts received by individual municipalities versus original targets. In part, this was due to fluctuations in total program financing. Nevertheless, since the program performance targets were related to total share of resources going to different poverty classification, there was room for favoritism and/or technical reallocations between municipalities within the same poverty classification.
- To improve the household level targeting outcomes, FISE changed the menu, including introducing demand-side transfers (and putting a moratorium on sewerage).
- It also extended special support to Nicaragua's indigenous communities, including a pilot of community contracting to better support local control and inclusiveness.

Senegal
Social Development Fund Agency

Targeting the Poorest Rural Villages and Vulnerable Groups

1. Project Development Objectives and Target Beneficiary Groups

In Senegal, despite improvements in macroeconomic performance, poverty indicators remain high, and there is no clear indication of a trickle-down effect of recent growth to benefit the poor. The development of Senegal's rural areas continues to lag further behind, hindered by structural vulnerabilities, unequal access to basic public and private services, and a limited range of strategies to prevent, mitigate and cope with risks. The rural economy remains largely agrarian and 65% of the rural population is poor. Within rural communes (CRs), there is a wide variance in poverty level and service coverage, both between villages and well as within households inside of villages. In terms of vulnerable groups, women remain a particularly vulnerable group. The illiteracy rate is 66% for women (compared to 47% for men), and the female drop-out rate is high due to women's household task requirements, early marriage, and pregnancies (median marriage age for women is 16.6 years and median age at birth of first child is 19.4 years). The nutrition of women is poor, and 42% of women between ages 15-49 years are considered anemic. Women do not have easy access to land and agricultural services, and their access to credit is predominantly limited to credit clubs (*tontines*) which permit them only very small loans. A second highly vulnerable group is the untrained or insufficiently trained youth. The estimated unemployment rate among people 20-34 in urban centers has reached 40%, compared to 29% for the total population. Primary school enrollment is only 68% and the dropout rate is 75%. About 23% of children under five suffer from malnutrition. Adolescents and young adults are particularly vulnerable to HIV-AIDS and other sexually transmitted diseases.

The Social Development Fund (SDF) agency, created in 2001 aims to reach the poorest in Senegal, both geographically and in terms of vulnerable groups. The project development objective is to achieve the effective use of social funds in the poorest regions of Senegal with participation of vulnerable groups and women. The program seeks to alleviate poverty in Senegal through increased access to basic social services, micro-finance, capacity building at the community level, and the establishment of a poverty-monitoring system. Explicit outcome indicators were developed that emphasize the importance of reaching the poor, including that 75 % of the 300 test communities making development decisions based on participatory development plans responsive to the needs of the poorest; and at least, 50 % of vulnerable groups and families within the test communities are aware of the basic processes of sub-projects' implementation and are satisfied with the outcomes.

2. Design of the Targeting Mechanism

From the outset, the development of a poverty-targeting strategy was deemed crucial to ensure that the project meet its objectives. Despite the greater poverty in rural Senegal, given the economic and social relationships between the rural and urban sectors, the SDF targets both. In the components of basic service delivery and community capacity building, the program has a strategy of direct targeting, with regard to geographic area of intervention, type of intervention and specific beneficiary sub-groups. The microfinance component targets the same geographic areas as the other components, but specific beneficiary sub-groups are not be directly targeted, nor are specific activities given preference. Instead, the component focuses primarily on the microfinance institutions themselves in terms of technical support and capacity building to extend their services to the clientele within the poorer geographic areas targeted by the program.

Geographic Targeting. The SDF was one of the first programs to use a local level poverty map for specific allocation of program participation and resources. Geographical poverty targeting in the program used both the more classical statistical survey-based methodology of poverty mapping to enable standardized comparisons across the country, as well as Participatory Poverty Assessments (PPAs). The primary activity for building a poverty database involved a detailed survey of all rural villages (13,390 in total) in Senegal. The survey collected information on each village concerning the access to infrastructure (drinking water, roads, health post, school, and hop/market), using specified distance criteria. The villages, grouped into rural '*communautes rurales*' (CRs) were given indices and ranked in order of their lack of access to infrastructure. Using the five main criteria of infrastructure access, the index of access ranges from 0 to 500, where 0 represents a CR with no infrastructure (except in most cases a traditional well), and 500 represents one that has adequate access to all basic infrastructure. Phase 1 of the project, CRs with an index of 200 or below were targeted. A total of 57 CRs and 5 urban communes were targeted in the 5 regions of the pilot phase. The localities were also chosen taking in to consideration the intensity of donor activity, with the SDF prioritizing zones with little donor presence in order to avoid duplication of effort and optimize impact. Other factors included diversity in order to test the community management approach in different socio-cultural settings.

In a second stage of the targeting strategy, a Participatory Poverty Assessment was carried out in each CR to better identify needs and vulnerable groups. These PPAs were contracted in batches to local NGOs that also assisted communities in developing project proposals out of the needs lists identified. An important aim of the PPA was to ensure the participation of the poorer villages and the marginalized sections of the community that are the main target groups.

Inclusionary processes and eligibility criteria. Sub-projects financed by the SDF must be identified only by the specified targeted villages although their implementation will involve planning at the CR level to ensure that they have the maximum impact. The project would further target specific beneficiary groups that typically have less access to resources, such as women, youth, disabled and economically poorer households. This was to be done through the PPA process as well as through beneficiary-selection criteria and project priority criteria.

