Issues and Design Options in Reaching the Poor

Through Social Funds and other Community-Driven Programs

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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 Hondureno de la Inversión Social*)
FISE – Nicaragua Emergency Social Investment Fund (*Fondo de Inversion Social de Emergencia*)
FONCODES – Peru’s Nacional 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

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Objectives and Outline of the Report

Context

1. One of the most fundamental challenges of development efforts is to ensure that investments and services effectively reach the poor. The main mission of the World Bank and other development partners is to promote interventions which help poor households and communities improve their welfare and develop their capacity to effectively solve their own set of development challenges. With this objective in mind, the credibility and effectiveness of development efforts is undermined when resources fail to reach their intended target population.

2. Community-driven development (CDD) - broadly defined - is an approach that gives control over planning decisions and investment resources to the community level. This encompasses a large variety of programs, including social funds, community-based rural development programs, participatory decentralization projects, community groups’ management of local natural resources, and community empowerment programs, among others.\(^1\) CDD programs have shown that given clear rules of the game, access to information and appropriate capacity and financial support, poor men and women can effectively organize in order to identify community priorities and address local problems, by working in partnership with local governments and other supportive institutions.\(^2\) CDD operations have a reputation for reaching populations that are usually underserved by existing, more centralized development schemes.

3. These programs have an implicit, and sometimes explicit, objective of reversing existing power relations in a manner that creates agency and voice for the poor, while allowing the poor to have more control over development assistance. It is expected that this will result in “the allocation of development funds in a manner that is more responsive to the needs of the poor, better targeting of poverty programs, more responsive government and better delivery of public goods and services, better maintained community assets, and a more informed and involved citizenry that is capable of undertaking self-initiated development activity.”(Mansuri and Rao 2003).

4. These 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.\(^3\) At the same time, some questions have been raised about the

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\(^1\) This toolkit was commissioned by the World Bank’s Social Fund group within its Social Protection Unit of the Human Development network. Therefore, 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 beyond the more narrow brand name of ‘social funds’.

\(^2\) World Bank CDD website.

\(^3\) 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
effectiveness of community-driven programs in reaching the poor. It is feared that because these approaches rely on local capacity to manage processes and projects, the poorer communities are at a disadvantage or elites within communities may capture program benefits. It is an outstanding question whether community participation and control over resources improves targeting outcomes and whether it can overcome social and cultural structures to actually empower the poor and marginalized within society, or whether it simply reinforces societal inequities. As pointed out in Mansour and Rao (2003) “any naive understanding of notions like ‘community’, ‘participation’ and ‘social capital’ can obscure differences that critically influence outcomes. Such differences may arise from multiple sources. They 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.’

5. 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 hamstrung 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 CDD program.

6. 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 concretely program managers can do to improve the effectiveness in reaching the poor. This toolkit seeks to fill that gap.

**Objectives and Approach**

7. The main objective of the toolkit is to enable program managers in client countries and Bank staff to better design community-driven programs to benefit 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;

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4 The recent review of community-based and community-driven projects carried out by IEG (ex-OED) concluded that these programs could do better in targeting the poor, concluding that “CBD/CDD projects have yet to overcome major obstacles to reaching the poor… sophisticated targeting strategies may help, but they are too new to assess’.

countries with a proven track record in spending money well. It has been 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.”
c) Present the existing empirical evidence on the ability to target resources to poor communities and household and 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.

8. The study adopts a toolkit approach, 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. The paper reviews and distills the existing literature on poverty targeting strategies in the context of community-driven approaches, including the use of geographical poverty maps, identification of vulnerable groups, and experience in designing processes inclusive of the poor.

9. The report builds on the literature on poverty targeting within development interventions in general as well as that oriented specifically to community-driven development. 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 program design in different contexts. Useful resources are presented in boxes throughout the report.

Outline

10. Following this introductory section:
- Chapter 1 presents a discussion of poverty targeting terms and conceptual issues, including a basic glossary of terms. 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 performance of preference targeting to ensure the poor have voice and influence in the choice of investments 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

11. A basic 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. There is a general preference for consumption or income based measures as being 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. Moreover, reliance on service access indicators to identify the poor tends to bias against the urban poor, who may live in a more infrastructure-rich environment, but remain economically disadvantaged. Where income or consumption measures are not available, access to service measures can serve as proxy measures of poverty and are useful for identifying low-service communities in order to direct public infrastructure investments to coverage gaps.

12. 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 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.

13. 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 passing above the national poverty line. On the other hand, a program that focuses on those households closest to the poverty line, most of whom are typically the transient poor, may have the largest impact on the headcount rate but may miss the structural poor entirely.

14. Poverty targeting may be carried out by a variety of methods. An individual assessment of the person or household can be based on household consumption levels or other, ‘proxy’ indicators of means. 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, conditional cash transfers to poor households in exchange for sending their children to education and/or health facilities. It makes little sense to carry out individual assessment targeting when the benefits are at the village or district level, such as constructing roads or provision of water.
Box 1: Definition of Commonly Used 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
  - **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** – means community involvement in beneficiary selection and benefit delivery. Could be at household level (individual selection) or selection of poorest villages in a district (geographical)

- **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:** the number of non-poor individuals who 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:** the number of poor who are excluded from program benefits (due to budgetary limitations, geographical delimitations of program scope, etc.)
15. Categorical targeting, which includes geographical targeting, relies on easily verifiable attributes of households and communities to direct benefits. For examples, categories like age, gender, presence of a disability, ethnicity, are used to identify households and in some cases communities (i.e. indigenous areas) for targeted interventions. These characteristics are often chosen for their correlation with poverty levels, but are more easily verifiable than consumption or income levels. Geographical targeting belongs to this class of targeting method, with place of residence as a proxy for poverty level.

16. Another method, 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. This method is based on the observation that the tastes and preferences of the poor and the non-poor are not alike. 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 of benefits to the better off since wealthier households are unlikely to work for such small remuneration.

17. A program may use one or more targeting methods to achieve its objectives. A program’s targeting mechanism encompasses the set of targeting methods used as well as the choice of processes and program operating procedures employed to identify, screen and promote effective targeting outcomes (Conning and Keane 2001). For example, a public workfare program may use a poverty map to select eligible communities, combined with less than market wages. The broader targeting mechanism would include whether community counterpart funds are required, which organizations are eligible to apply for funding, and how decisions regarding which type of infrastructure to be constructed are made. 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.

18. Of relevance for community-driven programs is a type of targeting mechanism referred to as ‘community-based targeting’. This type of mechanism involves the community members in beneficiary selection and benefit delivery. The failure of centralized sectoral ministries to effectively reach the poor has led to experimentation with new bottom up service delivery options and poverty reduction mechanisms, that more actively involved the poor and their communities in program design implementation and monitoring. (Conning and Kevane 2001). The selection can be done at either the household level (individual selection) or selection of poorest villages in a district (geographical).

19. In their review of community-based targeting mechanisms – which are often part of CDD targeting mechanisms - Conning and Kenave (2001) identify the advantages and
disadvantages to devolving control over targeting to the local level. Advantages of community targeting include (i) lower administrative costs; (ii) faster set-up where other administrative structures are weak; (iii) better social control and accountability, (iv) better 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) participatory processes can strengthen social capital and community organizations not only harness them with positive external effects; and (viii) disadvantaged groups may be empowered in becoming better able to articulate and press demands, or knowledgeable about other programs, development skills (i.e., opening a bank account). On the other hand, community-based targeting may lead to increased conflict and division within the community. It places high opportunity 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.

20. Beyond the general methods and mechanisms, there are several concepts applied to the evaluation of targeting performance. Programs are often 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, this would not be characterized as a pro-poor expenditure incidence. In this case, the poor are underrepresented. Programs where the poor are overrepresented are ‘pro-poor’, or have a progressive incidence of program benefits.

21. 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. By this measure, better geographic targeting indicators result in lower leakage and lower undercoverage rates:

a) Undercoverage, or Type I error, is when poor are excluded from program benefits. This is basically an indicator of scope of impact. An example would be a program that aims to reach 30 percent of poor, female headed households, but in fact only reaches 20 percent. The 10 percent of eligible households excluded from program benefits represent the under-coverage 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. This is typical of many NGO programs. The challenge to CDD programs is to achieve scale-up to a level that affects national indicators of wellbeing.

Community-based targeting can be used in non-community driven programs as well. For example, a social safety net program the 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.
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), political economy issues including inability of program managers to resist pressures.

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**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 representing perfect equality and 1 total inequality.

**Areas for calculation of the Gini Coefficient**

![Diagram of Lorenz curve and Gini coefficient](image)

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.

**Coefficient of Concentration**

\[
C = \frac{nG}{n-1}
\]

$G$ stands for Gini coefficient.

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22. 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). By ranking individuals, households or geographic units by an indicator of welfare, like poverty level or per capita expenditures, then cumulating the fraction of households and the fraction of resources transferred by different indicators, the results are presented in “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.
B. Conceptual Issues in Poverty Targeting

Why Target?

23. There are many reasons for a Government to seek to target resources to poor communities and poor households. Among these are:
   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 often limited. ‘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.\(^6\)
   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.

24. World Bank projects seek to have an impact on poverty. This can be done either through policies and investments in the broader enabling environment, like macroeconomic strategies, or through the establishment of universal public goods, like primary education and health care or the basic road network, or through targeted interventions aimed directly at the poor to improve their access to infrastructure and services to enable them to develop an asset base sufficient to rise out of poverty. Social funds and other CDD programs have usually been framed in terms of the latter.

25. Box 3 presents a sample of project development objectives of social funds and other CDD programs to illustrate. Project development objectives coalesce around a common theme – reaching the poor and vulnerable. Specific terminology and areas of emphasis vary by country, for example programs may target the rural poor, low-income groups, critically vulnerable, or communities affected by conflict. This focus on the poor and vulnerable obliges program managers to devise effective poverty targeting strategies.

\(^6\) For example, reducing infant mortality by 2/3 is easiest to achieve in the highest infant mortality areas where children typically lack access to safe water, vaccinations and prenatal screening for their mothers, all of which are relatively lower cost interventions which can have large impacts.
Who benefits from public spending is a deeply political question. It goes to the nature of power relations within a society. The general literature on the political economy of public spending around the world is full of examples of spending decisions made not on the basis of technocratic criteria but on calculations of political power, patronage, electoral issues, and favoritism. The world over, power is consolidated by controlling the levers of public spending.

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**Box 3: Examples of Poverty-Oriented Project Development Objectives**

- **Nicaragua Poverty Reduction and Local Development Project.** 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.

- **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.

- **India: Tamil Nadu Empowerment and Poverty Reduction.** The project supports the Government's strategy for reducing 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 Community Driven Development (CDD) approach.

- **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 through a variety of sustainable interventions.

- **Macedonia Community Development Project.** The main objective of the project is to provide support to the Government in its post-conflict development efforts aimed at fostering reconciliation amongst its people, reducing social tensions, and building local social capital. To attain this objective, the focus of the project is on piloting small-scale community-based initiatives in selected demonstration communities under an integrated development framework designed to respond to priority social needs and facilitate the transition from conflict to peace.

- **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 to take charge of their local development.

- **Benin National Community-Driven Development Project.** The project’s main development objective is to test, through a learning-by-doing approach, the implementation of CDD by line ministries, local governments and communities to improve the access of the poorest communities in Benin to basic social and economic services.

Source: World Bank Project Appraisal Documents

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**General political economy issues**

26. Who benefits from public spending is a deeply political question. It goes to the nature of power relations within a society. The general literature on the political economy of public spending around the world is full of examples of spending decisions made not on the basis of technocratic criteria but on calculations of political power, patronage, electoral issues, and favoritism. The world over, 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). Programs that narrowly target benefits on the poorest and most marginalized groups within society may only enjoy the political support of those groups, who by their nature are the least effective at making claims on public resources. In tight budget environments, this can be seen as taking away expenditures from more powerful groups. For example, investments in getting the poorest children into school may be resisted by parents groups more concerned with raising the quality of education for the middle-class students or opening more access to higher education. Analysis of the Maharashtra Guaranteed Employment Scheme, a large public workfare program in India to provide temporary incomes for the poor, 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 form the better-off areas which tended to benefit 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 and mechanism for 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. A donor agency may have a stronger preference for targeting, in part because of their poverty reduction objectives and/or their

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

8 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 broad public services most important to the poor – health and education – are the most vulnerable to these three distortions.
own political constituency that wants to see aid flows have an impact on reducing extreme poverty rather than building up elites. As national governments increasingly prioritize poverty-targeted interventions and set national poverty reduction strategies, their own preference for targeting may be stronger than that of local governments. Local governments may face greater pressure from those communities ‘next in line’ for infrastructure versus the more remote areas. Or, against the great expanse of unmet needs, 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, specific vulnerable groups, ethnic minorities or minority castes.

