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TARGETING IN ULTRA-POOR SETTINGS EVIDENCE FROM SIX COUNTRIES IN RURAL SAHEL¹

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SUMMARY

How should we identify social safety net beneficiaries in ultra-poor settings? This policy note summarizes evidence covering nearly 20 targeting schemes across six countries in rural Sahel, which together provide a holistic picture on the relative performance of methods to select beneficiaries (i.e., targeting methods).

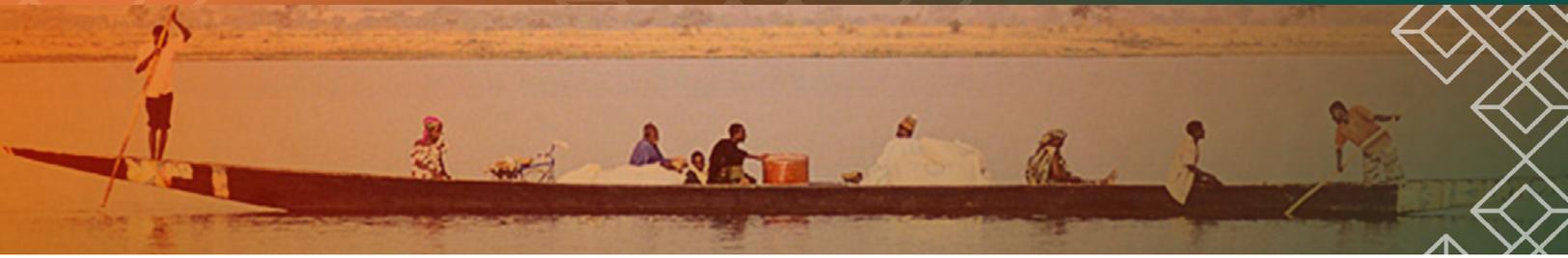
The main insights of this note are as follows: First, to significantly reduce poverty higher budgets for safety net interventions are needed, and expanding coverage is far more important than fine-tuning targeting methods. After geographical targeting, most PMT and CBT methods perform close to a random allocation of benefits when trying to identify *food insecure* households. While PMT consistently outperforms CBT in identifying households with the *lowest consumption*, differences are small when distances to

the poverty line are considered. While non-beneficiaries experience significant indirect economic benefits from the program, there is mixed and limited evidence on social cohesion and fairness perceptions of targeting methods. Finally, costs are relatively minor as a share of total resources transferred. The policy note concludes with policy and research implications for contexts with high poverty rates, low inequality levels, and insufficient budgets.

1 Introduction

Decisions over how to select beneficiaries of social transfers can be highly consequential. Not only do they determine who will benefit from a program, but they may also affect the timing to deliver benefits, influence program impacts on non-beneficiaries, and create community dynamics with both the potential for boosting or hindering social cohesion. However, selecting beneficiaries of social transfers in low-income settings is not an easy task. Large informal economies mean that information on household welfare is not readily available. Recurrent shocks also mean that even if measured, household welfare is constantly changing, making data collection efforts quickly outdated. Insufficient budgets to cover all those in need imply that selection is needed, even among poor households. And when crises hit, aid needs to be quickly given to those in extreme conditions (e.g., without food).

Various targeting methods have been used in low-income settings to select beneficiaries of social transfers. Given limited budgets, geographical targeting is often used as a first step to focus on the areas that need the most. Next, household-level targeting approaches are used to identify households within the selected areas. These approaches include proxy means testing (PMT), community-based targeting (CBT), categorical selection, and public lotteries. The PMT method relies on a formula predicting household welfare from a limited set of observable household characteristics that can be measured relatively quickly and transparently. On the other hand, CBT approaches place decisions over inclusion with the community itself. CBT has the advantage of leveraging community knowledge and involvement for targeting. However, CBT in some contexts is plagued by elite capture. Some programs also utilize categorical targeting to



provide support to underprivileged social groups deemed “deserving of support”; these groups often include the elderly, mothers, children, and differently abled persons.

