Targeting the Poor

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Outline

- The Poor
- Targeting the Poor
- Multi-faceted Targeting
- Limitations of Targeting approaches
- Implications

The Poor

- **Poor:** Lacking a *socially acceptable* amount of *money* or *material resources* (Merriam-Webster 1995).

- **Ultra-poor**
  - Eats below 80% of the energy requirements despite spending at least 80% of income on food (Lipton 1986).
  - Extremely poor if daily income is less $1.25 (UN SDG1)
  - Extremely poor if daily income is less than $1.90 (World Bank 2015)

IFAD and SDG1 have the same operational definition of the ultra-poor.

The Poor

The economic lives of the poor:

.Large family .Many children .Extended family .Few productive assets

.Frequently sick .Little investment in education .No specialization

.Debts .Do not save .Poor infrastructure

.Do not save for a reason .Entrepreneurial

.Spend money on leisure at the cost of food

(Banerjee and Duflo 2007, 2011).

The Poor

The psychological lives of the poor:

- Biases
- More likely to engage in System 1 thinking: intuitive, automatic, effortless
- Mentally taxed
- Thinking and fretting about money tax “mental bandwidth”

(Sendhil and Shafir, 2013; Mani et al., 2013; and Haushofer and Fehr, 2014; Schilbach et el., 2016).

Targeting the Poor

Traditional method:

- Use household survey data. Identify poor based on consumption expenditures (Deaton 1997)
- Consumption survey is expensive, and they have measurement errors

Alternative methods:

1. Proxy means testing
2. Geographic
3. Demographic
4. Self-targeting
5. Community-based

Targeting the Poor

1. **Proxy means testing (PMT):** Use observable proxies (e.g., income, durable assets, hh size and composition). Score based on proxies. Use proxies to predict consumption. Compare the score against a cutoff

Advantages: Verifiable. Uses observable data.

Limitations: Arbitrary. Need staff and technology. Insensitive to quick changes

Targeting the Poor

2. Geographic targeting: Location of residence and use exiting data

Advantage: Administratively simple and carries low stigma

Limitation: Inefficient if the poor are not geographically concentrated.

3. Demographic targeting: Use demographic data (e.g., age, gender, hh size)

Advantage: Administratively simple, low stigma, easy to combine with other methods

Limitation: Depends on accuracy of demographic information and whether these characteristics are correlated with poverty. Can be politically controversial.

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4. Self-Targeting: Open to all. Designed to ensure high take-up among the poor
Advantage: Low administrative cost. Unlikely disincentivize labor
Limitation: Imposes cost on the recipient. Stigma.

5. Community-based targeting: Community members decides beneficiaries. Assess the relative poverty status of households in a community. Involve joint decision-making, guided by a facilitator
Advantage: Advantage of local information. Local definition of need and welfare
Limitation: Potential elite capture. May perpetuate existing social and power structure. Local definitions of needs and welfare limits comparative analysis.

IFAD Targeting

Target group:

Poor. Disadvantaged groups. Women. Youth. Indigenous groups, vulnerable non-poor, and some non-poor

Targeting approach:

- Purposefully designed and mutually agreed upon that the target groups will take advantage of the program/benefits
- Based on partnerships with govt. and local implementation partners.
- Analysis of poverty and livelihoods
- Inclusive

Implication: IFAD does not target the poor per se!

Lessons from Targeting

Lessons from IFAD's Targeting:

1. Effective in reaching the poor, challenging to reach the ultra-poor
2. Exclusion of less poor or better-off is not always desirable
3. Local dynamics of poverty, livelihood systems, and gender dimension are important
4. Geographic targeting has been effective in areas with the concentration of the poor
5. Self-targeting is good for identifying activities and services for the poor
6. CBT are suitable if eligibility criteria are identified and applied by the community
7. Social acceptability of the targeting method is important
8. Capacity of local project staff is important, but allocated resources for it is inadequate

What do I infer from IFAD's targeting lessons?

- Not surprising.
- Very contextual. Hard to draw targeting lessons from one project to another.

Lessons from Targeting

Lessons from the literature:

Proxies:

Among the proxies used for targeting, education dominates landownership in identifying the poor in urban areas. Landownership dominates in rural areas (Wodon 1997)

Importance of community information:

1. Can reduce targeting costs (Rai 2001)
2. Rent-seeking behavior of local leaders may erode the gains from using community information, and locally-defined not poverty may be a recipe for elite capture (Conning 2002)

Lessons from Targeting

Lessons from the literature:

Self-Targeting:

If applying for benefit has a cost and if there is a good procedure for screening out unsuitable applicants, the people who should not be getting the benefit will foresee that they will be screened out and therefore they will not apply (Alatas et el. 2016)

PMT:

PMT method helps in filtering out the non-poor, but excludes many deserving poor (Brown et al. 2018)

Lessons from Targeting

Lessons from the literature:

CBT:

- Performs poorly in selecting households with low per capita consumption compared to PMT. It is more likely to select households with low physical and human capital, regardless of their consumption level (Stoeffler et al. 2016)
- Higher satisfaction and legitimacy
- Little evidence for elite capture
- Community efforts matter. Community's conception of poverty differs from that of PMT (Alatas et al. 2012)
- Community members relatively little dynamic welfare information about other community members. Does worse than PMT in predicting survey-based dynamic welfare ranking (Trachtman et al. 2021)

Lessons from Targeting

Hybrid (PMT+CBT):

- Perform worse than PMT in identifying consumption-based poor, but it does better in identifying the ultra-poor (Alatas et el. 2012).

Implications

Clearly define the target group

IFAD's target group is confusing, making impact evaluation and comparisons across projects difficult

A better alternative is to define the target group by a geographical unit of analysis (e.g., village)

Focus on excluding the non-poor, away from attempting to identify the poor

Consider country-specific targeting strategy

IFAD's targeting guidelines are global and very generic.

Lacks concrete guidance on targeting.

With country-specific targeting guidelines, it will be possible for different projects in a country to learn more from each other.

In the absence of well-defined target groups and different targeting strategies, learning across projects and countries are limited.

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Implications

Invest more in capacity building of local implementation staff

Capacity of local implementation teams is a key to success of an IFAD project

Allocated resources are inadequate

More focus on building agency of the poor

Heavy focus on economic livelihoods improvement

Considering new findings on the psychological consequences of poverty, focused programming elements for promoting the agency of the poor is required

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Implications

Consider significant asset transfer to the ultra-poor

The ultra-poor stay poor because they are in a poverty trap, not because they are lazy and irresponsible.

To lift the ultra-poor out of their poverty trap, a relatively large amount of transfer is required to provide the needed “big push”.

Further emphasize evidence-based programming

IFAD Management conducts impact assessments on 15% of its portfolio of projects, based on quasi-experimental design (and sometimes in the absence of a baseline)

But it is doubtful that even in the 15% of the projects, credible impact evaluation is being conducted, given that target group is not well-defined, selection bias, lack of counterfactual groups, and baseline data.

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Thank you

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The Initiative for Agency and Development (IfAD) is a state-of-the art lab-in-the field experimentation initiative housed at the University of Arizona that discovers and promotes solutions to the problems of agency and development. It brings researchers from behavioral, cognitive and social sciences and works with businesses, foundations, international development institutions, NGOs, governments, and communities to discover new frontiers in development through research, education, and outreach programs customized for individuals, groups, organizations and governments for their agency and development.

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