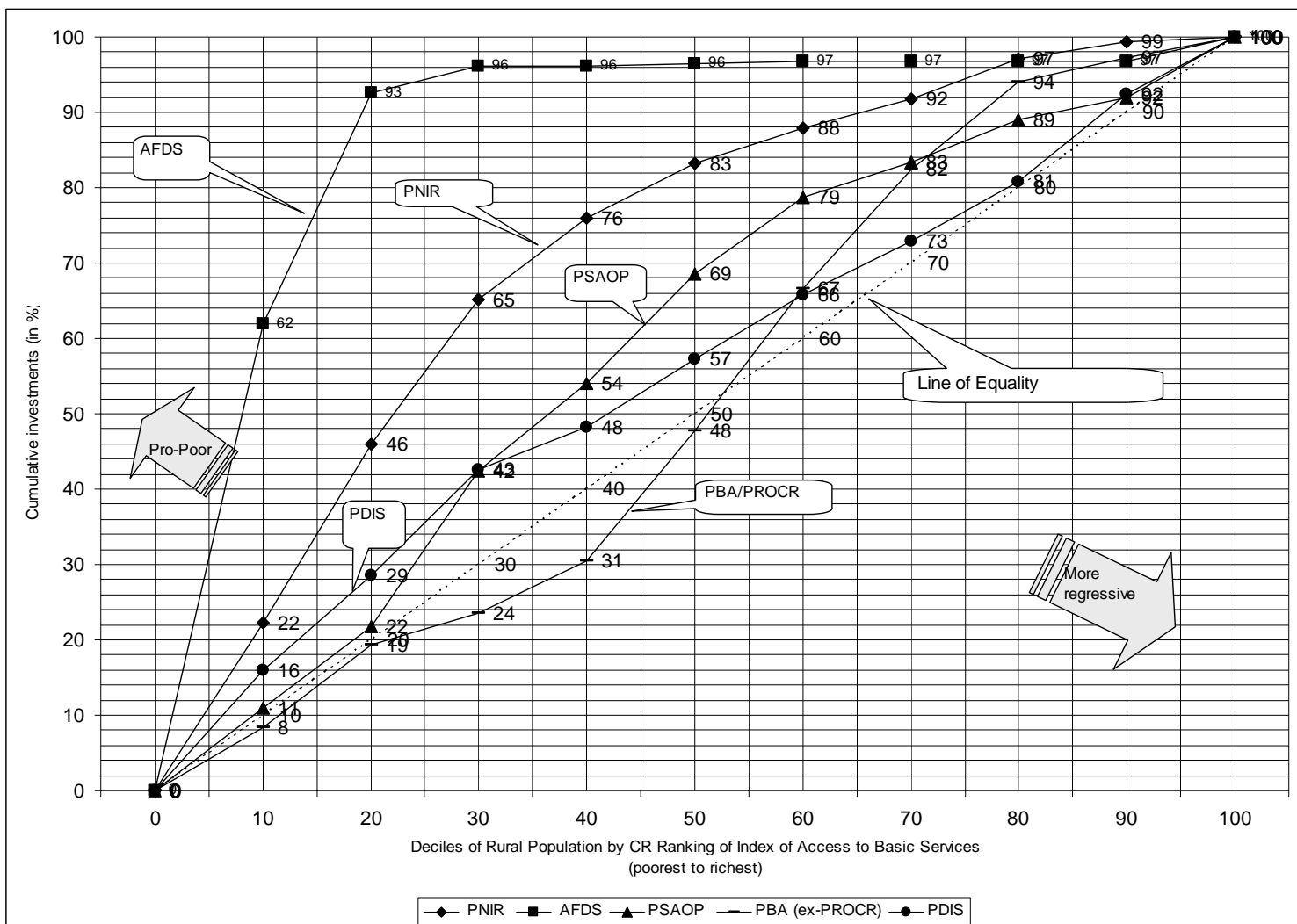
To promote inclusion in the process, a number of activities were undertaken. PPAs included separate focus group interviews with women and youth to identify their particular needs and priorities. Local project management committees were encouraged to have direct participation from vulnerable groups identified through the PPAs. Moreover, the AFDS adopted an international best practice for inclusion of disabled and disabled concerns in a CDD program, from funding of disabled services, to opening up participatory space of the disabled, to ensuring infrastructure designs took physical disabilities into account (wheel chair access etc.,). Grassroots management training for capacity building contained several modules related to inclusion, including role playing of power relations within a village in the context of carrying out transparent contracting and financial management. Communications strategies and high-graphic printed materials were oriented to comprehension by illiterate villagers and in local languages. Each participating village formed an information and communications committee to promote better understanding of project processes and increase local transparency.

Specifically for the micro-finance component, ensuring access by the poor involved: (i) design of products and services attractive to the specific target market; and (ii) self-selection of the clients by virtue of interest in the type of financial products and services offered by the PFI. The project will support PFIs to reach new segments of the target market (poor clients), as well as facilitate the creation and management of grassroots SCAs which can be building blocks for linkages with

licensed PFIs. To be relevant and attractive to the poor especially women, the design of financial products and services offered by the PFIs might include small-size loans; interest rates sufficient to cover lending costs and discourage wealthier clients; flexible repayment schedules that fit the activities being financed; and appropriate loan guarantees, such as solidarity groups, and collateral substitutes such as animals and jewelry.

3. Poverty Targeting Results

SDF's strategy of highly selective geographical targeting ensured that project resources indeed went to the poorest areas of Senegal. A World Bank study on managing risk and vulnerability in rural Senegal compared the geographical targeting of the main rural development programs in the country (sectoral and multi-sectoral). The study found that the SDF (ASDF in chart) was the most successful in concentrating resources in least-served areas, followed by PNIR (local government support program) and then sectoral investment programs (see chart below). Focus group interviews carried out in the Beneficiary Assessment confirmed the accuracy of the selection of Phase one villages as the poorest in the respective CR.



The beneficiary assessment found that the small-scale infrastructure projects were implemented in poor communities and tended to benefit everyone (83% of respondents) rather than any particular group within the village. This is to be expected by the nature of the infrastructure (water, schools, health posts, etc.). On the contrary, the microfinance and income generating projects tended to reach specific groups within the village and did not prioritize women, youth or the disabled. The BA goes on to note that in several instances, it was the better-off or more organized segments of the village that participated in an benefited more from the income generating projects, in part because they were already the one engaged in productive activities and had a base to build on.³⁶

The BA confirmed the highly inclusive process:

- 91% of respondents were aware and 52% attended the first contact meeting ;
- 97% of respondents were aware and 73% participated in the first village assembly;
- 91% were aware of the separate meetings with women and 58% participated;
- 90% were aware of the focus group meetings with youth and 57% attended;
- 95% knew of meetings to present and discuss the PPA and 72% of respondents participated in at least one of these meetings;
- 93% knew of the prioritization process, 87% contributed to project selection and 98% were satisfied or very satisfied with the selection;
- 95% were aware of training sessions and 89 % attended them;
- In terms of project implementation, the high levels of awareness and participation continued, as presented in the table below:

Stage	Heard of	Attended	% satisfied and very satisfied
Establishment of local committees	95,0	81,8	87,0
Submission of project proposal to technical evaluation committee	95,0	49,1	74,3
Evaluation by AFDS	93,1	48,1	82,4
Activity of the micro-project management committee	93,1	73,6	78,6
Activity of the technical implementation committee	94,4	66,0	87,2
Activity of the information and communications committee	96,5	58,5	78,9
Project launch workshop	98,0	68,8	86,5
Operational implementation plan	96,1	61,7	88,2
Public bidding of contracts	91,7	74,4	85,3
Results of public bidding	88,1	73,0	80,0
Meetings to evaluate project and contracting	89,7	64,7	84,0