This policy note summarizes evidence from five analytical pieces covering nearly 20 household-level targeting schemes across six countries in rural Sahel (see Annex A for a list of the analytical pieces covered). Countries include Burkina Faso, Cameroon, Chad, Mali, Niger and Senegal. Importantly, the note focuses on one of the poorest regions in the world with some of the worst human development outcomes, and with largely insufficient budgets for safety net interventions. The note covers targeting schemes that were implemented by both governments and humanitarian agencies between 2014 and 2018. Most targeting schemes were implemented in rural areas selected through geographical targeting,² and with high levels of poverty and low levels of inequality. This implies that even the most accurate targeting methods may select households that are likely to be very similar to those not selected.

1.1 The way objectives are defined and measured plays a decisive role in the evaluation of targeting

Before discussing how targeting methods perform, it is critical to clearly define what the objectives are and how they will be measured. To what extent do we care about targeting accuracy (i.e., extent to which the intended population is reached), household preferences over a method, social cohesion, or the effects on non-beneficiaries? While the assessment of targeting has typically focused on the accuracy of methods, our research shows that the dimension of performance considered can imply different policy choices. **Even if a main goal is targeting accuracy, the way that this is measured also matters.** Targeting accuracy depends on three important aspects. First, there is the definition of the *target population* (i.e., do we want to reach households based on consumption per capita, food insecurity, or communities’ perceptions of poverty). Second, is the *program coverage* (or the share of beneficiaries selected). In fact, differences

in coverage explain differences in poverty reduction efforts much more than differences in targeting choices (more on this below). Finally, *indices* are critical and those that consider distances to poverty lines (are distribution-sensitive) can provide a largely different picture than if relying on binary outcomes (i.e., being above or below a poverty line, without considerations to distances).

1.2 PMT is consistently more accurate than CBT in reaching households with low consumption per capita, but differences are usually small

Using harmonized data across six countries, we studied 18 PMT and CBT schemes after geographical targeting was applied. The PMT consistently performs better than CBT in reaching the poorest households based on per-capita consumption; the median PMT-targeted program provides 20 percent more resources to the poorest than would random allocations, while this is only 6 percent for CBT. Nonetheless, the PMT differs little from CBT, or from a random or universal allocation of benefits, when distances to poverty lines are considered. This is because the poorest households selected are not that different from the rest. Results imply that targeting choices have a limited contribution to poverty reduction efforts.

1.3 None of the household-level methods are very accurate in reaching food insecure households

When it comes to identify food-insecure households,³ there is no clear method that dominates – once geographical targeting is applied, most PMT and CBT targeting schemes perform no better than a random allocation of benefits. While more research is needed on the topic, analysis from Niger shows that food insecurity tends to depend much more on geography than poverty based on consumption. This hints to geographical targeting potentially playing a greater role for food insecurity than for consumption.

1.4 To reduce poverty, expanding coverage of safety net interventions is far more important than fine-tuning targeting methods

Currently, as resources are largely insufficient to cover all the poor in such contexts, targeting is inevitable; coverage rates of cash transfer programs in the region are typically below 5 percent, while poverty rates are typically around or over 40 percent. Nonetheless, targeting in such settings can solve very little of the problem of insufficient resources. In fact, the biggest margin for action to reduce poverty is on fund raising, and realism as to what can be achieved with respect to targeting is necessary. Indeed, our research shows that fine-tuning targeting methods can only make a limited contribution to reduce poverty, and that increasing coverage is far more important.

1.5 In Niger, despite CBT being more aligned to communities' perceptions of poverty, communities preferred 'external' rather than CBT methods

A randomized study in Niger showed that even if PMT performed better than CBT in reaching households with low consumption, this was not the case when considering communities' perceptions of poverty. For instance, non-beneficiary households residing in villages where PMT was used were 16 percent more likely to report inclusion errors than comparable households residing in villages where CBT was used. Nonetheless, despite this fact, non-beneficiary households were 10-14 percent more likely to want to repeat 'external approaches' (PMT or a food-insecurity formula) than CBT. Manipulation over beneficiary selection, and lack of

information on household's welfare affect CBT, which can help explain preferences for external methods. This result contrasts with Indonesia, where communities preferred CBT over PMT methods.