Who is being targeted?

29. 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 ultimate goal is to reach poor communities or to reach 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, this is usually seen as an adverse outcome.

30. In defining the target population, the terms “poor” and “vulnerable” are often used interchangeably. While they may overlap to a significant degree, these groups are not the same and project development objectives need to draw clear distinctions. For example, vulnerability is typically defined as the ex ante probability of the household to be poor in the next period, given households’ and communes’ assets and likely exposure to risks. So, a household can be non-poor and still be vulnerable because their predicted poverty rate in the future is quite high. This is the case with households that are exposed to various types of shocks that may affect them adversely, like exposure to future natural disasters. On the other hand, a household can experience a momentary downturn but in fact not be vulnerable to future poverty. This is the case of the openly unemployed or ex-civil servants after a downsizing. For these households, given their education and other asset levels, their current poverty status is probably 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, better-off female headed households, etc. In addition, vulnerability in post-conflict countries may mean something much different where the greatest risk to future wellbeing of most households is return to conflict, so a program may want to show that a new government has presence in all areas of the nation and a narrower focus on poor areas is less relevant.

Where are the poor?

31. Most social funds and similar programs use geographic targeting in selecting intervention areas and resource allocations. However there are several conceptual issues in geographical poverty targeting that should be kept in mind in developing geographical
targeting mechanisms. First, the term ‘community’ enjoys widespread use but poses operational challenges. At what geographic scale is the community? 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? The difference may appear subtle but elicit quite different program designs. Moreover, whose demarcations should be used? Boundaries often overlap 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 level may not be candidates for a school, health center, piped water or other infrastructure investments due to resulting inefficiencies in service delivery.

32. In using geographical targeting there are several common pitfalls to be avoided. One of the most common fallacies of targeting is that everyone in rural areas is poor and/or that all poverty is rural. While poverty headcounts and poverty gaps are usually higher in rural areas, it does not necessarily follow that if a program operates in the rural space, poverty targeting is not an issue. First, rural poverty, though high overall, may vary significantly between rural regions. For example, the 2002 rural poverty headcount overall in Senegal was 66 percent, but this varied among the country’s ten administrative regions from a high of 76 percent in rural Kolda to a low of 46 percent in rural Louga. So, even though it remains true that on a national level in Senegal poverty is widespread in rural areas, a random distribution of program resources in rural Louga would be more likely to reach a non-poor than poor person. Second, in many countries, particularly those with higher urbanization rates, while the poverty headcount 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.

33. A further fallacy of targeting is that if you put all of your money in the poorest districts, only poor households will benefit (i.e. no Type 1 errors of inclusion). If this were true, the task of developing targeting mechanisms would stop here, being sufficient to identify the poorest districts or communities and direct all resources to them. Estimates of local inequality have not been available until recently. Recent advances in small area estimation techniques for poverty mapping reveal the risks of this fallacy of geographical targeting (for discussion on this technique see Box 5 in Chapter 3). Using a combination of data from household surveys and national population census, predicted poverty levels are able to be determined for extremely disaggregated units, like districts, wards and sub-districts. This has allowed for analysis of the level of inequality between districts and within districts (Elbers, Lanjouw, Mistiaen, Ozler and Simler 2004). In analyzing data from three countries, Madagascar, Ecuador and Mozambique, the authors found that within community inequality is larger than between community inequality for all three countries studied, even when community is defined as the lowest level of government administration (either commune, administrative post, parroquia or zona), as shown in Table 1.

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9 The concept of community may not be geographical in nature but one of shared attributes, like producers’ organizations or displaced persons.
A further question is whether this within district inequality is true for the poorest communities as well? It could be that most of this within district inequality occurs in the better-off districts and when the poorest districts are chosen, households are pretty uniformly poor in those districts. If poor communities have low levels of income inequality it may be less important for policymakers to incorporate information on inequality into CDD programs. That turns out not to be the case. 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**

<table>
<thead>
<tr>
<th></th>
<th>No of subgroups</th>
<th>Share of total inequality due to within group inequality</th>
<th>Share of total inequality due to between group inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ecuador</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All communities</td>
<td>1,579</td>
<td>58.8</td>
<td>41.2</td>
</tr>
<tr>
<td>Urban</td>
<td>664</td>
<td>76.7</td>
<td>23.3</td>
</tr>
<tr>
<td>Rural</td>
<td>915</td>
<td>85.9</td>
<td>14.1</td>
</tr>
<tr>
<td><strong>Madagascar</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(commune – firi asana)</td>
<td>1248</td>
<td>74.6</td>
<td>25.4</td>
</tr>
<tr>
<td>Urban</td>
<td>131</td>
<td>76.7</td>
<td>23.2</td>
</tr>
<tr>
<td>Rural</td>
<td>1117</td>
<td>81.9</td>
<td>18.1</td>
</tr>
<tr>
<td><strong>Mozambique</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All (administrative posts)</td>
<td>424</td>
<td>78.0</td>
<td>22.0</td>
</tr>
</tbody>
</table>

Elbers, Lanjouw, Mistiaen, Ozler and Simler 2004

**Elite capture**

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. 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. These local elites may be comprised of the traditional leaders (clan chiefs, religious leaders, higher castes, etc.), more recent elites (democratically elected local Governments, national or international NGO representatives), or those that have more effective voice and influence by virtue of economic resources (the wealthier) or education (local teachers, administrators, etc.). In OED’s reviews of CDD and social fund programs, these people are grouped under the term ‘prime movers’.11

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10 As posited in Rao and Ibanez (2003),” it is useful to 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.

11 World Bank OED 2002. The term ‘prime movers’ more generally has been used over time, from Aristotle to Ayn Rand, to denote great achievers or the motors of change in the world.
36. The general views on community dynamics range from a social Darwinist or self-interest oriented 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. In reality, examples of both extremes are easy to find, as well as along the full spectrum between these extremes. The international evidence is far from settled on the extent of and nature of elite capture, and whether it is in fact worse or better with decentralizing control to the community level (Bardhan, and Mookherjee. 1999). Elite capture appears to be shaped by the levels of income inequality, ethnic heterogeneity, accountable governance, social cohesion and a host of other factors. While it is possible to avoid local elite capture by centralizing decision-making and control and to avoid central elite capture by decentralizing it, which in the end is the greater risk depends on specific country and locality circumstances.

37. Programs that operate under the broader CDD approach and therefore seek to vest many decisions at the local level need to be cognizant of the risks of local elite capture, particularly when the programs have expressed intentions of reaching the poor or vulnerable groups. As put forth 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”. Since the participatory nature of these programs requires beneficiaries self-organize into local committees and there are consultative processes put in place to elicit community priorities, community leadership clearly has a decisive role to play. The important issue may not be so much how to avoid elite domination, but how best to use the power and energy of the elite to serve the poor (Narayan, 1995).

What degree of targeting is optimal?

38. 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.

39. However, beyond this, optimal levels of targeting may vary widely based on a number of considerations, including:

a) Level of program intervention (household versus community) – for example a program delivering public goods like roads and schools which do not filter

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12 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 is 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 in the village distribution of income reduced the incidence of the poor in receiving the targeted benefits.
individual household’s access may choose to target poor communities or districts, but not necessarily poor households (since there is no way to exclude the non-poor from access). Conversely, 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.

b) **Scale of program** – a very small program may choose to identify only a few communities in which to operate and so can exclude the better-off districts; whereas a national-scale program may seek a presence in all districts and municipalities and then target the relatively poorer areas within each.

c) **Compatibility with other objectives** – 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 only the poor.

d) **Political considerations** – 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 only to rural areas.

e) **Data limitations** - Fine-tuning targeting may be hampered by lack of data, including the lack of timely information or availability at reasonably disaggregated levels.

f) **Administrative cost** – the cost of developing more stringent targeting mechanisms, like screening of income levels of beneficiary households or fielding a national household survey or participatory rural assessments to identify individual target households in every village, may be prohibitive.
Chapter 2: Summary of Social Fund/CDD Performance in Reaching the Poor

A. General targeting performance of public spending

40. To design effective targeting strategies it is useful to look at the evidence on program performance to date. In theory, every World Bank project should be able to say something about who they reach. In practice, most have limited analysis of geographical targeting (i.e. share of resource going to the poorer areas compared to non-poor areas) and rarely assess household poverty levels of beneficiaries in a robust manner. Most projects do not include targeting performance within key performance indicators nor flag targeting errors within the project risk section of the Project Appraisal Document. This is true of both CDD and non-CDD projects. The general assumption is that programs that say they are serving poor communities and households in fact are reaching their intended beneficiaries.

41. Evidence shows that such optimism is unwarranted. In general, public spending tends not to be pro-poor. 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, sector spending patterns are typically regressive overall, benefiting disproportionately the better-off households.\(^\text{13}\) Even within targeted programs, actual performance may not match program goals. In a recent study on poverty-targeted social programs, a worldwide dataset on the targeting results of 122 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 (Coady, Grosh and Hoddinott 2004). Of note in the analysis, there did not appear to be any one type of program or targeting method universally superior to the others (see Box 5). In fact, the only clear findings were that using more than one targeting method increased targeting performance and that no matter how good the choice among methods or mechanisms, effectiveness of implementation was a key factor determining targeting performance.

\(^\text{13}\) 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. This is a consequence of the fact that in most developing countries poorer families tend to have more and younger children, and that poorer 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), 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.
These more general findings on targeting provide a useful context to appreciate the general challenge of getting resources to the poor. What about specific social fund performance? Data on targeting performance can be viewed at three levels: (a) the ability of a program to reach poor communities (geographical analysis); (b) the ability to reach poor people (household level analysis); 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 Domelen, 2004). More recent information on specific country outcomes is incorporated below where relevant.
B. Geographical targeting performance

43. 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 in absolute terms (Figure 1), although when taking the cumulative from inception results this was often only modestly. However, in all cases, results improved over time (Annex C: Statistical Annex).

Figure 1: Geographic distribution of resources has generally been progressive

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.

14 The only slightly regressive finding is for Armenia, where some of the better-off regions got more than their fair share based on poverty rankings. 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.

15 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).
More recent results confirm the tendency toward pro-poor geographical targeting. For example, a 2005 World Bank study of rural Senegal (World Bank XXX) compared the geographical targeting of the main sectoral and multi-sectoral rural development programs. The study found that the best performer was the social fund (ADFS) which allocated 93 percent of its resources to the poorest quintile rural municipalities 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 (Figure 2). 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 and civil society which had a strong base in the poorest districts.

Figure 2: Senegal: Comparative Geographical Targeting Performance of Rural Programs
Both in the earlier as well as more recent findings, in all cases the very poorest districts or provinces received at least their fair share based on poverty ranking. For example, the ten percent of population living in the poorest areas received 10 percent in Zambia, 25 percent in Peru and 62 percent in Senegal of cumulative program resources. This refutes the oft-heard caveat of demand-driven programs that the poorest districts lack the capacity to participate.

A further finding of note is that there is typically a high variation in per capita spending among districts, even when looking only at the poorest districts. For example, in Zambia, the Social Recovery Project investments among the poorest districts ranged from US$1.60 to US$12.90 per capita through the end of 1998. There are both demand-side and supply-side factors that explain this outcome. On the demand-side, no community is obliged to present proposals, communities self-select. For example, some communities may wait to see the outcome of a neighboring community’s participation in the program before deciding to organize. 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. And lastly, even using poverty maps, without pre-set allocations at the level of districts or municipalities, political considerations can enter into determining which among poor districts is better strategically to invest in.16

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

a) evolution of program goals as objectives shifted from emergency to longer-term poverty reduction objectives and poverty targeting is taken as a more explicit program goal,

b) 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 in for form of NGOs or grassroots community-based organizations are often active beyond the reach of the centralized or even deconcentrated/decentralized agents of the State,

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16 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 technical criteria. FONCODES displayed high variation in per capita FONCODES 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.
e) an increase in demand responsiveness as more risk averse or remote communities saw that programs fulfilled their promises of financing, and
f) exogenous factors like fiscal decentralization in the case of Bolivia, which enabled poor municipalities to increase their effective demand for social fund financing by being able to hire technical assistance or provide greater counterpart resources.