Building a participatory process within a completely new context and new way of doing business for the State ,was highly successful. However, reaching specific vulnerable groups and changing how they interact at the village level was more challenging, as evidenced in some quotes from the Beneficiary Assessment

- *From a young person: « At first it was difficult for youth to defend their points of view. Local leaders thought that their speaking up represented an ‘undisciplined nature’ in order to gain local recognition or to oppose the adults. Training sessions taught us how to speak out and defend our ideas. Thanks to that a change in perception took place vis-à-vis our participation in decision-making. Now, women and youth have the right to speak and participate actively in the execution of projects.*

³⁶ Data limitation precluded an analysis of household incidence of program benefits.

- *From a local woman: “Women do not know how to speak well, that is why discussions were not very long during the village assemblies. It was the men that insisted on us speaking up. In the end, it was the men who decided taking into account our expressed needs.”*

4. Lessons Learned

- SDF was a very important experience in showing that given the appropriate process and training, the poorest rural villages were highly effective at managing the development process, and seemed to do so at lower cost and greater transparency than more centralized projects.
- This created a stronger voice for poor communities in demanding not only better services but more transparent implementation of development projects in those areas participating in the program.
- Even though SDF was highly selective at identifying the poorest villages, it was still necessary to build an inclusive process and address the unequal power relations within villages to promote participation by vulnerable households and individuals.
- The SDF experience may reflect the paradox of targeting. While highly targeted and very successful, the experience failed to claim a greater political space (perhaps because the better off areas of Senegal tended not to benefit) and the second phase will be merged with the local government-oriented rural development project, which had stronger backing from local governments.

Yemen
Social Fund for Development

Mixed Targeting Methods to Reach Poor Households

1. Project Development Objectives and Target Beneficiary Groups

Despite steady progress in macroeconomic indicators in Yemen, the country is still among the low income/least-developed countries in the world with some of the worst social indicators in the MENA region. Health and education outcomes for women and girls is alarming and Yemenis have low access to infrastructure, with 74% of the population living in rural areas. Ninety percent has less than minimum standards of domestic water supply; 40% has access to safe drinking water and sanitation. Largely mountainous, the geography precludes easy access to the market economy and public services for much of the rural population. Only 10% of the road network is paved; main highways are the exception to the poor or very poor road conditions.

To minimize the impacts and risks of the adjustment and reform programs, the government instituted numerous social safety net programs in the mid-1990s, the most prominent of which was the Social Fund for Development (SFD). The SFD sought to replicate the successful social fund experience and pilot more bottom-up development with greater community participation in the face of a traditionally centralized and top-down bureaucratic structure. SFD supports the identification and implementation of subprojects for small-scale, demand-driven delivery of social and economic services and infrastructure. The SFD provides grants for the carrying out, by regional authorities, governmental institutions, non-governmental organizations and local communities, of sub-projects consisting of labor-intensive works and the delivery of community services. The quality of service delivery in Yemen has been improved considerably as a result of direct capacity building and more broadly based SFD activities. Moreover, SFD is responsible for the initiation of a microfinance industry in Yemen.

In 2004, IDA approved its third financing of the SFD (US\$60 million). The SFD III objectives are to further improve access of low income groups to basic social services, while providing an example of an effective, efficient, and transparent institutional mechanism for providing social services in Yemen by (i) refining social service delivery approaches and (ii) empowering local communities and councils to take charge of their local development. Key performance indicators included an explicit commitment to reaching poor households. Specifically, the program seeks to target at least 40% of SFD resources go to the lowest three income deciles.

The SFD and its Branch Offices identify and/or receive requests from the Sponsoring Agencies (SA)/Communities; ensure that funding has been allocated and is untied for that particular area; prepare the proposals; and execute the appraisal of the proposed project. The outcome of the appraisal is a Project Appraisal Document (PAD). The SFD HQ then reviews and approves the proposal/PAD. A Framework Agreement is signed with the SA/NGO which describes the guidelines to be followed and each party's role in the implementation of the project. The SA/NGO then sub-contracts the work with a contractor and/or supplier.

2. Poverty Targeting Mechanism

The SFD has a clear market niche in serving poor communities and households. The Government felt that it was important to preserve this function against possible attempts to generalize the SFD's efforts across the country, or giving the social fund explicit responsibility for national

programs of service delivery. One of main risks arising from the socio-cultural and political context is that the SFD can be subject to elite capture (even in poor rural areas, the neediest may not be the ones submitting project proposals) and that the poorest communities which may be less organized, have less resources may not submit their demands. SFD's targeting policy takes into account characteristics of individuals as well as regions. Geographic targeting channeling more resources to districts with large shares of poor households, with a focus on basic education—particularly for girls. In addition, sector and social targeting will continue to be used to provide services such as micro-finance and support for groups with special needs.

Geographical targeting mechanism: The SFD was the first domestic institution in Yemen to carry out geographical targeting based on poverty indicators. A two-stage procedure was adopted by SFD for its fund allocation. At the first stage, funds are allocated by governorate (currently there are 20 governorates) based on population and an aggregate poverty index. The resource allocation formula is a weighted average of population (0.75) and aggregate poverty index (0.25). The aggregate poverty index is a simple mean of nine socioeconomic indicators: the rate of non-participation in economic activity, the unemployment rate among population above age 10, the dependency rate of working population (10-64 years), the infant (under age 12 months) mortality rate, the child (below age 5 years) mortality rate, the illiteracy rate among population above age 10, the rate of child (aged 6-15) non-enrollment in school, the percent of inappropriate dwelling, and the percent of households with unsafe drinking water. At the second stage, funds are allocated at the district level, using a similar methodology based on population and aggregate poverty index. Although there was hardly any significant difference in the aggregate poverty index at the governorate level, it was hoped that the district-level variation would be high. In other words, the fund allocation at the district level would respond more to the aggregate poverty index than it was at the governorate level.