1.6 There is mixed and limited evidence on targeting and social cohesion

Can targeted programs in ultra-poor settings boost or hinder social cohesion between recipient and non-recipient households? The short answer is that both can occur.

An in-depth qualitative assessment in the Logone Occidental region in Chad indicates that household level targeting may lead to social cleavages and divisions.

As a result of social cleavages, many study interviewees described punitive actions by non-beneficiaries that impeded beneficiaries' abilities to maximize profits from their program-related activities. Deliberate discriminatory practices included non-recipients buying items from beneficiaries on credit and refusing to pay them back, refusing to purchase at all from program participants, and charging program participants higher prices in the market. Our research suggests that tensions may have arisen from insufficient program coverage, rather than because of the mechanism through which they were excluded (PMT targeting). In fact, while over 97 percent of households in program villages were below the poverty line, only 40 percent of households benefited from the program. Sara, a non-beneficiary, explained: *"When I'm suffering and they're doing well, it really angers me, because they eat, they find soap with their transfer, while I and my family are dying of hunger just next door."* Quantitative data from Logone Occidental corroborates this finding; after the program was introduced, 85 percent of households reported a conflict happening at least once in the past year between households of their communities.⁴

However, this result contrasts with Bahr-el-Ghazal, another region in Chad covered by the same program, where just 40 percent of households reported a conflict happening at least once in the past year. More research is needed to explain these divergent experiences of social conflict. Since the two regions differ in significant ways, a variety of factors could contribute to the discrepancies observed.



In addition, a quantitative study in Niger in vastly poor areas revealed that a similar targeted program with insufficient coverage led to a large reduction of conflict and tensions between members of the village; after the program was introduced there was a 22-percentage point reduction in households reporting any conflict within their communities in the past year.⁵ This result holds based on information reported by both, beneficiaries and non-beneficiaries. It also holds across all targeting methods studied, namely PMT, CBT and a food-insecurity formula.

1.7

Perceptions of fairness of targeting methods can vary greatly but more research is needed to understand why this is the case

Perceptions of fairness about the selection process can play a key role in enhancing or deterring social cohesion. Based on seven programs in Senegal, Burkina Faso, Niger, and DRC, we show that perceptions of fairness can vary significantly among those excluded from the programs; positive fairness perceptions range from 38 percent in Senegal where a household economic analysis (HEA) approach was used,⁶ to 90 percent in DRC where lotteries were used. More research is needed to understand the factors that determine perceptions of fairness, including, among others, inequality levels, the way that the program and the targeting are communicated, cultural aspects, and initial levels of communities' social cohesion. In our qualitative study in Chad, despite careful use of PMT to select beneficiaries most in need, it was not clear to residents why certain people were chosen over others. One beneficiary, Gilfa, noted: “[Non-beneficiaries] were so frustrated that they insult us, saying that we’re all [the beneficiaries] going to die... that we were selected due to affinity (favoritism).”

FIGURE 1.

Share of Individuals not selected by a targeting scheme that found the selection process fair

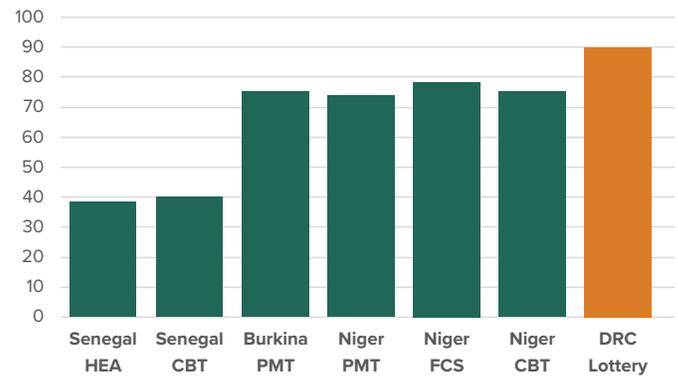


Figure is based on Diagne (2017) for Senegal, and Bank's own calculations for Burkina Faso, DRC, and Niger
The 'FCS' targeting method is based on a formula that aims to proxy the level of household food insecurity (as measured through the food consumption score).