C. Household level targeting performance

48. There are two main ways to measure household targeting performance. First an absolute performance measure would compare the poor versus the non-poor to determine how many beneficiaries where above or below the poverty line (or the extreme poverty line). And second, a relative measure looks at the distribution of beneficiaries or program resources across the country’s income or consumption spectrum. Data on household targeting performance is limited. In terms of the absolute poverty measures, i.e. comparisons of beneficiaries to the national poverty lines, 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 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>
<thead>
<tr>
<th>% of SF beneficiaries below poverty line</th>
<th>Honduras</th>
<th>Nicaragua</th>
<th>Peru</th>
<th>Zambia</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of national population below poverty line</td>
<td>58</td>
<td>55</td>
<td>66</td>
<td>71</td>
</tr>
<tr>
<td>% SF below extreme poverty line</td>
<td>16</td>
<td>18</td>
<td>23</td>
<td>57</td>
</tr>
<tr>
<td>% national pop. below extreme poverty line</td>
<td>11</td>
<td>17</td>
<td>20</td>
<td>56</td>
</tr>
</tbody>
</table>

Source: Rawlings, Sherburne-Benz and Van Domelen 2004

49. In terms of the relative distribution of beneficiaries across the consumption range, Figure 3 presents concentration curves from the six country impact evaluation and Figure 4 from a more recent impact evaluation of the Yemen Social Development Fund. The earlier results show not much positive discrimination towards the poor, but not much exclusion either. The data does not allow for an assessment of whether household targeting, like geographic targeting, also improves over time. The newer data on the Yemen Social Development Fund shows a positive discrimination of resources to the lower-income households, with the bottom 10 percent of households receiving 17 percent of program resources. This measured outcomes for project concluded about ten years after (1999-2002) the establishment of the program (in 1991).

17 Given the previously discussed regressive tendency of public spending in general and many social programs in particular, this relative success at reaching the poor should not be overlooked. In the six country study, the 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).
Figure 3: Household targeting: neutral to mildly pro-poor

Figure 4: More progressive in more recent results for Yemen
50. As with geographical targeting, the poorest of the poor received at least their relative population share, showing again no systematic exclusion of benefits by the very poorest households. While this calls into question some of the concerns about elite capture of benefits, it is worth noting that the programs were not very successful in limiting beneficiaries among the upper income deciles. There are several possible contributing factors, the most obvious of which is that these programs finance public goods with broad public access. Once a school or road is built, anyone can use it. Therefore, household poverty targeting results of such programs will always show a certain degree of error of inclusion or leakage to the non-poor for these types of infrastructure. The evolving evidence on the high degree of inequality within small geographic units lends further caution to limit the expectations of household targeting performance for public good community infrastructure.

51. Where one sees the greatest variation in household targeting results is not between countries or programs, but between the type of sub-project. In the Yemen example given above, rural roads and water projects were more pro-poor than education and health, though the latter were also strongly progressive. In contrast, microfinance programs tended to benefit disproportionately better-off households. These differential household targeting results by type of sub-project was also a strong conclusion of the six country impact evaluation (Annex C: Statistical Annex). Latrine users tended to be poorer than other types of beneficiaries. Health centers were also relatively well targeted to poor users, reflecting the general use patterns of health services, with primary health centers – typically the only level of facility eligible in these programs – catering to lower-income groups. Education and water projects were generally pro-poor, although less so than latrines and health centers. And sewerage investments were regressive. Because of this difference in patterns of household infrastructure use by poverty level, the issue of preference targeting becomes a greater issue since a community choice could be either more or less pro-poor in the final utilization patterns of the services.

D. Preference Targeting

52. Beyond the fact that poor communities and households had access to program benefits, 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 the same results can be interpreted differently. 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 ex-ante through household surveys, and then

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18 Geographic and household targeting results are not directly comparable in the six-country analysis. They correspond to different time frames. In addition, the geographical analysis uses the entire portfolio, whereas the household analysis since its primary goal was to measure impact, 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.

19 Largely because sewerage is installed in neighborhoods with existing water connections, typically the more established urban neighborhoods, 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) which is out of reach for poorer households.
compare this to what is eventually implemented. So far, this type of analysis is not available. 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.

53. Some findings are common to all of the studies done to date:
   a) All studies converge with the finding of high levels of satisfaction of households, including poor households, with the project chosen (Mansuri and Rao 2003, Rao and Ibanez 2003, Owen 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.20
   b) There is a wide diversity of perceived priorities within communities. Of households perceived priorities 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. What this points to is that in almost all cases, the project chosen will never reflect the priority of the majority because there rarely is a ‘majority’ view. In the absence of this natural consensus, the process in place to manage the identification process becomes all the more important.

54. Where performance is less clear is in the relative ranking of projects chosen and in levels and equity of the participatory processes. For example in their study of Jamaica, the authors found that the top priority as queried through recall questions was chosen in only two of the five communities studied. This finding is not found consistently across countries, however. 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, in-depth qualitative work in villages found that 83 percent of new social fund projects corresponded to the community’s top priority, but only 67 percent of on-going or completed projects did.

55. There may be multiple reasons why a top priority is not always the one chosen, including both reasons related to elite capture and reasons related to community strategic thinking.21 In terms of elite capture of the process, there is relatively consistent evidence

20 Ex post beneficiary satisfaction is not necessarily a reliable indicator of ex ante preferences. Studies need to be carefully designed so that it will be apparent when beneficiaries think, “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)
21 In Honduras, focus group interviews in those few communities where the top priority had not been financed queried the reasons and community dynamics behind the actual selection. To highlight: in the village of La Empalizada in Olancho, 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
that community leadership plays a critical role, but it is less clear whether this is for good or for ill. In one review of beneficiary assessments done in eight countries, a common finding across countries was that “behind a community’s more passive or active posture in the world is the existence of effective leaders. Community leadership paws a crucial factor in being able to effectively present and execute projects...Moreover the type of leadership is important”, citing that different types of leadership could be more or less inclusive and participatory (Owen and Van Domelen 1998). On Jamaica, Rao and Ibanez conclude that “better off, better networked individuals seem to dominate the participation process and receive their preferred project. Participation seems to have been restricted to a small group of active individuals who were close to community leaders and were highly motivated. 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”.

56. There is also some evidence that the preferences of the poorer households may not always be reflected in the final choice of investments, depending on local conditions. In the Jamaica study, found that households with higher economic status, lower family size, permanent residents of the community, 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 (Rao and Ibanez 2002) In recent analysis in Ecuador, the role of local inequality is explored in terms of its impact on the type of investment chosen. Using the parroquia level, the authors look at latrine projects because they are both overwhelmingly used by the poor (and only the poor typically want them) and they are more of a private good in nature, constructed in a family house of compound and to open to general public use. Since the rich do not want and would not benefit from latrine investments, the authors posit that greater levels of income inequality would tend to exclude latrines form being chosen. The data bear this out, with the analysis concluding that, given a particular level of poverty, communities that are more unequal are more likely to implement FISE projects the produce public goods and to not chose latrines (Araujo, et. al. 2005).

ministry for hiring personnel to staff the center. In Marale, in Francisco Morazan, 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 the ex-mayor, the sewerage project was chosen in order to take advantage of the additional resources from a Swiss fund, which was limited to this type of project. *ESA Consultores (1999)*
Chapter 3: Social Fund/CDD Targeting Methods and Mechanisms

A. Matching Targeting Mechanisms to Program Objectives

57. There is no ‘one size fits all’ targeting strategy. Poverty targeting mechanisms should be simple, explicit, monitorable and based on agreed upon, objective criteria. The mechanism should be transparent and ensure that project resources reach the intended communities and/or households. 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, democracy and governance factors, the demographic profile (including presence of ethnic minorities) and a host of other local factors. Moreover, a program’s targeting mechanism may change over time in response to evolving objectives, adjustments based on targeting performance feedback, availability of resources, development of new data sources, evolving political economy issues, 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 performance.

58. Design of a targeting mechanism should be explicitly linked to a program’s objectives. For most social funds and CDD programs there will be three standard pillars of a poverty targeting mechanism:
   a) Geographic targeting
   b) The menu and eligibility criteria
   c) The inclusiveness of the participatory process

59. The relative importance of any one targeting method will depend on these objectives. As presented in Table 3, for programs that seek to address infrastructure gaps in underserved areas or to promote decentralization and increased local government capacity, the importance of using geographical maps that correspond to local districts or municipalities is high. Maps are also important for allocating resources in an equitable fashion in post-conflict settings. If the ultimate objective of a program is more oriented to the household level, poverty maps will be less effective in ensuring good targeting performance, and issues like having a pro-poor menu of investments and eligibility criteria come to the fore. 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, poverty maps’ usefulness will be limited and inclusion of specific types of projects (like literacy training, or a conditional cash transfers) as well as ensuring that the participatory processes identify these groups and their priorities will be very important. If the goal of a program is to empower the poor, a participatory and inclusive process is of utmost importance. Since social fund and CDD programs usually have multiple objectives, the use of several targeting methods is
necessary to optimize targeting results. This also serves to better control for the limitations of any one method.\textsuperscript{22}

Table 3: Relative Importance of Targeting Method vis a vis Program Objectives

<table>
<thead>
<tr>
<th>Program Objective</th>
<th>Geographical – Poverty Maps</th>
<th>Menu and other Eligibility Criteria</th>
<th>Inclusive /Participatory Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reach poor or poorest communities, underserved areas (geographical)</td>
<td>HIGH</td>
<td>MEDIUM</td>
<td>LOWER</td>
</tr>
<tr>
<td>Improve access to social and economic infrastructure by the poor</td>
<td>MEDIUM</td>
<td>HIGH (e.g. pro-poor infrastructure prioritized)</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Create temporary employment for vulnerable groups</td>
<td>LOWER</td>
<td>HIGH (e.g. wage rate)</td>
<td>MEDIUM (e.g. worker selection)</td>
</tr>
<tr>
<td>Improve welfare of vulnerable groups</td>
<td>LOWER (e.g. not identifiable on poverty maps)</td>
<td>HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>In post-conflict setting build social capital and prevent recurrence of conflict</td>
<td>HIGH (e.g. to ease tensions over resource allocation)</td>
<td>LOWER</td>
<td>HIGH</td>
</tr>
<tr>
<td>Build the capacity of local Governments, support decentralization</td>
<td>HIGH (e.g. to give local government predictable resource flows)</td>
<td>LOWER</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Build capacity of community groups, empower the poor</td>
<td>LOWER</td>
<td>MEDIUM</td>
<td>HIGH (e.g. to ensure poor have a voice)</td>
</tr>
</tbody>
</table>

B. Geographic Targeting Mechanisms

60. Geographical targeting is the most common form of targeting method used in social fund and community-driven programs. Geographical targeting is used in a variety of ways:

\textsuperscript{22}Combining multiple targeting methods into a composite targeting mechanism was found to improve performance in the worldwide review of poverty-targeted social programs, with each additional method improving targeting outcomes by 15 percent (Coady et. al. 2004).
a) 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 enters in rural communes with the lowest ranking on the map of commune basic infrastructure levels. The Northeast Brazil project uses poverty maps to identify eligible municipalities. To illustrate the relative use of geographical targeting, FONCODES in Peru ranks districts by poverty level and then gives preference in the queue to project requests coming from the poorer areas.

b) To transmit national policy priorities. Geographical targeting can identify priority zones that may not be poverty-based but rather 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 departments 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, damage from extreme weather (cyclones and hurricanes) resulted in social funds in those countries being asked to orient their investments to those zones.

c) To develop pro-poor resource allocation targets. The nature of these programs – that they are demand-driven with the actual allocation of investments and level of community response not known beforehand – requires that there be some rules of the game set for future resource allocations. Poverty maps are commonly used to help develop these resource allocation targets. Resources are then allocated in inverse proportion to average welfare, so that poor regions receive higher per capita transfers than better-off ones (e.g. Nicaragua, Armenia, Malawi –see country case study annexes).