In terms of the sub-project menu, a participatory poverty analysis among the bottom two deciles was carried out to understand the coping strategies of the poor. The findings provided useful guidance for the SFD as to the best way to reach out to the poor and complement the ways the poor help themselves. This includes expanding the menu to non-infrastructure “software” investments, such as informal education and training to help particularly disadvantaged groups like the disabled or particularly poor and women and children in difficult circumstances. SFD also supports rehabilitation centers which accommodate street children and mentally handicapped whose main activities include literacy and vocational training programs with an aim to prepare these kids to either joining formal schools or getting jobs to support themselves with possibility of reuniting with the families. These non-infrastructure programs target special needs groups identified as: (i) the disabled; (ii) children-at-risk (orphans, children in conflict with the law, street children, children of imprisoned women, labor children); (iii) women-at-risk (women in prisons, women coming out of prisons); and (iv) socially marginalized (Akhdam, institutionalized psychiatric patients, institutionalized elderly, and returnees living in shanty dwellers).

In terms of process, the SFD has taken the risks of elite capture or nonparticipation of the poorest communities into consideration and is working more closely with poorest communities (especially those which did not use their allocations) to assist them in determining needs, designing project proposals and implementing them. In addition, the SFD conducts in-depth social analysis of beneficiary communities to ensure that the poorest districts receive their target allocations. In addition, to avoid political capture, the SFD has institutionalized transparent procedures for project submissions, evaluation and approval. Project identification and preparation is subject to intensive studies to ensure that the activity chosen represents the need for the majority of the population including women and children and not a small influential group.

3. Poverty Targeting Results

The SFD was conceived as a demand driven social fund but has taken a more active role in targeting marginal groups and the poorest communities. During the preparation of Phase I, it was determined that the focus would be on community development and services; however, during the implementation of Phase I, it became clear that services which targeted vulnerable groups (e.g., destitute women, orphans, street children, the mentally- and physically-handicapped) were needed more, and the SFD was the only organization in Yemen capable of supporting such activities. These aspects were subsequently expanded in Phase II and Phase III. Another lesson from Phase I is that the poorest communities in Yemen are less well-organized and are less able to develop and propose projects to the Social Fund. A special program targeted to these communities was implemented in Phase II.

At the geographical level, the SFD's first phase allocations across governorates were not pro-poor. Then, the SFD II made significant progress for a better geographic targeting. But even at late as 2004, its geographical targeting was not very pro-poor, in part because of significant financing went to (a) urban areas where it was deemed best to launch the microfinance component given that there was no base in the country and (b) allocations to funding to cultural heritage restoration, which was an adjunct objective of the program and which tended to concentrate resources in better-off areas.

Yemen	Food poverty	Pop '000	per cap SFD II (US\$)	per cap 1997-2004	per cap 2004
Aden	0.624	509	3.51	23.58	3.73
Sanaa city	0.653	1284	2.98	31.15	7.79
Hadramount	0.767	791	3.29	24.02	5.69
Abyan	0.773	435	3.99	17.24	4.14
Saadah	0.785	557	3.90	14.36	3.59
Al-Iawf	0.833	246	5.70	22.36	7.32
Dhamar	0.839	1082	3.27	18.48	3.23
Al-Mahrah	0.847	61	31.94	40.98	3.28
Sanaa	0.851	2105	2.85	9.98	1.90
Lahi	0.855	642	3.57	15.58	4.28
Mareb	0.861	229	5.96	26.20	4.37
Shabwah	0.87	475	4.16	16.84	5.26
Al-Hodeidah	0.913	1917	2.92	16.17	3.39
Taiz	0.914	2269	2.75	14.54	3.86
Al-Baida	0.915	550	3.78	16.36	3.45
Haijah	0.944	1528	3.05	12.43	2.55
Al-Madwit	0.946	417	4.62	26.38	3.60
Ibb	0.966	1974	2.84	13.42	4.56
Total		17071	3.33	0.00	0.00

At household level, a 2003 robust impact evaluation was carried out and found that in terms of reaching poor households, the results are very positive. 17% of SFD funds go to the poorest decile, 31% to the poorest quintile and 44% to the poorest three deciles. Only 4% of resources are received by households in the top decile. These figures are considerably better than those found in other Social Investment Funds where similar analytical procedures have been applied. It is especially to the credit of the Yemen SFD that it has achieved this effective bias towards the poorest households, notwithstanding the very high level of poverty across the whole population

and the relatively flat income distribution in Yemen (with a Gini coefficient of 0.38). It is also noteworthy that the pattern is consistent across sub-project types (with distribution indexes ranging between 0.176 and 0.256. The only exception is microfinance where the distribution index of -0.072 shows a regressive pattern, a normal finding for this sort of project. In addition, there is evidence that interventions in the construction of schools is associated with an increase in girls' enrollment rates and reduced the gender gap.

In terms of inclusiveness of the process, from a qualitative survey, it is clear that the first step in most projects is often taken by a key individual, most often a local sheikh or member of Parliament who is made aware of the need and forwards the initial request to the SFD. In a few cases, a local agricultural association may be involved (Al Shammayateen, Taiz). Finally, particularly in the case of health units, the initial step may come from prospective visits made by the SFD, sometimes along with officials from the Health Office (Gashen, Al Meerah and Al Habilane, Lahj). Overall, evidence from the household survey shows that between a third and two-fifths of the populations knew about the SFD project (40% in the ex-post group and 36% for the baseline group). When households in the ex-post group were asked which kind of project was supported by the SFD, those who knew there was one mentioned the correct type in 91% to 96% of the cases. The qualitative survey indicates a clear gender difference: while most participating men knew about the sub-project and the SFD, almost all women said they were not consulted and did not know about SFD and its performance in project implementation.

An important insight provided by the qualitative survey is related to the capacity of people to undertake and follow-up projects. The image given is mainly that of poor households so immersed in their daily survival and the repetitive chores linked to getting enough food and water that they lack the initiative and mostly rely on selected individuals to take care of innovations and project follow-up. Given this cultural setting, it would be utopian to expect the SFD's projects to transform community dynamics. Leadership figures such as the Sheikh or the Parliament Member ensure the link between the community, the SFD and other authorities, and often make personal financial contributions during project implementation. Nevertheless, in several cases, it is possible to observe the beginning of a change in some of the affected communities:

4. Lessons Learned

- The importance of using mixed targeting mechanisms to reach out to the poor and vulnerable on the one hand and to address issues of national priority, like girls education, on the other.
- Despite a relatively regressive geographical distribution of resources, the household level was highly pro-poor (with the exception of microfinance), which demonstrates that appropriate operating procedures and eligibility criteria is more important than geographical allocation of resources in ensuring that poor households benefit.
- The major importance of microfinance to the poor and vulnerable, given that the majority of employment in Yemen is in the informal sector (with a high proportion of these groups), but it cannot be assumed that the majority of beneficiaries will be from the poor, particularly in the early stages of introducing microfinance services in a country.

