



Targeting for rural poverty reduction interventions

What is targeting?

Targeting is the process of concentrating the resources of a strategy, programme, or project on a given set of beneficiaries. In the context of rural poverty reduction interventions, targeting is an instrument for reaching the poor. When resources are limited, targeting can help to increase the poverty reduction impact of a given budget. In other words, it is a way of “*doing more with less*”. This note includes information from the third chapter of the forthcoming FAO Toolkit on Poverty Analysis and presents different available targeting mechanisms.

The challenges of targeting

Although a straightforward concept, targeting entails various challenges.

Challenge	Description
Targeting errors	On the ground, programme implementers cannot perfectly identify who is poor. This makes targeting prone to exclusion and inclusion errors. Exclusion errors refer to omitting individuals or households that are poor (leading to under-coverage). Inclusion errors consist of selecting individuals or households who are not poor (leading to leakage of resources). Targeting performance, or accuracy, is concerned with minimizing these errors.
Information requirements, capacity, public and private costs	Reducing targeting errors requires more information. However, information search implies costs and requires administrative capacity. Costs can be both public and private. Public costs are borne by the administrators of the intervention, while private costs are borne by beneficiaries. Public costs reduce the share of the intervention’s budget reaching the poor, while private costs discourage participation and reduce its net benefits.
Political sustainability and social acceptability	Choosing who should benefit is never a neutral decision. From a government’s point of view, excluding people might mean losing their support for an intervention, making it politically unsustainable. At the local level, targeting decisions might also cause negative consequences within communities, such as deteriorating social cohesiveness and eroding the legitimacy of an intervention.
Distortion of incentives	Targeting rules might lead potential beneficiaries to change their behaviour in order to meet the selection criteria. This is particularly concerning if they are based on the development outcome that an intervention aims at improving (e.g. income).
Psychological costs	Identifying beneficiaries as poor might lead to their stigmatization. This could discourage participation and perpetuate pattern of marginalization.

Broad targeting

Targeting is not only concerned with *who* will benefit from an intervention but also with *what* the intervention will focus on. In a first step of the design process, decisions are taken regarding the sector, value chain, or product that will be at the centre of the intervention (or a component of it). Clearly, this has fundamental implications for both the population sub-groups that will benefit from the intervention and on its potential for poverty reduction. These implications can be seen as a form of *broad targeting*.

The choice will depend on the overall objective of the intervention as well as its pre-determined target group. For example, if the main objective in a given country is poverty reduction and the target group is the extreme poor, should a new intervention invest in/support agriculture or agri-food processing? Should it focus on cereal or vegetable value chains? For interventions with a rural poverty reduction objective, it is important that these choices are taken based on explicit poverty considerations and, where possible, based on poverty analysis. For example, a poverty profile can tell whether poverty is more concentrated in crop agriculture vs the livestock sector, or whether poverty is more associated with lack of land or with limited access to markets.

However, rural poverty reduction will not be the primary objective for many interventions. In these cases, other criteria will guide the choice. For example, interventions with the objective of increasing national food production will likely be directed at sectors and investments with high productive potential. Nevertheless, these interventions can also be made more pro-poor and inclusive if, among the range of technically viable options, a further prioritization is made based on poverty considerations.

What are the different targeting mechanisms?

After the first step in the design process, the designers of an intervention can make an effort to allocate its benefits to certain beneficiaries according to their poverty reduction objectives. This can be thought as *narrow targeting* and is done through targeting mechanisms. A targeting mechanism is a set of rules defining which areas, households, and/or individuals will be eligible to receive the benefits of an intervention. There are three methods of targeting:

- 1. Individual and household targeting** includes those mechanisms in which the project implementer verifies if an individual or household complies with the eligibility criteria to participate in the intervention. The most common criterion to assess eligibility is poverty status. The main mechanisms used for individual targeting are Means Testing (MT), Proxy Means Testing (PMT), and Community-Based Targeting (CBT).
- 2. Categorical targeting** refers to mechanisms in which all the individuals or households that belong to a certain category are eligible. Geographical and socio-demographic targeting are the two main mechanisms of categorical targeting.
- 3. Self-targeting** is a method in which everyone is eligible though the intervention is designed in such a way that only those individuals or households belonging to the target group will want to participate.

Mechanisms for individual and household targeting

Means Testing (MT). Information is collected on household welfare and defines eligibility by comparing the value of that welfare variable with an eligibility threshold. Most poverty reduction interventions use income or consumption as the welfare variable determining eligibility.

Among targeting mechanisms, Means Testing has the highest potential for accurately delivering benefits to the poor. However, collecting accurate information on household income or consumption is a challenging and time-consuming task. Moreover, the performance of Means Testing depends on the extent to which information on welfare can be verified. A thorough verification requires substantial administrative capacity and implies costs. For this reason, this mechanism is recommended when information on welfare can be easily obtained from applicants and verified by public institutions, and when the size of the benefit is large enough to justify this effort.