61. Geographical targeting has several advantages. It is relatively low cost and administratively easy. 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. 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 whereby the more capable communities can 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 activities. And, in the context of decentralization, having municipal allocations known up-front promotes more predictable resource flows for local governments to build their planning around.

62. 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 disaggregated enough to be of much value as a poverty predictor. For example, poverty maps at the regional level, where regions include both urban and rural areas and large population sizes, do little to help identify the poorest communities. Even at the most disaggregated levels available, arrived at using small area estimation techniques, the smallest geographical units hide significant income and
consumption inequalities within districts. And, Governments may not have the political will to follow through with pro-poor resource allocations, even when a good map exists.

**Which map?**

63. General guidance in selecting a poverty map includes:

   a) 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.

   b) 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.

   c) A program should seek the **most disaggregated geographic poverty map** available. Ideally, this would be at the lowest administrative level of the country (see Box 7 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.

   d) It is advisable to **use only one map**. Developing separate sectoral maps has several problems. First, it confuses the global resource allocation function across districts. It is more transparent to have one allocation per district or municipality rather than separate sectoral allocations. And, more importantly, 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 coverage, for instance the existence of a primary school, but the community may prioritize an education investment, like adding teacher housing or sanitation facilities to the school or its rehabilitation.

64. Does the particular map matter to targeting outcomes? The answer is yes and no. Yes, in the sense that the more disaggregated, the more likely to reduce the theoretical leakage rates. For example, in looking at Peru, Schady (1999) finds that moving from no targeting (i.e. straight per capita allocations) to basing resource allocations on 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). And, poverty maps can be erroneous or poorly constructed. For example, an analysis of alternative geographical indicators in Peru
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 household survey data comprised of 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. The World Bank team provides technical assistance and capacity building, as well as software tools, to facilitate application of this methodology. An example of a small area estimation map is provided below for Madagascar:

Source: Jesko Hentschel, Jean Olson Lanjouw, Peter Lanjouw, and Javier Poggi “Combining Census and Survey Data to Study Spatial Dimensions of Poverty”
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, in large part because it gave extra weighting to provinces with large absolute numbers of poor which tended to reward large urban areas.

65. However, the selection of one map over another is not the most important variable in successful geographical targeting for a number of reasons. First, barring any significant error in the map, there is a great deal of convergence and overlap between different indicators of poverty. The use of composite measures can reduce the relative significance of any single indicator. Second, the large amount of within district inequality means that the challenge of accurately targeting poor communities, villages and neighborhoods exists below the level of the poverty map and so other methods beyond poverty maps will be important to the ultimate targeting outcomes. And, finally, the map only sets a reference framework. The resources that are actually allocated between geographical units will depend on political will, the resource allocation 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.

66. There may be instances where there is no viable poverty map available. In such settings, several alternatives are available. First, 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 such 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

67. An important step in geographical targeting is determining target resource allocations. This combines knowledge about which zones are poorer than others with the relative intensity of a program’s targeting preferences. The relative share of program resources intended for the poorest districts or municipalities could be only slightly more than their per capita share or it could be multiples of their per capita share, both of which would lead to pro-poor outcomes but the latter would be much more progressive. The relative preference for poverty targeting is a political economy issue rather than a technical one.

68. Figure 5 shows the concentration curve that would result from the target (not actual) resource allocation from three different programs. In the case of ASIF II in Armenia, the target regional allocations are very close to the per capita allocations, with only a slight weighting towards the poorer regions – for example the poorest marzes representing 17 percent of the nation’s population are targeted for 19 percent of ASIF II resources. In Macedonia, this population share is slated to receive almost 30 percent of

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23 Setting a pro-poor resource allocation is particularly important in programs that cover all municipalities or districts. For programs that pre-select only the poorest districts, a simple per captia allocation would be sufficient.
program resources. And in Nicaragua, where resource allocations are even more progressive, the poorest municipalities receive more than twice their population weight (e.g., severe poverty municipalities represent 12 percent of the population and 29 percent of resources). This difference reflects a number of factors. Income inequality is higher in Nicaragua and the Government has instituted a number of targeting objectives to its public investments. The social fund there has operated for over a decade, becoming more pro-poor over time as its role has shifted to supporting the poorest areas catch up. Armenia has a more equal distribution of income and the ASIf has had broad reconstruction and rehabilitation objectives following the earthquake and economic crises. In Macedonia, the social fund is quite new and has as a prime objective to diffuse ethnic and social tensions, requiring a broad distribution of resources so that all regions feel implicated.

Figure 5: Relative Weight of Geographical Resource Allocations by Poverty Level. Selected countries
Two-Stage Geographical Targeting

69. Several programs have used two-stage levels of 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 second methodology 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.

70. 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 poorer provinces or districts may be less good at prioritizing poorer communities within their boundaries than are better-off districts. An objective process to ensure that the poorer communities within poor districts are prioritized can help correct this tendency (Ravallion 1998).

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

a) Macedonia Community Development Project (CDP): The geographical targeting mechanism is built on a two-staged approach, which includes a regional allocation as well as a second level targeting within regions, based on data obtained from a comprehensive community mapping and profiling exercise. The objective of the regional allocation is to ensure equity in the use of CDP funds within the post-conflict context of the Former Yugoslav Republic of Macedonia – and to mitigate political pressures. The regional allocation is based on population and a composite poverty-conflict index. As for the local community targeting, within each region detailed criteria were used by the CDP PIU 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 which ranked municipalities based on several criteria (number of households receiving state benefits, unemployment rate, rural versus urban and income averages). Municipalities (excluding Skopje) were initially grouped into three clusters and pilot municipalities. These clusters have, in effect, defined the time frame for carrying out CDP project activities. CDP outreach and capacity building activities were first concentrated in Cluster 1 and then extended to Cluster 2 municipalities. Within each cluster, project funds are being provided only to the needy communities, based on community profiling, proposals presented, and microprojects that meet the final project selection criteria of the CDP PIU.

b) Brazil Northeast Ceara Rural Poverty Reduction Project: Geographic poverty targeting is done by levels: (a) geographically by poverty level and other characteristics of the municipalities; (b) geographically 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 covering a population of 4.1 million (out of 6.3 million state population) mainly rural with the highest rates of indigence and federal dependency ratio. 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. Based on this criterion, 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 in the composite indicator. Within each province, in rural areas poor communities were eligible if they were located in a district with at least 40 percent of the population initially selected the poorest provinces in the northern region of the country as eligible. To prioritize ‘deprived’ neighborhoods’ within urban areas, FOPAR used a community-based targeting mechanism whereby Participatory Provincial and Municipal Councils, with mixed representation from province and municipal government, NGOs and community associations and local universities, identified eligible neighborhoods.

Managing resource allocation adjustments

72. Governments may have several reasons to deviate from a straight resource allocation formula. In establishing the initial resource allocations, one reason to adjust funding levels to selected regions may be the presence of other donor programs. Another may be to correct historical imbalances that have favored the capital city area, with a separate and smaller per capita allocation (or none) determined for that particular 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 allocation calculations. For example, in the case of the Yemen Social Fund, the geographical targeting resource allocation formula is not applied to the cultural heritage portion of the program’s funding, which is specifically oriented to preserving the country’s architectural heritage.

73. One frequent implementation issue facing program managers is how much flexibility to build into geographical resource allocations. During implementation, resource allocation targets may need to be adjusted. One challenge programs often face is the different pace of implementation (both due to demand and due to capacity) 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. A range of flexibility can be built in, including reserving a percentage of program resources to reward, for example, those municipalities that are both poor and good performers.

C. The Menu and Eligibility Criteria

Menu of Eligible Investments

74. As seen in the empirical results presented in Chapter 2, the type of investment can affect household poverty targeting outcomes. When developing a menu of eligible investments, there are two characteristics that can affect targeting results. First, whether there is a high or low propensity of use by the poor. For example, latrines as considered an ‘inferior’ sanitation solution and so their use is most concentrated among the poor. 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, and 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 by nature). Certain kinds of private goods may have a higher risk of capture by local elites (like microfinance and income generating projects).

75. The division of investment types between high and lower propensity of use by the poor and along the spectrum of public versus private goods is presented in Table 4. 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 first 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, sewerage and the like. Most SF/CDD programs have sought to exclude these types of items from the menu, with the exception of sewerage.

76. 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. The example from Ecuador where the more unequal the income distribution in a district, the less likely a pro-poor,

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24 A public good is defined as a good (or service) where access is ‘non-excludable’ (i.e. open to all). A private good, on the other hand, 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. Thus, the term public good is usually 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
private good like latrines would be selected is instructive (Araujo et. al. 2005). The participatory process should anticipate this potential exclusion and explore what the priorities are for selected vulnerable groups (like the extreme poor, landless, women, etc.) and that these get integrated into community demands. 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 and to benefit from them. This is particularly true of the capture of any income generating opportunities. Here, other 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).

Table 4: Poverty Targeting and the Menu of Eligible Interventions

<table>
<thead>
<tr>
<th>Public Goods</th>
<th>Private Goods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Higher propensity of use by the poor</strong></td>
<td><strong>Latrines</strong></td>
</tr>
<tr>
<td>Primary health care</td>
<td>Informal savings clubs</td>
</tr>
<tr>
<td>Primary education</td>
<td>Literacy classes for women</td>
</tr>
<tr>
<td>Rural secondary roads</td>
<td>Backyard poultry production</td>
</tr>
<tr>
<td>Water supply – Standpipes</td>
<td></td>
</tr>
<tr>
<td><strong>Higher propensity of use by the non-poor</strong></td>
<td><strong>Irrigation</strong></td>
</tr>
<tr>
<td>Water supply – house connections</td>
<td>Micro-finance</td>
</tr>
<tr>
<td>Hospitals</td>
<td>Agricultural extension for high-value crops</td>
</tr>
<tr>
<td>Secondary and higher education</td>
<td>Community-based health Insurance</td>
</tr>
<tr>
<td>Highways</td>
<td></td>
</tr>
<tr>
<td>Sewerage</td>
<td></td>
</tr>
</tbody>
</table>

77. Some programs have moved to the idea of a ‘negative’ list, allowing any priorities that the community may identify except a select list of items like purchase of land, construction of administrative or religious buildings or purchase of vehicles. The idea is to maximize opportunities to use local knowledge and open efforts to reduce poverty to investments beyond the standard infrastructure menus. However, this may work at cross purposes to improved targeting outcomes since more open menus may allow better-off households and communities to capture benefits. To address this, program managers could place selected non-poor items on the negative list (like sewerage). At the very least, for investments that tend to benefit the better-off, developing more rigid screening criteria including vulnerability criteria or demographic or other proxy indicators for households benefiting from irrigation, microfinance or other potentially regressive investments may help to reduce leakage.

Eligibility Criteria

78. Beyond the menu of sub-project types, there is a range of eligibility criteria that may hinder or promote targeting outcomes. Those criteria that may inadvertently exclude the poorer segments of society include:
a) **Community size:** Some programs have established a minimum community size, like a village must have at least 200 people (e.g. Peru) to receive an investment, mainly due to concerns over cost effectiveness of investments. However, the smallest, most remote rural communities are often the poorest. While a small village may not have enough children for a classroom, it may be large enough for another type of project. It is preferable to use specific sectoral criteria (like minimum number of students or minimum population for a health post) and general cost-per-beneficiary thresholds to determine investment efficacy rather than exclude by village size.

b) **Legal issues:** Some programs require evidence of land title prior to infrastructure investments 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 cadasters, 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.

c) **Capacity and experience of intermediaries.** For community groups and NGOs to act as intermediaries, there is often a minimum number of years of experience necessary to present proposals. This is meant to guard against opportunistic behavior of NGOs forming simply in response to availability of funds. It can also prevent new community associations being spontaneously formed to undercut or compete with existing structures in response to project incentives. However, it can also mean that vulnerable groups, like disabled persons or victims of conflict, have less means of forming into community-level associations often necessary to participate in projects. At the municipal level, program rules that require certain measures of municipal capacity to participate may exclude the poorer municipalities as they tend to have fewer staff and less training than the larger municipalities.

d) **Cost recovery and user fees.** Policies aimed at promoting sustainability can affect targeting performance. For example, the level of user fees associated with a given water supply technology can determine who has effective access. Water supply systems based on piped house connections may not be affordable for poor households whereas systems of village wells or public standpipes can prove more pro-poor utilization. In another example, Figure 6 shows the targeting outcomes for sewerage projects in Honduras, differentiated between households that were potential beneficiaries, i.e. sewerage lines were built in their neighborhoods, and those that were direct beneficiaries, i.e. those households that made the private investments necessary to hook-up to the system. As the chart shows, these fees created an invisible barrier to utilization by the poorer households, with a more pro-poor distribution among potential than actual beneficiaries. 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 some of the additional costs associated with an investment (like sewerage connection fees).