Annex B: Calculating Targeting Outcomes

Concentration Curves

The steps for the graphing of the Lorenz curve (or concentration curve) are the following:

Step 1: Creation of population deciles or quintiles

- Sort the geographic units (district, municipality, region) by the poverty level from the worst situation (highest rate) to the best situation (lowest rate).
- Calculate the number of population in each geographic unit.
- Divide the ranked population into deciles or quintiles, depending on the level of disaggregation desired

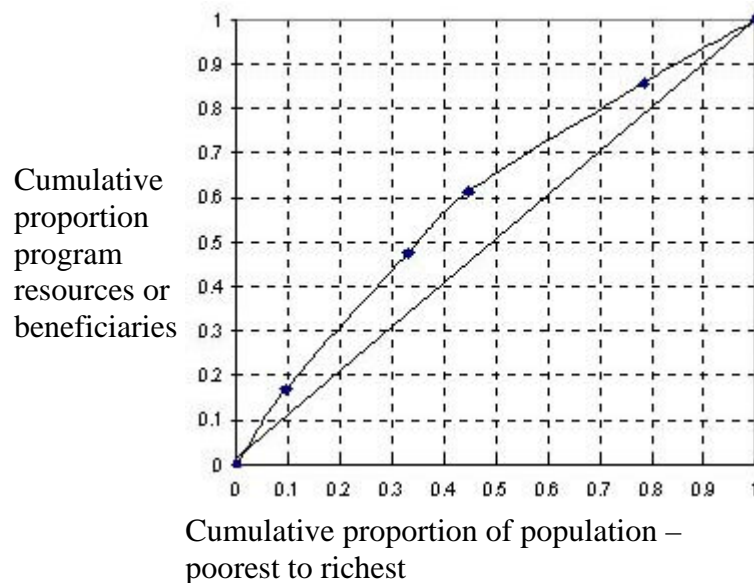
Step 2:

- Calculate the relative share of beneficiaries or program resources allocated to each population unit (district, municipality, region)
- Calculate the cumulative proportion along the ranked geographical units from worst situation to best.

Step 3:

- The Lorenz curve is the plot of the cumulative beneficiary or resource share against the cumulative population share. Graph the curve using the X axis for the proportion of the cumulative population and the Y axis for the proportion of cumulative program beneficiaries or resources.

Example: Lorenz Curve or Concentration Curve

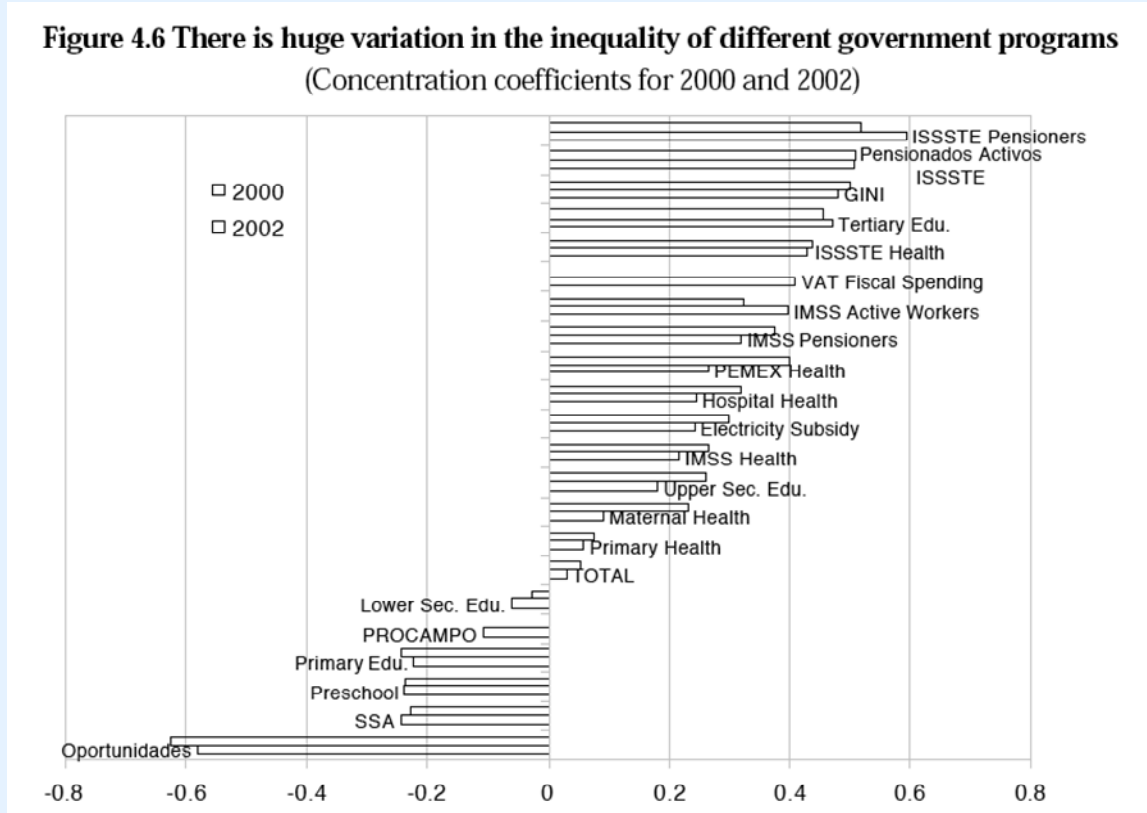


Interpretation: The graph above shows a progressive distribution of resources since it is above the 45 degree line. For example, the poorest 10 percent of the population (by district) account for 18 percent of beneficiaries or resources.

Source: Drs. Carlos Castillo-Salgado, Cristina Schneider, Enrique Loyola, Oscar Mujica, Ms. Anne Roca and Mr. Tom Yerg of PAHO's Special Program for Health Analysis (SHA).