Proxy Means Testing (PMT). Other household characteristics (e.g. quality of the dwelling, ownership of assets and several socio-demographic characteristics) are easier to observe and verify than income or consumption, and they are also correlated with the welfare situation of households. Based on those characteristics, Proxy Means Testing mechanisms calculate a welfare score for each potential beneficiary and determine eligibility by comparing that score with a cut-off value.

As Means Testing, PMT can theoretically be effective at minimizing targeting errors. However, its performance depends on the quality of the model used to calculate the welfare score (which requires substantial technical capacity upstream) and how, on the ground, information on applicants is in fact easy to observe and verify. The mechanism is recommended when a scoring system already exists and when those in charge of collecting info on the ground have enough technical capacity to handle it. As with Means Testing, PMT is usually worth implementing for relatively large and long-term programmes.

As all individual and household targeting mechanisms, MT and PMT can be used to target interventions that deliver private goods and can be allocated to specific individuals. These include various forms of social assistance (e.g. cash and food transfers), distributions of agricultural inputs and assets, microcredit, and trainings. In the context of FAO interventions, opportunities for MT and PMT emerge particularly when social registries for targeting national social protection programmes are already in place. Examples of how social registries were leveraged to target productive inclusion interventions and payments for environmental services through MT and PMT will be provided in the forthcoming FAO Toolkit on Poverty Analysis.

Community-Based Targeting (CBT). A group formed by community leaders or community members select the beneficiaries of the intervention or validate the selection of beneficiaries made through other mechanisms. In *delegated community-based targeting*, the communities identify beneficiaries based on criteria pre-defined by programme's administrators; while in *devolved community-based targeting* the communities use their own criteria to select beneficiaries.

From the point of view of the institution funding or implementing the intervention, CBT has the advantage of minimizing implementation costs (they are shifted on community members) and potentially increase local legitimacy. Nevertheless, its performance depends on whether the incentives and definition of poverty of community members are aligned with the funding/implementing agency, how well community members know each other, and local power dynamics. CBT is particularly indicated for relatively small and cohesive communities in remote rural areas, where the poor are not marginalized by local power structures, and when only a small fraction of community members is to be selected.

All individual/household targeting mechanisms are more indicated for contexts in which the incidence of poverty is not very high. In a context where the large majority is poor, selecting beneficiaries one-by-one based on their poverty status provides limited gains in terms of efficiency and presents limited political and social acceptability.

Categorical targeting methods

Geographical targeting. In this mechanism, the place of residence is the main criterion to allocate the benefits of an intervention. It can be particularly useful for interventions that cannot be targeted at specific households, such as irrigation schemes, rural roads, and landscape restoration. In targeted poverty

reduction interventions, it is often used as a first step to concentrate the resources of an intervention on areas that are particularly poor, before further detailing the eligibility criteria with the use of other mechanisms. Geographical targeting can also be the main (and sole) targeting mechanism for interventions that, although providing private goods, for practical reasons are typically offered to all the individuals that are part of certain organizations and institutions. Examples include school feeding programmes or value chain interventions offering benefits to all the members of producer organizations (e.g. extension services or matching grants for purchasing machineries).

If used alone, its targeting performance (i.e. ability to minimize exclusion and inclusion errors) can be limited (unless poverty is strongly concentrated in specific areas and a detailed poverty map is available). However, geographical targeting is cheap to implement and presents fewer problems of social acceptability and distortion of incentives.

In the context of FAO's interventions, even for interventions with a strong poverty reduction emphasis, geographical targeting does not necessarily mean working in the poorest areas. Sometimes, the selection of areas is driven by technical considerations and, especially in regions where poverty is generally very high like Sub-Saharan Africa, might be guided more by the potential to reduce poverty than poverty itself.

Socio-demographic targeting. In this mechanism, socio-demographic characteristics (e.g. gender, age, ethnicity, household composition, etc.) are used to select the beneficiaries of an intervention. The characteristics that determine eligibility should be easily verifiable and strongly correlated with poverty. Poverty profiles can help identifying the socio-demographic variables more correlated to poverty, increasing the effectiveness of this targeting mechanism.

Unless poverty is strongly concentrated in a particular demographic group, this mechanism, used alone, can produce large targeting errors. Nevertheless, it is cheap to implement and has high political and social acceptability, particularly if the selected groups are traditionally considered vulnerable. This mechanism is recommended when interventions need to deliver benefits to individuals but MT, PMT, and CBT are not feasible or advisable, or when selecting a particular socio-demographic group is instrumental to achieving other development outcomes beyond poverty reduction.