**Figure 6:**

Honduras

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**e) Counterpart funding rules:** Most social funds/CDD programs require a minimum community counterpart contribution in order to ensure community ownership. Some programs have varied the level of counterpart funding either by type of sub-project or by poverty level. The Brazil Northeast rural development projects, productive subprojects which are closer to private goods require 20 percent contribution, versus 15 percent for economic infrastructure 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.25

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25 The minimum co-financing requirement can also be used to incorporate national priorities into the program, as reported in Binswanger and Nguyen (2003). In Mexico, for example, many municipalities started to build basketball courts, an eligible expense, but not high on the national set of priorities. The co-financing requirement for these community-projects was increased significantly and most municipalities shifted resources to other projects. Eventually a co-financing matrix set different co-financing requirements for different project types and adjusted them to the marginality of the municipality.
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 (for example, 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, or to borrow for "non-productive purposes" in times of crisis, by the opportunity 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

80. While most CDD and social fund programs do not have the intention of being full-scale ‘workfare’ programs, many do have employment creation objectives. Specific target groups may include the unemployed, public sector workers who have been retrenched (reaching unemployed miners was the original objective of Bolivia’s Emergency Social Fund), rural landless etc. Specific times when employment benefits are particularly important include in times of economic crisis (like with Argentina’s workfare program Trabajar to address high unemployment periods), to assist during the combatant reintegration process in post-conflict settings (as with Sierra Leone’s NASCA), or to help vulnerable rural households during the ‘lean’ season or in the face of drought (Malawi’s MASAF program).

81. To address employment objectives, labor intensity and wage rates need to be addressed explicitly within the menu and eligibility criteria of a program:

a) Labor intensity: The greater the labor intensity, the greater the number of people benefitting form employment-derived income transfers per unit of investment, the lower the errors of exclusion. Design options to promote employment benefits, where temporary income transfer is part of program objectives, 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).²⁶

b) Wage rates: International experience suggests that the most appropriate policy for ensuring good targeting of wage benefits to the poor is to set wages no higher than the ruling market wage for unskilled labor (Subbarao 2001). In many countries, this is below the official minimum wage which may be a problem for government-financed programs. However, most programs that have safety net objectives have been granted some form of waiver from minimum wages where these would cause mis-targeting of resources to the non-poor. In the case of Argentina’s Trabajar program, some 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. There has been some indication that 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 people away from

²⁶ International benchmarks for labor intensity show a wide range, also reflecting a tension between employment and infrastructure goals. Typically in low income countries, labor intensity varies between 30 to 60 percent. In the Korea workfare program labor intensity was 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.).
economic activities while at the same time offering an adequate level of remuneration to tackle poverty.

D. Building Inclusive Processes at the Community Level

82. The process rules whereby community priorities are identified, community project committees formed and projects implemented and monitored can have a bearing on the success of a poverty targeting mechanism. 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 stated priorities. Performance is based on both the nature of power relations within a community and the structure of the participatory processes set up by a social fund or other community development program. These power relations define the nature and level of risk of elite capture within any community.

83. There is a wide spectrum between consulting the poor, incorporating the poor as participants within a process, transferring resource and control to them or permanently changing the nature of power relations within a community. There are also widely differing viewpoints on the appropriate place on that spectrum that a community-driven program should be located. Incorporating the opinions and preferences of the poor raises the likelihood that a given investment will be used and maintained. This is a technical perspective that seeks to maximize the impact of an investment and is reflected in much of the participatory development experience. Going beyond participation, most CDD programs seek to transfer a degree of control to the community level, through some combination of greater voice and choice in the type of investments as well as direct community management of resources and contracts. Others seek permanent changes in social and economic relations at the local level. 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 resources. Changing these structures and breaking down social divisions often requires challenging established structures and mobilizing the disadvantaged. Mansuri and Rao (2003) echo this sentiment in their call for CDD programs to be ‘transformative’.

84. 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. Process design will depend on a great number of local factors, including an appreciation of who is likely to be seeking rents (contractors, the local elite, certain ethnic groups, NGOs, local program officers, local government), overall program objectives, level of experience of local actors with participatory approaches, level of risk presented by the project menu (public versus private goods, etc.), local income inequality and social structures and a host of other factors.

85. How to set up rules of the game that limit rent seeking and empower the poor? An essential element is to clearly transmit the targeting objectives of the program to the local level. It should not be taken for granted that local actors share the same targeting
concerns as the national level or donor agencies. Therefore, initial communications from the program should seek agreement with actors on the level of poverty targeting objectives, including how the target group is defined and by what monitoring indicators targeting performance will be measured. This is true for both programs that work directly with community groups as well as those that support local governments.

86. Specific design options will depend on where a program’s objectives fall in the continuum between participation and social change. In looking at the issue 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 project cycle: (a) community mobilization and needs identification; (b) formation and functioning of community management committees; (c) social control mechanisms.

**Community Mobilization and Needs Identification**

87. 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. Not all participatory methods do this. 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).

88. There are generally three aspects to the up-front community mobilization activities: (a) conducting a facilitated community needs assessment using participatory rural appraisal or other techniques to develop local knowledge about key stakeholders and local conditions; (b) hiring field facilitators or promoters 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, beneficiary participation in the identification of projects was better where there is both a formal mechanism (like a community assembly) and where community committees are eligible to execute projects directly (Owen and Van Domelen 1998).

89. There are many methodologies and variations on methodologies that have been used to mobilize communities and assist them in developing investment priorities. These methodologies encompass different aspects of social analysis, including stakeholder consultation, probing of civil society organizations and capacities, and discussion of local

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27 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).
understandings of poverty-related issues. They often serve as the initial entrée to a community and seek to spark local stakeholder interest in participating in the program. Some of these community mobilization processes are one-off exercises oriented to prioritizing investments within a specific program, and others have a broader mandate to develop holistic community investment plans. A common approach is Participatory Rural Appraisal, which has been used by many social funds and CDD programs (see Box 10). This is more typical of programs that work directly with community groups. But, there is a growing body of social funds that are seeking to adapt these bottom-up planning approaches within a more coherent decentralization framework by embedding them within municipal government planning processes (see Box 11 on Honduras experience).

Box 7: Tools for Pro-Poor Community Mobilization and Needs Identification

Participatory rural appraisal (PRA) is a label given to a growing 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. The purpose of PRA is to enable development practitioners, government officials, and local people to work together to plan context appropriate programs. The whole process typically takes several weeks. A series of open meetings (an initial open meeting, final meeting, and follow-up meeting) 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.

To ensure that poverty targeting considerations are effectively incorporated into PRA and other community mobilization techniques, the following should be considered:

- Attention to who participates in the community meetings interviews to insure that women, minorities, the extreme poor, and vulnerable groups (widows, disabled, etc.) are represented
- Separate focus group interviews with various marginal groups (like the landless, female-headed households, ethnic minorities) in situations where they might be less likely to attend or to speak out in general village meetings
- Use of wealth ranking to tap into local knowledge of poverty and inequality. Ranking exercises such as these can lead to frank group discussions on poverty-often a sensitive and difficult topic.
- Discussion of poverty and vulnerability as a broad community issue with locally-developed indicators for who is most needy and what are the more severe conditions of poverty (e.g. landless, without family relations, unable to work, unable to feed family, etc) which may vary by place.

Useful References:
Box 8: Honduras Social Investment Fund – Building Pro-Poor Participatory Processes within Municipal Planning

The Honduras Social Investment Fund (FHIS), initiated in 1990, is one of the oldest social investment funds in Latin America. FHIS 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 a given municipality in an equitable, just and targeted manner, favoring the areas of greatest poverty and prioritizing social 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. This methodology included criteria to rank priorities in terms of impacts on gender, level of deprivation of that community compared to others (levels of infrastructure), number of people affected, etc. 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 evaluation was carried out that identified aspects that were successful, including:

- **Facilitation** – Technical assistance and external monitoring were critical to credibility and transparency. The selection and training of local facilitators tapped into local knowledge. The training of community leaders in conducting assemblies has had spill-over benefits.
- **Transparency** – Participants were highly appreciative of the system of voting on priorities according to objective criteria as a more transparent process than many local decisions.
- **Gender Inclusion** – Women’s participation in decision-making increased and most actors looked favorably on this development even though there is still room for greater equality.
- **Sub-Municipal planning** – a focus on communities and zones highlighted local heterogeneity and built a shared view of local problems across distinct groups.
- **Non-SF investments** – identification of needs and possible sources of funding outside of the FHIS menu created greater linkages with general investment planning.
- **Formalization and standardization** - The use of manuals, poverty maps and other planning instruments reduced chances for distortion and were appreciated by participants.
- **Municipal government support** – The role of technical staff of local government was seen as very positive, tapping into local expertise and creating institutional linkages, and
- **Information** – Continuous feedback to the public on the process encouraged social control.

There were also several aspects that needed revision:

- In low literacy and education level settings, local facilitators need reinforced and appropriate training
- The demarcation of ‘community’ should be specified as it leads to confusion.
- The role of sector ministry representatives needs to be clearly defined.
- 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.

Formation and functioning of pro-poor community management committees

90. Once investment priorities have been determined, to counter the risk of dominant community groups excluding poorer segments, programs have sought to regulate procedures for forming community project committees (or local savings groups or other such project implementation arrangements).
   a) 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 correct against the clientelism and favoritism observed in local decentralized structures in Brazil.
   b) The Zambia Social Investment Fund has long required a minimum number of women be represented on the local project management committees to address the more limited role women often play in village interfacing with officialdom.
   c) In India, the Tamil Nadu Empowerment and Poverty Reduction Project “Puthu Vazhvu” forms inclusive and autonomous Village Poverty Reduction Committees at the village level. Each hamlet in the village is represented in the VPRC through a woman 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.
   d) In the former Yugoslav Republic of Macedonia, the Community Development Project PIU vets the proposed composition of local project committees and verifies that the ethnic division of the local population is accurately reflected in the committee.

91. 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 the India example, for meetings to be valid, they must have at least two-thirds representation of the target poor participating, with women contribution to 50 percent of the attendance.

92. 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.
Social control mechanisms

93. Social control mechanisms at the local level are a critical component of ensuring pro-poor targeting outcomes and controlling elite capture. Inclusive information flows are a necessary foundation for all social control mechanisms. Community members must be accurately informed of the objectives, procedures, various roles of local stakeholders and intended benefits of a program. Where ‘knowledge is power’, social control is not possible without well-informed citizens. Given the environments where these programs operate, creative mechanisms have been used in making sure that the poor and marginalized are as well informed as the community leadership.

94. Programs have adopted a wide array of instruments to promote better informed citizenry, 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). For example, For example, in evaluating the usefulness of local media in controlling corruption in Madagascar, it was found that corruption can be successfully constrained through more transparent funding mechanisms and access to mass media. With high illiteracy in poor regions, the effectiveness of newspaper and poster campaigns was limited, and radio programs are more important to reduce capture (Francken, Minten and Swinnen 2005). Project launch workshops to reinforce information about stakeholder roles and responsibilities have been very useful. In the case of the Zambia Social Recovery Project (pre-cursor to the Zambia Social Investment Fund) 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 (Owen and Van Domelen 1994).

95. 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 extend into the awarding of contracts or management of project resources including favoritism in employment of individuals within infrastructure works or recipients of income generating support.

96. 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. 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 12).

97. 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 (see Box 12).