Annex C: Statistical Annex

Chart 1: Mexico: Relative Targeting of Social Expenditures



22

Chart 2: Geographical targeting improvements over time

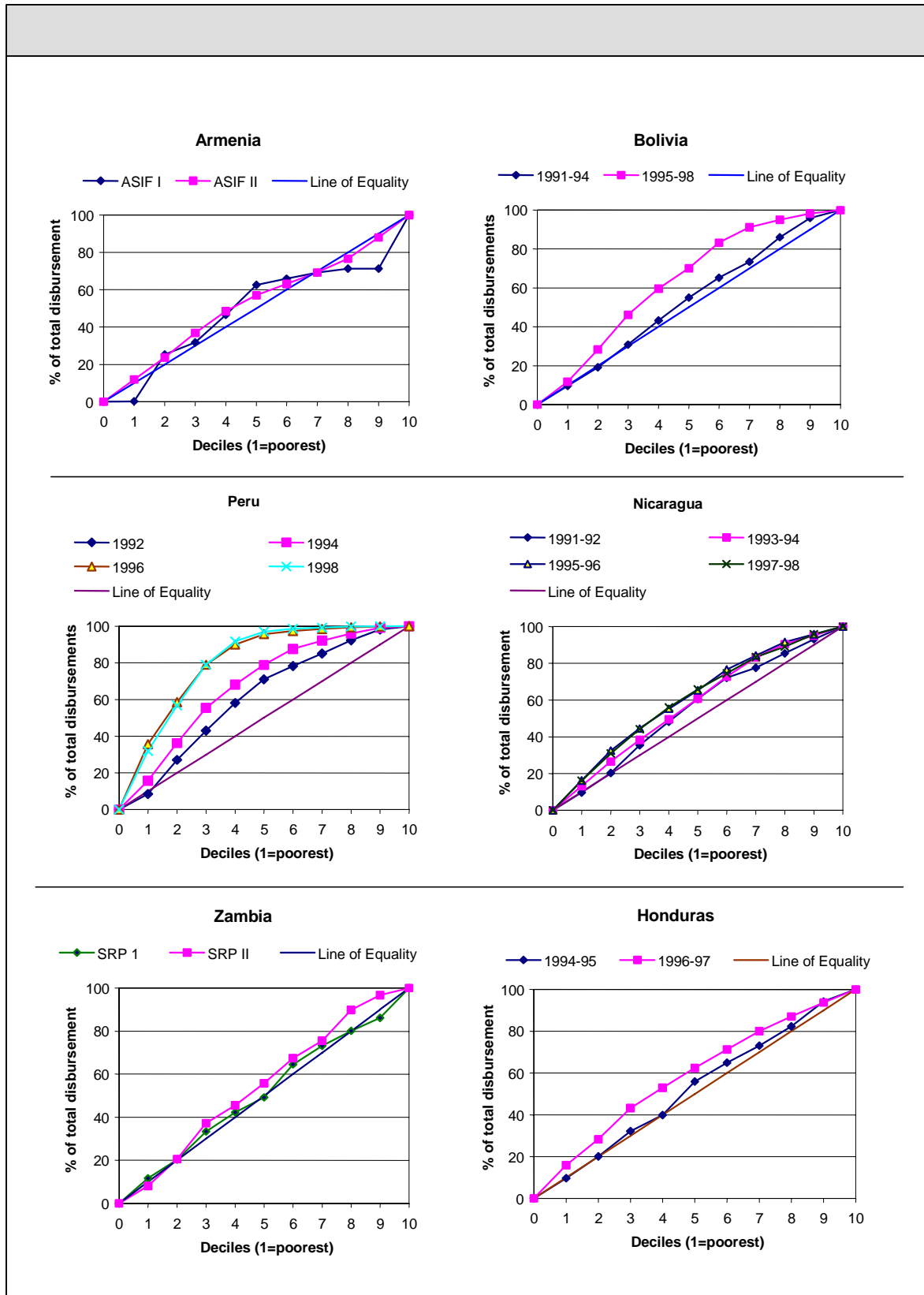
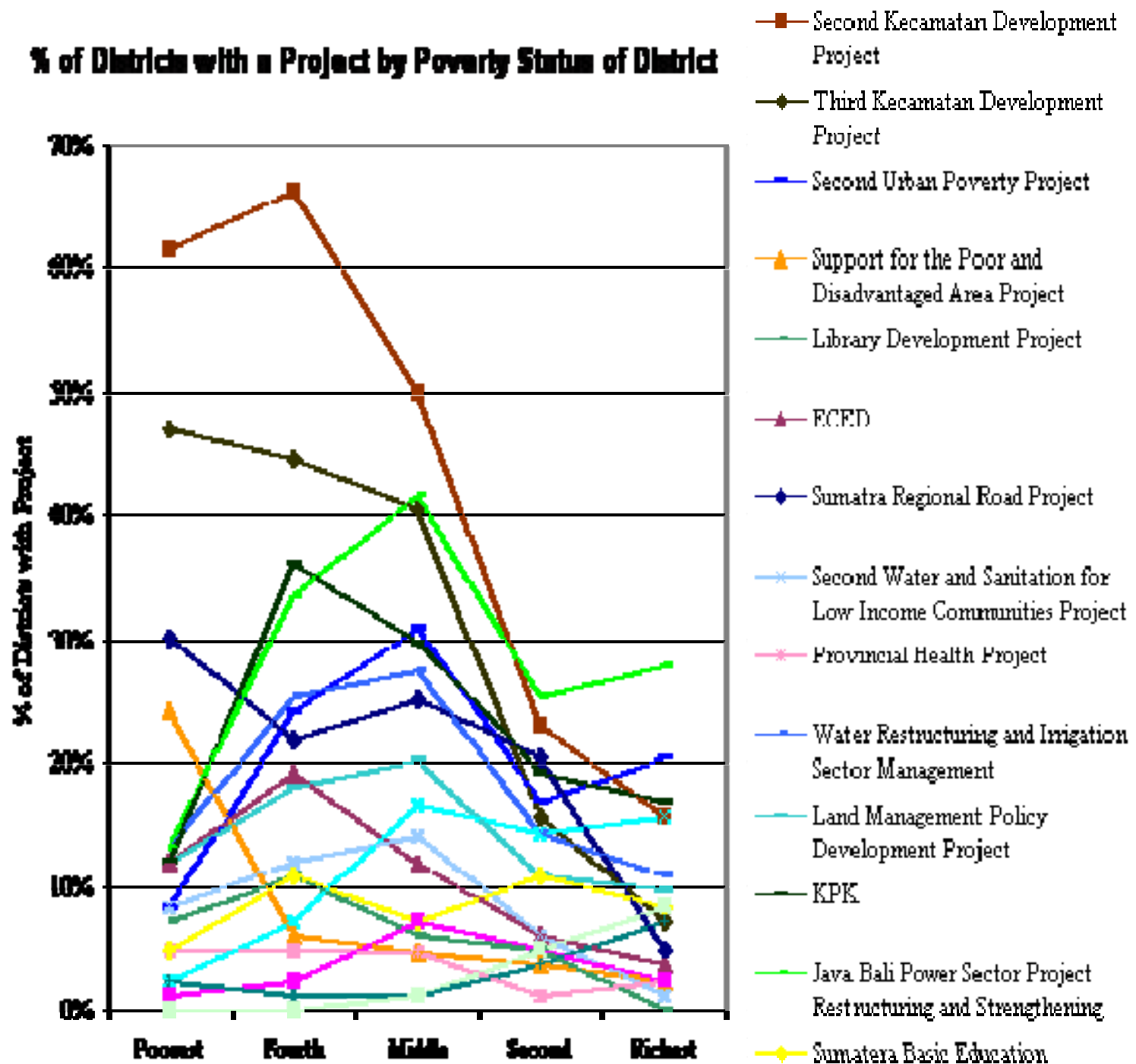