1.8

In Chad, non-beneficiaries residing in beneficiary villages benefited from the program in significant ways

The same study in Chad revealing social cleavages found that at the same time, targeted cash transfers led to significant positive economic effects on non-beneficiaries.

This happened through sharing of transfers, creation of community infrastructure, and activation of the local economy which benefits small businesses and the local labor market. Both beneficiaries and non-beneficiaries reported that since the program's inception, people in the village were on average eating better and sending children to school more regularly. For example, Sara, a non-beneficiary said: “This transfer helped everyone. My business was working, and with this I could pay for my son's enrolment at school. They [beneficiaries] built the classrooms where my children now go to school. They rent our parcels, and that benefits us too.”



1.9

Costs represent only a small share of budgets but can vary significantly

Based on data from seven targeting schemes across five countries targeting costs represented a small share of the total amount of funds distributed. The average cost amounted to 2.7 percent of total transfer costs. Nonetheless costs can significantly vary; they range from 1.5 to 5.5 percent as a share of total transfers, and between 3 and 10 US dollars per screened household.

What do results imply for operations in ultra-poor settings?

- Larger budgets are desperately needed in the Sahel. Efforts to expand coverage in such contexts can have a far greater impact on poverty reduction than the choice of targeting methods.
 - When choosing household level targeting methods, targeting accuracy should not be the only consideration in contexts that are highly poor, homogenous, and with largely insufficient budgets.
 - It is critical for targeting approaches to be carefully designed and communicated to be considered as both transparent and fair.
 - Regardless of the chosen method, program monitoring systems and grievance mechanisms should be able to capture any harm or side effects from targeting.
- When social cohesion is a primary concern in contexts of insufficient budgets, the below alternatives to poverty-based targeting could be considered, with the caveat that more research is needed to understand the extent to which these can be effective options. In fact, none of the options below were analyzed in depth in the studies covered by this note.
 1. Categorical targeting. For example, the presence of young children could be used as eligibility criteria. This approach is simple to implement, accords well with human capital objectives, and is likely to be more socially understandable and acceptable than poverty-based targeting methods when everyone is poor.
 2. Pure geographical targeting. In other words, select the poorest or most food insecure areas, and then provide benefits to everyone residing in those areas. However, little is known in the Sahel on the performance of pure geographical approaches. While this approach would avoid intra-community tensions, we don't know whether it could create tensions between communities.
 3. Selecting beneficiaries through public lotteries. This option could potentially be considered fairer and more transparent than poverty-targeting methods and could allow benefits to be spread across geographical units.



2 Conclusion

What do the results imply for analytics?

- More research is needed to understand the factors that can lead to improvements or deteriorations on social cohesion. This includes understanding the role of potential contributing factors such as initial levels of social cohesion, program coverage levels, and communication. Additionally, while our research provided insights about intra-community dynamics, to our knowledge no research has looked at social cohesion effects between communities. Finally, it would be useful to understand the role of targeting methods that are not poverty based (such as categorical, lotteries and pure geographical targeting approaches), on social cohesion.
- While this policy note focuses on household choices, individual choices may play a key role, especially in contexts such as the Sahel where households are often large. Evidence on how to select transfer recipients within the household is limited and more research is needed.
- An important objective in the Sahel is to support households affected by the region's recurrent shocks. While this note included analysis on food insecurity which is often the consequence of shocks, it did not focus specifically on methods to identify shock-affected households. Research in this area in the region is very limited, and more analysis is needed to inform the design of programs responding to shocks.
- More research on geographical targeting is needed, especially if budgets continue to be insufficient.



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ENDNOTES

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² This note assesses the performance of household-level targeting after geographical targeting was applied. The degree of geographical applied varied depending on the program, ranging from narrow to broad targeting.

³ In most cases food insecurity was measured through the Food Consumption Score (FCS) which aims to reflect the quantity and quality of food consumed.

⁴ Authors' estimates based on household data from Chad collected in 2018.

⁵ Authors' estimations based on data from Niger relying on a difference-in-differences approach which includes strata fixed effects. For more information on the data see Premand and Schnitzer (2020).

⁶ HEA is a community-based method largely used by humanitarian agencies in the Sahel.

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