<table>
<thead>
<tr>
<th>Box 9: Sri Lanka: Social Controls for the Benefit of the Poor</th>
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<tbody>
<tr>
<td>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:</td>
</tr>
<tr>
<td><strong>Golden Rule #1:</strong> We must <strong>contribute to our own development.</strong> Every one in the village must work as a team and contribute time, money and labor.</td>
</tr>
<tr>
<td><strong>Golden Rule #2:</strong> We must have <strong>confidence in ourselves</strong> and practice self-help.</td>
</tr>
<tr>
<td><strong>Golden Rule #3:</strong> We are <strong>accountable to the village</strong> for all of our actions</td>
</tr>
<tr>
<td><strong>Golden Rule #4:</strong> <strong>Good governance</strong> is the key to success, built on the principle of trust among all of the villages and between the village community and other partners.</td>
</tr>
<tr>
<td><strong>Golden Rule #5:</strong> Let us <strong>develop our village step by step,</strong> based on what we can afford and successfully manage.</td>
</tr>
<tr>
<td><strong>Golden Rule #6:</strong> <strong>Cost-effectiveness</strong> pays.</td>
</tr>
<tr>
<td><strong>Golden Rule #7:</strong> Be open and <strong>transparent</strong> in our dealings - Everybody should have access to all the information related to village development activities.</td>
</tr>
<tr>
<td><strong>Golden Rule #8:</strong> Uphold the principles of <strong>equity and inclusion</strong> - 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.</td>
</tr>
<tr>
<td><strong>Golden Rule #9:</strong> Act timely and <strong>ensure quality</strong> so we become eligible to receive subsequent installments of project funds.</td>
</tr>
<tr>
<td><strong>Golden Rule #10:</strong> Seek help when required</td>
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</table>

28 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. The Director of the CDP recalled a community where 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

98. The final part of an effective poverty targeting mechanism is to put in place a monitoring and evaluation system that allows for tracking of targeting performance. Without this, a program will be ‘flying blind’ with little 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.

99. 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/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 basic infrastructure and services by the poorest 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
- Increased public awareness of social inclusion issues of poor and vulnerable populat,
• Increased participation of local governments, NGOs, community-based organizations (CBOs) and local communities in the decision making

100. 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.

101. 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.

102. 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 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

103. 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 (particularly from the poor) into the responsiveness and performance of local governmental and non-governmental actors involved in the program.

104. 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.

105. 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). 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. Additional information on PME, useful resources and country examples are provided in Box 13.

29 It has also been referred to as “community-based monitoring and evaluation”
**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:

<table>
<thead>
<tr>
<th>Who plans and manages the process:</th>
<th>Conventional M&amp;E</th>
<th>Participatory M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior managers, or outside experts</td>
<td>Local people, project staff, managers, and other stakeholders, often helped by a facilitator</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Role of 'primary stakeholders' (the intended beneficiaries):</th>
<th>Conventional M&amp;E</th>
<th>Participatory M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide information only</td>
<td>Design and adapt the methodology, collect and analyse data, share findings and link them to action</td>
<td></td>
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<table>
<thead>
<tr>
<th>How success is measured:</th>
<th>Conventional M&amp;E</th>
<th>Participatory M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Externally-defined, mainly quantitative indicators</td>
<td>Internally-defined indicators, including more qualitative judgements</td>
<td></td>
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<table>
<thead>
<tr>
<th>Approach:</th>
<th>Conventional M&amp;E</th>
<th>Participatory M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predetermined</td>
<td>Adaptive</td>
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</table>

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 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.
Conclusions

106. 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. While the ultimate program design will depend on program objectives and country factors, a minimum set of optimal design features can be discerned from the general experience. Targeting mechanisms designed for all social funds and other CDD programs should address the following points (see Figure 7 for greater detail):

   a) **Explicit geographical allocations/targets.** These allocation should be picked up in key performance indicators;
   b) **Menu that promotes self-selection,** which may include expansion to demand-side interventions;
   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 useless if actual resource allocations do not follow the targets;
   f) **Monitoring of community processes through participatory monitoring/beneficiary assessments;** and
   g) **Monitoring of household level program incidence** through quantitative surveys

107. 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. While extreme targeting may ultimately undermine political support for a program, 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.
Figure 7: Essential Elements of a Social Fund Poverty Targeting Mechanism

**Design Phase**

**Development of Poverty Targeting Strategy in Relation to Program Objectives**
- Clear specification and justification of target geographical areas
- Clear specification and justification of vulnerable and/or poor target population – should be based on a social assessment
- Overall assessment of Government and/or program preference for targeting

**Geographical Targeting**
- Identification of and consensus on poverty map (most disaggregated level available)
- Development of pro-poor resource allocation formula
- Specification of methodology for selection of communities within targeted areas (second stage targeting)

**Menu and Eligibility Criteria**
- Menu designed to promote self-selection, limit elite capture
- Identification of beneficiary screening criteria for higher-risk subproject types
- Counterpart funding rules
- Cost recovery and user fee rules
- Wage rates to promote self-selection if employment an objective

**Inclusive Processes at Community Level**
- Design of facilitated community needs assessment and investment prioritization process to minimize elite capture
- Rules for community management committees
- Identification of social control mechanisms

**Monitoring and Evaluation System**
- Specify targeting-related key performance indicators, integrated where possible into MIS
- Include poverty targeting within design of impact evaluations to be carried out
- Design PM &E component

---

**Implementation Phase**

**Overall Poverty Targeting Strategy**
- Execute communications strategy of targeting expectations to all key stakeholders (parliament, press, sectoral ministries, civil society)
- Integrate targeting strategy within national development strategies (PRSP, MDGs)

**Geographical Targeting**
- Announce annual allocations to local stakeholders
- Provide technical support to poor municipalities that do not use quota
- Use revised poverty map, if available
- Adjust allocations based on performance and revised map

**Menu and Eligibility Criteria**
- Introduce and pilot additional pro-poor interventions (e.g. demand-side etc.)
- Adjust counterpart funding rules based on experience
- Revise wage rates to keep in line with labor market conditions
- Identify target groups not yet covered or accessing services and revise menu and criteria accordingly

**Inclusive Processes at Community Level**
- Assessment of prioritization versus investment financed
- Adjustments to community facilitation processes as needed based on PM&E
- Adjustments to community management committees as needed based on PM&E
- Dissemination of results of social control mechanisms

**Monitoring and Evaluation System**
- Routine reporting of poverty targeting KPIs
- Execution of at least one household survey-based assessment of targeting incidence
- Impact analysis to assess differential impacts on poorer households
- Dissemination of results of PM &E
Annex A: Country Case Studies:

Former Yugoslav Republic (FYR) of Macedonia

Community Development Project

-Two-Staged Geographical Targeting in Post-Conflict Setting -

Context and Project Development Objectives

The Former Yugoslav Republic (FYR) of Macedonia achieved independence from the Socialist Federal Republic of Yugoslavia in 1991, the only former republic to do so without violence. Latent tensions between the ethnic Albanian (one-quarter to one-third of the population) and ethnic FYR Macedonian populations raised the possibility of conflict. Conflict was avoided for a decade, despite the social strains of both a weakened economy and the Kosovo crisis. But in early 2001, ethnic Albanian armed groups began a low grade insurgency that brought the country to the brink of civil war. Violence centered around the areas of Tetovo, Kumanovo, and the northern outskirts of Skopje. As a result of the conflict, by end July 2001, about 170,000 persons fled their homes and became displaced within FYR Macedonia or in neighboring countries.

The aftermath of the conflict has brought into sharp focus the main challenge of strengthening social cohesion through an integrated approach to address post conflict priorities, including 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. There are a large number of poor and vulnerable communities (pockets of poverty) masked by the average per capita GNI of US$1,630 and the relative affluence of urban communities. Poor and vulnerable communities ranged from those in the Eastern region affected by unemployment, conflict affected communities in Poloski, to marginalized communities in remote mountainous villages and vulnerable groups such as the Roma.

In May 2002, IDA approved a US$5million support for the Community Development Project (CDP). The main objective of the project is to provide support to the Government of the former Yugoslav Republic (FYR) of Macedonia in its post-conflict development efforts aimed at fostering reconciliation amongst its people, reducing social tensions, and building local social capital. To attain this objective, the focus of the project is on piloting small-scale community-based initiatives in selected demonstration communities under an integrated development framework designed to respond to priority social needs and facilitate the transition from conflict to peace. The project supports a participatory development process at the local level that is inclusive, gender-sensitive and responsive to community priorities. Project outputs will consist of infrastructure and services sustained by capacity building. The project also supports the Government's decentralization initiatives designed to increase the competencies and accountability of municipal administration, increase the participation of citizens in decision-making and ultimately, enhance empowerment at the local level. While the primary impact of the project will be felt locally, the ultimate impact of this investment will be to help fashion a climate of inclusion and security which will bring different social groups together.

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.
**Design of the Targeting Mechanism**

The **geographical targeting mechanism** is built on a two stage approach, which includes a regional allocation as well as a second level targeting within regions, based on data obtained from a comprehensive community mapping and profiling exercise. The objective of the allocation is to ensure regional equity in the use of CDP funds, and to provide the basis for planning of the disbursement of CDP funds by region. In addition, fixing regional allocations will mitigate political pressures to move funds across regions during the life of the project:

**Regional Targeting.** 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: Pelagonija, the South West, the North East, Poloski, the South East, the East, Vardarski, and Skopski. It was noted following the Donors Meeting held in Brussels in March 2002, that a large volume of donor funding was being targeted to the conflict-affected regions (in particular Poloski) and to Skopje. Meanwhile, priority social needs in Eastern Macedonia had intensified in the recent months due to high levels of poverty exacerbated by increased unemployment resulting from the closure of a number of textile factories. 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, based on suggestions by the Government, it was agreed that allocations for Skopski (Skopje) and Poloski (Tetovo region) would be limited to US$1.0 million and US$ 1.5 million respectively, that the rest of the project funds should be targeted to the other six regions on the basis of the propose targeting strategy.31

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 which is the Foster-Greer-Thorbecke (FGT) measure P2 - representing the intensity of poverty; 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.

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

\[
A_r = \frac{A(N_r I_r)}{\Sigma(N_r I_r)}
\]

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:

\[
I_r = \frac{[P_{0r} + P_{2r} + U_r] \times X3 + C_{1r} + C_{2r}]}{11}, \text{ for a given region } r.
\]

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

31 In addition to the broad regional allocations, a small reserve fund of US$ 500,000 was also agreed to, for targeting of funds to meet emergency situations in some communities that may arise during the life of the project.
$C_{1r} =$ proportion of persons displaced; and $C_{2r} =$ proportion of houses damaged. 
The sum of weight = 11.

A subsequent revision based on estimates of funding availability was made in 2002 and the revised allocation of funding is provided in the table below.

<table>
<thead>
<tr>
<th>Region</th>
<th>Population</th>
<th>Poverty-Conflict Index</th>
<th>(P-C Index) x (Pop.)</th>
<th>Funds from CDP CIPs</th>
<th>Adjustments for Regional Priorities 1/</th>
<th>Final Allocations 2/</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pelagonija</td>
<td>244,077</td>
<td>0.597</td>
<td>145,668</td>
<td>825,066</td>
<td></td>
<td>825,066</td>
</tr>
<tr>
<td>South West</td>
<td>224,229</td>
<td>1.187</td>
<td>266,087</td>
<td>1,507,119</td>
<td>-300,000</td>
<td>1,207,119</td>
</tr>
<tr>
<td>North East</td>
<td>171,265</td>
<td>0.976</td>
<td>167,173</td>
<td>946,866</td>
<td></td>
<td>946,866</td>
</tr>
<tr>
<td>South East</td>
<td>174,033</td>
<td>0.831</td>
<td>144,607</td>
<td>819,054</td>
<td>200,000</td>
<td>1,019,054</td>
</tr>
<tr>
<td>East</td>
<td>204,899</td>
<td>0.550</td>
<td>112,769</td>
<td>638,725</td>
<td>600,000</td>
<td>1,238,725</td>
</tr>
<tr>
<td>Vardarski</td>
<td>133,950</td>
<td>0.651</td>
<td>87,214</td>
<td>493,980</td>
<td>200,000</td>
<td>693,980</td>
</tr>
<tr>
<td>TOTAL/AV</td>
<td>1,152,453</td>
<td>1.000</td>
<td>923,519</td>
<td>5,230,809</td>
<td>700,000</td>
<td>5,930,809</td>
</tr>
</tbody>
</table>

| SKOPSKI     | 1,000,000  | -200,000               |                       | 800,000             |                                       |                      |
| POLOSKI     | 1,500,000  | -500,000               |                       | 1,000,000           |                                       |                      |
| RESERVE FUND: | 500,000   |                        |                       |                     |                                       | 500,000             |
| TOTAL:      | 8,230,809  | 0                      |                       |                      |                                       | 8,230,809            |

Local Community Targeting. As a consequence of recent local government reforms and the new territorial boundaries, there are a total of 123 municipalities in FYR Macedonia plus one for Skopje, as compared to a previous total of 34. The two-staged targeting mechanism would channel the regional allocations to targeted municipalities and local communities within each region on the basis of a tentative set of criteria identified during project preparation, including:
- State of physical and social infrastructure
- Presence of vulnerable or marginalized groups
- Presence of ethnically mixed communities
- Under-representation of women in local development activities
- Excessive time spent by women on household activities due to poor infrastructure
- Under-funded communities (from donor financing)
- Capacity of communities to plan and implement microprojects
- Community commitment and proactiveness in development work
- Ability to make a community contribution to the microproject in financial terms
- Likelihood of early success - to produce demonstration effects
- Security considerations and accessibility of communities
- Level of interest of municipalities in supporting and facilitating community microprojects and services

These criteria were to be further developed and refined by the CDP PIU prior to and during project implementation, based on lessons learned and experience of other donors active in community development. An appropriate assessment and rating system was to be developed and incorporated in the CDP Operational Manual. The selected communities within each
municipality would then be prioritized for initial discussions on community needs, priorities perceived by the communities, project possibilities, and modalities of operation of the CDP.