Chart 3: Coverage of Selected Indonesian Programs by District Poverty Level



Bibliography

- Adato, M. and L. Haddad. "Targeting Poverty Through Community-Based Public Works Programs: A Cross-Disciplinary Assessment of Recent Experience in South Africa". Food Consumption and Nutrition Division Discussion Paper No. 121, International Food Policy Research Institute, Washington, D.C. August 2001
- Aguilar, G. and Luxembourg V. "Is micro-finance reaching the poor? An overview of poverty targeting methods" ADA 1999.
- Araujo, C. M., F. Ferreira, P. Lanjouw and B. Özler "Local Inequality and Project Choice in a Social Investment Fund" draft November 2005.
- Baland, J.-M. and Platteau, J.P. "Halting Degradation of Natural Resources: Is There a Role for rural Communities?" (Rome: Oxford University Press, 1996), pp. xv, 423.
- Bardhan, P., and D. Mookherjee. 1999. "Relative Capture of Local and Central Governments –An Essay in the Political Economy of Decentralization." Working Paper, Department of Economics, Boston University.
- Benson, T. "The poverty targeting efficiency of public works programs: An application of poverty mapping in Malawi" International Food Policy Research Institute, Washington, DC December 2002
- Bigman, D. and H. Fofack, "Geographical Targeting for Poverty Alleviation", World Bank Regional and Sectoral Studies, 2000.
- Binswanger, H. and T. Nguyen "Scaling Up Community-Driven Development for Dummies" Africa Region World Bank June, 2006
- Brassard, C. and S. Fritzen, "Multi-level Assessments for Better Targeting of the Poor: A Conceptual Framework" May 2003
- Coady, D., M. Grosh and J. Hoddinott, "Targeting Outcomes Redux", World Bank Research Observer v 19 no 1 Spring 2004. pp 61-86.
- Conning J., and Kevane, M., Community-Based Targeting Mechanisms for Social Safety Nets. Social Protection Discussion Paper No. 102, January 2001. World Bank
- Corbridge, S. and G. Jones. "The Continuing Debate About Urban Bias: The Thesis, Its Critics, Its Influence, and Implications for Poverty Reduction", Department of Geography and Environment. London School of Economics and Political Science 2005
- Dasgupta, I. and R. Kanbur, "Community and Anti-Poverty Targeting" CREDIT Research paper 05/01 Centre for Research in Economic Development and International Trade, University of Nottingham 2001.
- Davis, B. "Is it Possible to Avoid a Lemon? Reflections on Choosing a Poverty Mapping Method" The Gerald J. and Dorothy R. Friedman School of Nutrition Science and Policy,

- Food Policy and Applied Nutrition Program Discussion Paper No. 8, Food and Agriculture Organization FAO January 30, 2002
- Deichmann, U. "Geographic aspects of inequality and poverty" Text for World Bank's Web Site on Inequality, Poverty, and Socio-economic Performance. January 1999
- De Janvry, A. "Can Mexico's Social Programs Help Reduce Poverty?", University of Berkely, California 2005
- Deutsch, R. Good Practices in Poverty Targeting in IDB Projects in 1997. Inter-american Development Bank, 1998.
- Elbers, C., P. Lanjouw, J. Mistiaen, B. Ozler, K. Simler "On the Unequal Inequality of Poor Communities". World Bank Economic Review, v 18 n 3 2004 pp. 401 – 421.
- Elbers, C., J. Lanjouw, P. Lanjouw, Welfare in Villages and Towns: Micro-Level Estimation of Poverty and Inequality March 31, 2001
- ESA Consultores, "Evaluación de la Prueba Piloto de Planificación Participativa del FHIS – Informe Finale" Tegucigalpa 2003
- ESA Consultores, "Evaluación ExPost del Fondo Hondureño de Inversión Social (FHIS 3: 1998-2002)", Tegucigalpa 2005.
- Francken, N., B. Minten and J. Swinnen "Listen To The Radio ! Media and Corruption: Evidence from Madagascar" ^a LICOS – Centre for Transition Economics & Department of Economics, Katholieke Universiteit Leuven, Belgium, 2005
- Gauci, A. Spatial maps: Targeting & mapping poverty, United Nations Economic Commission for Africa, 2005
- Grosh, M. Administering Targeted Social Programs in Latin America, World Bank, 2002.
- Isham, J. D. Kaufmann and L.H. Pritchett, "Civil Liberties, Democracy and the Performance of Government Projects", World Bank Economic Review, Vol. 11, 2 1997, pp. 219-42.
- Henninger, N. and M. Snel, "Where are the Poor?", World Resources Institute, 2002.
- Hentschel, Jesko and Peter Lanjouw. "Using Disaggregated Poverty Maps to Plan Sectoral Investments." *PREM Notes*. The World Bank 1998,.
- Kanbur, R. M. Keen and M. Tuomala "Labor Supply and Targeting in Poverty Alleviation Programs "World Bank Economic Review, V 8 N 2 May 1994 pp 191 – 211.
- Keefer, P. and S. Khemani "Democracy, Public Expenditures and the Poor"World Bank Research Observer v 20 No 1 Spring 2005 pp1 – 27.
- La Ferrera, E., "Inequality and Participation: Theory and Evidence from Rural Tanzania" Harvard University and IGER, Bocconi University, 1999.