In the context of FAO's interventions, targeting a particular socio-demographic group can be aligned with poverty reduction objectives even when the targeted group is not formed by the poorest. However, when rural poverty reduction interventions use relatively more resource-endowed individuals as a vehicle to reach the poorest, it is important that the targeting strategy explicitly acknowledges the mechanisms through which this should occur. An example, focusing on how rural youth champions were targeted to boost decent jobs in Uganda can will be provided in the forthcoming FAO Toolkit on Poverty Analysis.

Self-targeting methods

In self-targeting mechanisms, the interventions are open to everyone but designed in such a way that are more attractive to the poor. They should result in much higher take-up rates for the poor than for the non-poor. The main elements that drive this mechanism are costs and benefits of participation, stigma associated with the use of benefits provided, and preferences about quality.

The most common form of self-targeted interventions are public employment programmes, which are particularly popular in rural areas. These programmes use low-skilled labour for development projects such as building rural roads. The mechanism is based on the fact that wages are low enough to attract only those

who cannot find better alternatives. To some extent, self-targeting can be used in combination with other mechanisms for a wide range of interventions. However, it is important to consider that lowering wages reduces the benefit and, possibly, the poverty reduction impact of the intervention. To some extent, self-targeting can be used in combination with other mechanisms for a wide range of interventions. It is particularly useful when there is no administrative capacity or time to select beneficiaries, such as in emergency relief interventions.

Multiple targeting mechanisms

In practice, most interventions rely on a combination of two or more targeting mechanisms. Mechanisms are used **simultaneously** when beneficiaries have to comply with multiple criteria at the same time (e.g. satisfy some socio-demographic characteristics and pass a means test). Mechanisms are used **sequentially** when, for example, an intervention's resources are first distributed geographically (e.g. based on the level of poverty of administrative areas) and then allocated to beneficiaries through other individual methods (e.g. means testing or CBT). Finally, **parallel** mechanisms involve using different criteria to select different groups within the same intervention.

Using multiple methods is often both necessary and advantageous. For example, in productive interventions targeted to individuals or households, poverty status is rarely the only criterion of inclusion.

How to select a target group and a targeting mechanism?

All targeting mechanisms have advantages and disadvantages that define their appropriateness for a given situation. When selecting targeting mechanisms, it is useful to compare them based on their:

- effectiveness in terms of reaching the poor (potential for errors of exclusion and inclusion);
- administrative capacity, information requirements, administrative and private costs;
- potential distortions of incentives;
- political sustainability; and
- social acceptance and psychological costs.

In practice, the selected combination of mechanisms should be as clear and transparent as possible, and its implementation should be monitored to assess its performance. These steps should be followed in the process of selecting a targeting mechanism:

- identify the extent and magnitude of the poverty problem (poverty measurement);
- identify the groups most at risk (poverty profile);
- select the group to prioritize (based on the magnitude of the problem and the available budget);
and
- evaluate the potential effectiveness of the different targeting mechanisms, taking into account the factors listed above.

The following checklist can help compare different targeting options and make a decision.

Feasibility
<p>Is this mechanism applicable to this specific intervention? Does the intervention deliver benefits to individual people or to groups of people?</p> <p>Is there enough information to implement this mechanism? If not, is it technically feasible to collect it?</p> <p>What does the mechanism imply in terms of logistics? Is it feasible on the ground?</p> <p>Is this mechanism politically acceptable for the institution funding and/or delivering the intervention?</p>
Effectiveness
<p>Using this mechanism, by design, which proportion of beneficiaries will be in the target group (e.g. poor)?</p> <p>Once implemented, which are the chances that the mechanism will select beneficiaries according to the eligibility rules?</p> <ul style="list-style-type: none"> ○ Who will implement the selection process? ○ Does this person or institution have an incentive to select beneficiaries in the target group? ○ Do they have sufficient capacities to implement correctly? ○ Will the mechanism be easy-to-understand by those implementing it? <p>Is there a risk that, due to the features of the targeting mechanism, people in the target group will not want to participate in the intervention?</p>
Cost-effectiveness
<p>How expensive will it be to use this mechanism? What percentage of the intervention's budget is likely to be needed to identify beneficiaries?</p> <p>Will the selection process impose a cost on beneficiaries? How does this compare to the amount of benefits received?</p>
Potential secondary effects
Negative
<p>Is there a risk that the mechanism leads beneficiaries to adopt behaviours that undermine the poverty reduction effect of the intervention? How substantial is this risk?</p> <p>Will the mechanism be perceived as transparent and legitimate? Does it risk generating distrust toward institutions?</p> <p>Does the mechanism risk deteriorating cohesiveness and produce conflict within the communities in which the intervention is implemented?</p> <p>Does the mechanism risk generate stigma among beneficiaries? To what extent does this threaten the poverty reduction effect of the intervention?</p>
Positive
<p>Does the mechanism help strengthen the capacities of the institution in charge of implementing it?</p> <p>Does the mechanism help sensitize local populations to the disadvantages and needs of the targeting group?</p> <p>Does the mechanism help extend benefits of the intervention to groups other than the target group?</p>