Beyond this geographical targeting, the basic process chosen put the emphasis on community social capital building and direct management of the sub-project cycle. The formulation and presentation of microproject proposals was to be carried out by the communities. The community-based organization, referred to as the Community Implementing Committee (CIC), is directly responsible for microproject implementation, including identification, prioritization of needs and consensus building on small-scale investment priorities which maximize public benefit projects for their communities. The composition of the CIC under the CDP would therefore support this partnership by including representatives from the local government, established community associations (i.e. schools boards, WUAs) and community members. The representation of women on the CIC would be mandatory.

With respect to inclusion, the procedures for community investment projects will be 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 will be a specific vehicle for ensuring access to information and the involvement of such people. Participatory appraisal and planning techniques were designed to enable communities to prioritize, plan and implement their own development and to give voice to the poor. As part of monitoring and evaluation, project beneficiaries were to be 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. The monitoring and evaluation system would track the impact at project sites in terms of inclusion, participation, and security.

Implementation Experience

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. 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 of 741 participants at the municipal level in all regions, in the Poloski region alone there were 304 participants.

<table>
<thead>
<tr>
<th>Region</th>
<th>Revised Regional Allocation</th>
<th>Actual Expenditure End-May 05</th>
<th>Percentage Disbursed</th>
<th>Expenditure plus Commitments</th>
<th>Exp. plus Comm. as % of Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pelagonija</td>
<td>739,849</td>
<td>257,000</td>
<td>34.74</td>
<td>352,803.00</td>
<td>47.69</td>
</tr>
<tr>
<td>South West</td>
<td>1,082,442</td>
<td>384,048</td>
<td>35.48</td>
<td>386,723.00</td>
<td>35.73</td>
</tr>
<tr>
<td>North East</td>
<td>849,069</td>
<td>295,027</td>
<td>34.75</td>
<td>409,038.00</td>
<td>48.17</td>
</tr>
<tr>
<td>South East</td>
<td>913,801</td>
<td>272,518</td>
<td>29.82</td>
<td>280,230.00</td>
<td>30.67</td>
</tr>
<tr>
<td>East</td>
<td>1,110,783</td>
<td>492,533</td>
<td>44.34</td>
<td>505,985.00</td>
<td>45.55</td>
</tr>
<tr>
<td>Vardarski</td>
<td>622,302</td>
<td>135,363</td>
<td>21.75</td>
<td>138,131.00</td>
<td>22.20</td>
</tr>
<tr>
<td>Skopski</td>
<td>717,372</td>
<td>172,036</td>
<td>23.98</td>
<td>279,448.00</td>
<td>38.95</td>
</tr>
<tr>
<td>Poloski</td>
<td>896,715</td>
<td>441,465</td>
<td>49.23</td>
<td>949,135.00</td>
<td>105.85</td>
</tr>
</tbody>
</table>
The second revision made in 2005 was to take account of shortfalls in project funding from exchange rate changes. As for the local community targeting, within each region detailed criteria were used by the CDP PIU 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, which were more streamlined and objective than those envisaged at project design:

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

Municipalities (excluding Skopje) 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: 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: 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 microproject development, preparation, and implementation.

A number of smaller municipalities were merged with larger ones under the new territorial structure adopted by Parliament in November 2004. Following the municipal elections in May 2005, the new territorial structure was operationalized. This change has resulted in a total of 85 municipalities – down from a total of 123 municipalities (excluding Skopje). As a consequence, the CDP PIU found it more convenient to group the municipalities into two clusters instead of the (former) three. Under this grouping Cluster 1 remains as is, while the new Cluster 2 is a combination of the former clusters 2 and 3.

These clusters have, 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 end-December 2004, supported in parallel by capacity building activities. In the new Cluster 2, CDP activities commenced in January 2005 and work is ongoing. However, within each cluster, project funds are being provided only to the needy communities, based on community profiling, proposals presented, and microprojects that meet the final project selection criteria of the CDP PIU.

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.
Outreach and Inclusion

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. Research and assessments, which include regional, municipal and community profiling, social needs assessments, capacity needs assessments, and beneficiary assessments have provided useful insights and socioeconomic data.

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 of 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 microprojects.
- 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.
- Ensuring compliance with technical norms and standards of the line ministry for the type of infrastructure/service involved.

During a CIC meeting, the process -- facilitated by a project representative – comprises: (i) the presentation of social needs at the community level by each community representative, (ii) discussion of ideas for mitigating the problems, (iii) prioritizing and voting of problems by all CIC members, and (iv) identifying and selecting of three priorities for CDP financing. On average, a CIC consists of around 15 members, comprising 12 representatives of local communities within each municipality and three or four officials representing the municipality, public utilities or communal services, local offices of the Central Ministries, and NGOs.

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.

Lessons Learned

- Geographical targeting at the regional level is extremely important in a post-conflict setting to reduce tensions in competition over resources and create a transparent framework.
- 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 crowd out access by the poorer ones.
Nicaragua

Emergency Social Investment Fund (FISE)

Local Government-Oriented Program with Support to Vulnerable Households

Country and Historical Context

Nicaragua is the second poorest country in Latin America and the Caribbean with a yearly per capita GNP which is only one-third the regional average (US$430 in 1999. It is thus not surprising that, based on the consumption index, almost one-half (47.9 percent) of Nicaragua's population is poor. This is equivalent to 2.3 million people, of whom 830,000 (17.3 percent) are extremely poor. The results of the 1993 and 1998 surveys of living standards show significant regional differences in the incidence, intensity and evolution of poverty. In relative terms, poverty and extreme poverty remain overwhelmingly rural. Two out of three people in rural areas are poor, compared to one out of three in urban areas. Although rural areas showed a high incidence of poverty and extreme poverty in 1998, they experienced the biggest decline compared to 1993, with the exception of the Atlantic Region, where both increased significantly. By contrast, poverty increased in the urban areas of the Pacific and the Atlantic, except in the capital city of Managua.

While slowly improving, social indicators continue to be inadequate: life expectancy is low (66), and infant mortality (53 per 1,000 live births) and fertility rates (5 children per woman of childbearing age) are among the worst in the region. At the current growth rate (3 percent per year), the population doubles every 23 years. The illiteracy rate remains high at 23 percent (41 in rural areas); average schooling is only 4.5 years, and the quality of education is low. Water coverage is 64 percent (30 percent in rural areas), and lack of clean water is a major factor contributing to diarrhea as a main cause of infant mortality. The available data show unequal access to basic infrastructure services between urban and rural areas.

Decentralization is an integral part of Nicaragua's public sector modernization and reform process. 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 the success of funds that have supported local decision-making prove. Municipal governments will therefore ultimately play an important role in opening spaces at the local level for participation and inclusion, particularly of the poor, inducing critical behavioral changes and shared responsibility.

The Government's "Strengthened Poverty Reduction Strategy", discussed by the Board on December 22, 2000. The strategy is guided by four principles: (1) continued modernization of the State to increase the impact of social expenditures by allocating a larger share of the budget to social programs and projects targeted to the poor, and improving their cost-effectiveness; (2) greater promotion of equity by increasing access of the poor to the benefits of growth, with special attention to rural communities, women, indigenous groups, and the inhabitants of the Atlantic Coast; (3) more transparency and accountability through participatory processes that include targeted communities, beneficiaries and local leaders; and (4) broader participation by all members of society in the definition, implementation, and follow-up of this strategy.

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. This has been achieved by improving access to, as well as quality and sustainability of, priority social and economic infrastructure and services in the poorest areas guided by a poverty map.

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, and gradually until 2002, 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 central ministry delegations and 44,700 members of local project committees.

FISE Targeting Performance 1991-98

In the midst of this transformative process of 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 sought to answer the following core questions regarding poverty targeting performance: (a) had FISE resources benefited poor districts and municipalities? And (b) had FISE resources benefited poor households? The analysis covered the 1991–98 period and found:

- At the municipal level, the study found that "extremely poor" 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.

<table>
<thead>
<tr>
<th>Municipal Poverty Decile</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (poorest)</td>
<td>15</td>
</tr>
<tr>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
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<td>5</td>
<td>11</td>
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<td>6</td>
<td>11</td>
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<td>7</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>10 (richest)</td>
<td>5</td>
</tr>
</tbody>
</table>

- 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

33 In Nicaragua, municipalities range in population size from about 950,000 for Managua to small rural municipalities of 1,000 people.
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. In addition, the study showed that targeting of both education and health investments was slightly more progressive than at the community level, reflecting the fact that poorer households within the targeted communities choose to use FISE investments. FISE’s 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, FISE’s sewerage investments were less well targeted, with the least poor 30 percent of households receiving close to 60 percent of investments. Water investments were distributed about even across the population.

### Targeting Adjustments Under the Poverty Reduction and Local Development Project

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.

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.

#### Changes to Geographical Targeting Mechanism

The allocation of FISE's resources would be 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 would again **assign in its new program funds to municipalities according to their level of poverty**. 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 assignment 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:

- 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.
- 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 could provide demand-side subsidies to extremely poor households.
- 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.

**Impact of Adjustments to FISE Program**

The new map provided an objective tool for targeting resources based on poverty criteria at the municipal level. Results are presented in Table 3 below. The distribution is strongly tilted toward municipalities of high and extreme poverty.

**Table 3: Poverty Targeting Results (2002-2005)**

<table>
<thead>
<tr>
<th>PDO</th>
<th>At end of 2004</th>
<th>As of 10/2005</th>
<th>End of 2006 goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per capita distribution of resources per municipal poverty classification (in US$)</td>
<td>Extreme: US$47.61</td>
<td>Extreme: US$62.77</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High: US$35.07</td>
<td>High: US$41.14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium: US$22.78</td>
<td>Medium: US$30.52</td>
<td></td>
</tr>
<tr>
<td>Percentage of resources by municipal poverty level</td>
<td>Extreme: 31%</td>
<td>Extreme: 29%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High: 30%</td>
<td>High: 27%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medium: 19%</td>
<td>Medium: 19%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Low: 20%</td>
<td>Low: 24%</td>
<td></td>
</tr>
</tbody>
</table>

Compared with previous 1991-98 performance, municipal level targeting has improved significantly, per the chart below. 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 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. Many of these consisted of small municipalities which had only a couple of projects and since these were lumpy investments, targets were overshot.

The Innovations Fund program led to a pilot conditional cash transfer program (Red de Proteccion Social, RPS) that had a significant impact on household income and utilization of health and education services.35 The poverty targeting mechanisms combined categorical targeting based on geographical targeting rates 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,

35 See IFPRI’s impact evaluation of the program (FCND DISCUSSION PAPER NO. 184)
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 20 manzanas (14.1 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. Overall, the program is well targeted towards the poor. However, the qualitative evaluation of 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.