- Lanjouw, Peter, Berk Özler. "Poverty on the Map", World Bank 2002.
- Lipton, M. 2005, "Urban bias", in Forsyth, T. (ed) *Encyclopedia of International Development* London: Routledge.
- Maluccio, J. and Flores, R. "Impact Evaluation of a Conditional Cash Transfer Program: The Nicaraguan Red de Protección Social", International Food Policy Research Institute Discussion Paper No. 184, July 2004.
- Mansuri, G. and V. Rao "On Community Driven-Development" World Bank Research Observer, v. 19 No 1 Spring 2004, pp 1-40.
- Mansuri, G. and V. Rao "Evaluating Community-Based and Community-Driven Development: A Critical Review of the Evidence" Development Research Group, World Bank 2003.
- Mathie, A. "Including the Excluded: Lessons Learned From The Poverty Targeting Strategies Used By Micro-Finance Providers" June 2001, Coady International Institute, St. Francis Xavier University.
- Minot, N. and B. Baulch. "The Spatial Distribution of Poverty in Vietnam and the Potential for Targeting" International Food Policy Research Institute
- Moncrieffe, J. "Power Relations, Inequality and Poverty", Poverty Reduction Group, World Bank and Overseas Development Institute, monograph, August 2004.
- Narayan, D., and Ebbe, K., "Design of Social Funds: Participation, Demand Orientation and Local Organizational Capacity" World Bank 1997.
- Olken, B. "Political Institutions and Local Public Goods: Evidence from a Field Experiment in Indonesia", draft Pilot Project Report, East Asia and Pacific Region, World Bank, November, 2006.
- Owen, D. and Van Domelen J. "Getting and Earful: A Review of Beneficiary Assessments of Social Funds", Social Protection Discussion Paper No. 9816, December 1998. World Bank.
- Perdana, A. and J. Maxwell "Poverty Targeting in Indonesia: Programs, Problems and Lessons Learned" CSIS Working Paper March 2004.
- Platteau, J.P., 2003, "Community-Based Development in the Context of Within-Group Heterogeneity", in Pleskovic, B., and N. Stern (eds.), *Proceedings of the Annual Bank Conference on Development Economics, 2003*, Washington, DC: The World Bank.
- Platteau, J.P., and F. Gaspart, 2003, "The Risk of Resource Misappropriation in Community-Driven Development", *World Development*, Vol. 31, N° 10.
- Ravallion, M. "Is More Targeting Consistent with Less Spending?" WPS-2079 March 1999
- Ravallion M. Reaching Poor Areas in a Federal System Research Paper 1901, World Bank Development Research Group, March 1998

- Rawlings, L., L. Sherburne-Benz and J. Van Domelen. Evaluating Social Funds: A Cross-Country Analysis of Community Investments. World Bank Regional and Sectoral Studies, 2004.
- Robinson, T. “Global poverty mapping for livestock research” International Livestock Research Institute (ILRI),. In Crump I.R. 1997. Teaching the political geography of poverty. *Journal of Geography* 96:98–104.
- San Martin, O. Reaching the Poor - Fine Tuning Poverty Targeting Using a ‘Poverty Map’—The Case of Mozambique WIDER Discussion Paper No. 2001/133, November 2001
- Schady, N. “Picking the Poor: Indicators for Geographic Targeting in Peru”, Princeton University and the World Bank, February 1999
- Schady, N. “Seeking Votes: The Political Economy of Expenditures by the Peruvian Social Fund (FONCODES), 1991-95, “World Bank
- Subbarao, K., J. Bonerjee, S. Braithwaite, K. Carvalho, C. Graham and A. Thompson, “Safety Net Programs and Poverty Reduction: Lessons from Cross-Country Experience” World Bank 1997.
- Subbarao, K.. ‘Systemic Shocks and Social Protection: Role and Effectiveness of Public Works Programs. World Bank Region Human Development working Paper Series 2001.
- Van de Walle, D. “Public Spending and the Poor” Policy Research Working Paper No. 1476, World Bank 1995.
- Wassenich, P. and K. Whiteside “CDD Impact Assessment Study: Optimizing Evaluation Design Under Constraints” World Bank, December 2003
- Weiss, J. (ed) *Poverty Targeting in Asia*, Edward Elgar, Cheltenham 2005.
- World Bank Northeast Rural Poverty Alleviation Program – Ceará Staff Appraisal Report No. 14395-BR, Latin America and Caribbean Regional Office. June 1995.
- World Bank, 1996, Participation Sourcebook, Environmentally Sustainable Development Department.
- World Bank, 1998. “Using disaggregated poverty maps to plan sectoral investments PREM Note No 5, May 1998.
- World Bank. 2000. *The geography of poverty: estimation and analysis of small-area welfare indicators*. Washington DC (mimeo).
- World Bank. 2002 *Social Funds: Assessing Effectiveness*, Operations Evaluation Department.
- World Bank 2005 “The Effectiveness of World Bank Support for Community Driven Development (CDD): An OED Evaluation”.

World Bank 2006. “Managing Risks in Rural Senegal”. Report No. 33435-SN.
Human Development Department II, Africa Region.



Summary Findings

Social fund/CDD programs have gained increasing attention for their capacity to support poor communities, especially in the context of scaling up efforts to end extreme poverty. The main objective of this toolkit is to enhance program design to better serve the poor. The toolkit approach is designed to provide technical staff in the Bank and client Governments with the concepts, empirical evidence, noteworthy case studies of different approaches and the operational elements necessary to develop more comprehensive poverty and vulnerability targeting mechanisms.

HUMAN DEVELOPMENT NETWORK

About this series...

Social Protection Discussion Papers are published to communicate the results of The World Bank's work to the development community with the least possible delay. The typescript manuscript of this paper therefore has not been prepared in accordance with the procedures appropriate to formally edited texts. The findings, interpretations, and conclusions expressed herein are those of the author(s), and do not necessarily reflect the views of the International Bank for Reconstruction and Development / The World Bank and its affiliated organizations, or those of the Executive Directors of The World Bank or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. For free copies of this paper, please contact the Social Protection Advisory Service, The World Bank, 1818 H Street, N.W., Room G7-703, Washington, D.C. 20433-0001. Telephone: (202) 458-5267, Fax: (202) 614-0471, E-mail: socialprotection@worldbank.org or visit the Social Protection website at www.worldbank.org/sp.