**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 helps promote the decentralization agenda by giving local governments a more fixed idea of the resources at their disposal, as opposed to a fully competitive system or first come, first served.
- 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.
Country Context

Although economic growth in recent years has reduced poverty in Senegal, these gains have been less for rural populations, home to 6 million out of the total population of 10 million. Despite some recent improvement 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 sixty-five percent of the rural population is poor. Better-off rural households are either less dependent on agriculture in that they are more likely to hold public sector employment or be engaged in services and commerce, or, if engaged in agriculture, have greater concentrations of land and/or animals. Despite the greater poverty in rural areas, some households have found effective strategies for economic growth within this environment.

Social networks and local organizations are the frontline of defense in the face of shocks to households. Local-level networks and organizations exist to organize social relations, mobilize and regulate collective action particularly around production systems and management of natural resources, and to reduce and manage local risks. Mutual assistance through labor exchanges at critical agricultural periods is common. These groups and associations may be important not only to foster village solidarity, but also to create links with the State or other external actors like NGOs in order to attract resources. The associative tissue is very dense in Senegal, creating webs of solidarity that are critical in such a risk-prone environment. The main membership associations consist of producer’s cooperatives, economic interest groups (GIEs), producers’ cooperatives and workers’ unions, water and irrigation user associations, village development associations, women’s groups, youth and sport associations and religious organizations. These organizations can be village-based or federated in larger regional or national networks. They can be inclusive of all members of a certain village, typical of community organizations, or more exclusive with membership limited as in the case of producer organizations.

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. Some villages have a full complement of water, health and education infrastructure, but would have other needs like roads, markets, sanitation, electricity, or upgrading of existing social infrastructure.

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. The rate of female
headed households is quite high at over 50 percent. This is above the Sub-Saharan average of 31 percent and reflects the significant effect of labor migrations, among others.\textsuperscript{36} 

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. Finally, the increase in urban youth criminality and child mendacity are rising concerns for Senegalese authorities.

From a decentralization perspective, Senegal remains a highly centralized country, despite legislative initiatives to transfer greater responsibilities to the countries municipal governments (communes in urban areas and communauté ruraux CR in rural areas). However, fiscal decentralization has been negligible, reducing the effectiveness of the transfer of responsibilities, with the central sector ministries and their delegated representatives at the regional and departmental levels retaining much of the control over investments and management of services.

**Objective of the Social Development Fund Agency**

The AFDS 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 (component 1), micro-finance (component 2), capacity building at the community level (component 3), and the establishment of a poverty-monitoring system (component 4). 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.

The program was initially envisioned as a ten-year, three-phase IDA-financed program using an APL structure. IDA approved an initial financing of US$30 million in 2000 for the first 3 year phase. Phase 1 involved start-up and concentration in poverty-stricken zones, with a goal of: (i) setting up the institutional system in five regions; (ii) selecting a limited number of communities to test and experiment with ways of working with the most vulnerable groups of poor communities (poor women and youth in poverty-stricken zones) so they will learn to manage their own development resources effectively and economic and social services; (iii) testing tools and procedures for the design and implementation of the sub-projects in selected communities; (iv) monitoring and evaluating the ongoing test projects; (v) consolidating and capitalizing on lessons learned for scaling up of activities.

\textsuperscript{36}Households seek to diversify against rural risks by anchoring part of their revenue outside of the risk zone, through out-migration. Migration has become an important risk coping mechanism for many rural households. International migration has grown in importance. There are an estimated 400,00-500,000 Senegalese residing abroad, and about 70 percent of households reported a member abroad in 2001. Remittances from abroad provide a cushion against internal shocks and may promote economic growth. International remittances to Senegal have grown steadily and account for about 6 percent of Senegal’s GDP. Efficient remittance channels for the poor, particularly access to microfinance, is an important means of managing risks.
As an important part of strengthening poor communities’ capacity to interface with the State, the AFDS implemented the first experience in the country with community contracting and direct management of funds by community groups. It was also one of the first programs to use a local level poverty map for specific allocation of program participation and resources.

**Poverty 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 ASDF 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 enable to extend their services to the clientele within the poorer geographic areas targeted by the program.

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. Villages that fell into the same category of infrastructure access (i.e., having the same index), were re-ranked using the variables of population lacking access to drinking water at the village level (access to drinking water is seen to be crucial for development as it is important to prevent out-migration). Using the five main criteria of infrastructure access described above, 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 in specified regions. These villages are the poorest in the country and lack basic development needs such as water, health and education access, and markets. Based on a cut-off of 200, a total of 115 CR were eligible out of 320, and 6,088 villages out of 13,400 in rural Senegal. Taking just the five pilot regions, a total of 57 CRs and 5 urban communes were targeted in the pilot phase. These localities were also chosen taking in to consideration the intensity of donor activity in other poor communes and CR, with the AFDS 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 climatic and socio-cultural settings, as well as logistical and expansion considerations.

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. Thus the PPA
was to be conducted at the village level, for all villages within the targeted CRs which have an index of 200 or less.

Sub-projects financed by the SDF must be identified only by the specified targeted villages (i.e., having an index of 200 or less) although their implementation will involve planning at the CR level to ensure that they have the maximum impact. The project would further focus on targeting specific beneficiary groups that are seen as having less access to resources, such as women, youth, disabled and economically poorer households. This was to be done through the PPA process described above, 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.

**Implementation Experience**

AFDS’s strategy of geographical targeting which was highly selective 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 AFDS 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). AFDS was highly pro-poor. 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 percent 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 and 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.
The BA confirmed the highly inclusive process:

- In terms of the first contact with the village chief, 91% of respondents were aware and 52% attended;
- In the first village assembly, 97 percent of respondents were aware and 73 percent participated;
- 91 percent were aware of the separate meetings with women and 58% participated;
- 90 percent were aware of the focus group meetings with youth and 57% attended;
- 95 knew of meetings to present and discuss the PPA and 72 percent 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.

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

While the process was highly successful at building a participatory process in a context where this was a completely new way of doing business by the State, 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.»
- 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.”
Lessons Learned:

- AFDS 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 AFDS 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 AFDS 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

Country Context

Despite steady progress made 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. The infant mortality rate is 79 per 1,000. The under-five mortality rate is 97 per 1,000 and almost 50 percent of this cohort is affected by malnutrition. The total fertility rate is 5.9 births per woman and the population growth rate is close to 2.7 percent. Life expectancy is 56 years. The overall quality of education is poor and indicators are well below the regional average: only 45 percent of Yemeni adults are literate; and the gross enrollment ratio for basic education is 70 percent. In all sectors, the gender gap is alarming. The child mortality rate is 15 percent higher for females. Less than a quarter of the girls living in rural areas and of primary school age attend school; and, less than half of all girls of primary school age attend school. Women work longer hours and usually without pay; and enjoy much less social and economic freedoms. These rates, though unacceptably high, have improved since 1990.

Yemenis have low access to infrastructure. The Yemeni population is 17.5 million, of which approximately 75 percent is rural living in more than 100,000 small and isolated settlements. Ninety percent has less than minimum standards of domestic water supply; 40 percent has access to safe drinking water and sanitation. Electricity reaches about 35 percent of the population, and generating capacity is falling behind demand. Largely mountainous, the geography precludes easy access to the market economy and public services for much of the rural population. Only 10 percent 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 1995/96. The most prominent are: (i) the Social Welfare Fund (SWF); (ii) the Social Fund for Development (SFD); (iii) the Public Works Project (PWP); and (iv) the Agricultural and Fisheries Production Promotion Fund (AFPPF). 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.

The SFD has become a model agency of best practice, as it consistently and positively affects the process of development in Yemen. The quality of service delivery in Yemen has been improved considerably as a result of direct capacity building and more broadly based SFD activities. The decrease in the unit cost in basic education schools and the introduction of community participation approaches in the Ministry of Education (MoE) exemplify the effectiveness of the SFD. In 2004, IDA approved its third financing of the SFD (US$60 million).

Project Objectives and General Design

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, this phase of the program seeks to target at least 40% of SFD resources to the lowest three income deciles. Having a specific household level targeting key performance indicator is extremely uncommon.

Operationally, SFD supports the identification and implementation of subprojects for small-scale, demand-driven delivery of social and economic services and infrastructure. The SFD provides sub-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 project consists of: **Component 1. Community Development.** This component finances subprojects in the areas of education, water and environment, health and social protection, cultural heritage, and rural/feeder roads. **Component 2. Microenterprise Development.** This component provides: (i) sub-grants to any eligible intermediaries as defined under the Micro-finance Operations Manual to build up the institutional capacity of such intermediaries to manage and deliver financial services to microenterprises; and (ii) sub-loans to such intermediaries for carrying out micro-finance Sub-projects. During the last six years, the SMED unit succeeded in laying the foundation for an emerging MF industry. It created awareness and understanding among policy makers on best practice MF; (ii) experimented with and developed microfinance models that work in Yemen; and (iii) made available tools such as software and training materials to the industry as whole. **Component 3. Capacity Building, and Institutional Support.** This component finances activities in two main areas: training, and organizational support focusing on four target groups: (i) formally established NGOs and cooperatives; (ii) informal Community-Based Organizations; (iii) private sector (individual local consultants); and (iv) Local Authorities (elected Local Councils and executive organs).

The SFD (for the five governorates without Branch Offices) 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, which contains a detailed scope of works, a feasibility study, sustainability aspects, a planning timetable, and a disbursement schedule. Through the SFD's programs, 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.

**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 rely on targeting—based on poverty indicators - to reach people in need. A two-stage procedure is adopted by SFD for its fund allocation. At the first stage, fund is allocated by governorate (currently there are 20 governorates) level based on population and an aggregate poverty index. Target areas are prioritized by using an index of relative poverty constructed using data from the 1994 Census and the 1998 Household Budget Survey. The fund is allocated by an 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 the 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, fund is 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 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 in 1998, with support from the World Bank, 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 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 (Khedma, 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) and assist them in determining needs, designing project proposals and during implementation. In addition, the SFD conducts in-depth social analysis of beneficiary communities and double checks the data (findings) of the SFD to ensure that the poorest districts receive allocations that they need. 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.
Targeting Outcomes

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 attention placed on financing in the main cities of the country. For example, the capital city Sanaa received some of the highest per capita allocations. In addition, SFD was instrumental in introducing microfinance in Yemen, which was concentrated in urban zones.

<table>
<thead>
<tr>
<th>Yemen</th>
<th>Food poverty</th>
<th>Pop '000</th>
<th>per cap SFD II (US$)</th>
<th>per cap 1997-2004</th>
<th>per cap 2004</th>
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<tr>
<td>Aden</td>
<td>0.624</td>
<td>509</td>
<td>3.51</td>
<td>23.58</td>
<td>3.73</td>
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<td>Sanaa city</td>
<td>0.653</td>
<td>1284</td>
<td>2.98</td>
<td>31.15</td>
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<td>Hadramount</td>
<td>0.767</td>
<td>791</td>
<td>3.29</td>
<td>24.02</td>
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<tr>
<td>Abyan</td>
<td>0.773</td>
<td>435</td>
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<tr>
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<td>3.90</td>
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<td>Al-lawf</td>
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<td>Al-Mahrah</td>
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<tr>
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<tr>
<td>Mareb</td>
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<td>Al-Hodeidah</td>
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<tr>
<td>Hajjah</td>
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<td>3.05</td>
<td>12.43</td>
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<td>Al-Madwit</td>
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<td>4.62</td>
<td>26.38</td>
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<td>Ibb</td>
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<td>1974</td>
<td>2.84</td>
<td>13.42</td>
<td>4.56</td>
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<tr>
<td>Total</td>
<td>17071</td>
<td></td>
<td>3.33</td>
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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). These
factors might have been expected to make it more difficult to target the relatively poorer households.

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, specially 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).

Although the project survey shows that in almost all cases, some members of the community were consulted, that is not the same as all members of the community being informed of or consulted about the project. The evidence from the household survey shows that between a third and two-fifths of the populations knew about the SFD project (40.2% 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 Shaikh 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:

**Lessons Learned:**

- 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.
- 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.
Case Study:

Sri Lanka

TO BE INCLUDED
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**

![Lorenz Curve](image)

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).

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.
Annex C: Statistical Annex

Chart 1:

**Figure 4.6 There is huge variation in the inequality of different government programs**

(Concentration coefficients for 2000 and 2002)
Geographic targeting improved over time

Armenia

Bolivia

Peru

Nicaragua

Zambia

Honduras
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