

Targeting Approaches to Cash Transfers: Comparisons across Cambodia, India and Ethiopia

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Executive Summary

This paper provides a conceptual review of targeting in relation to poverty-focused interventions, together with empirical evidence from case studies in Cambodia, Ethiopia and India.

Cash transfers are a relatively new phenomenon in most of the contexts considered, and so the evidence draws on a combination of cash and in-kind transfers. However, care has been taken to select contexts which offer some potential learning for cash transfer initiatives.

The conceptual review suggests that experience can usefully be reviewed against five criteria:

- Types of poverty criteria and responsibility for identifying the poor
- Standardisation of criteria versus local adaptability
- Self-targeting
- Susceptibility to errors and distortions, and
- Scope for improvement.

Types of criteria and responsibility for identifying the poor: in all three countries, a range of criteria had been developed and was being applied. The most consistent pattern was in Ethiopia where a sequence of criteria from geographical to socio-economic to physical ability was being followed. Community involvement in identifying the poor was stronger in Ethiopia and Cambodia than in India. Community involvement is seen as a way of increasing the accuracy of targeting and of reducing costs, but little consideration seems to have been given to the costs incurred by community members, whether economic (in e.g. the opportunity costs of time) or other (e.g. potential ostracisation).

Standardisation versus adaptability: Provisions are made for local adaptation in Ethiopia and excessive standardisation is recognised as problematic elsewhere, but the balance between local adaptation and standardisation will vary from one setting to another and is difficult to achieve. This may be partly attributable to lack of awareness among those at local level mandated to identify the poor of how much freedom they have to interpret central guidelines (as in Ethiopia) and/or to the rigidity of centrally-defined provisions (as in India).

Self-targeting: was found to be important in all three countries, but does not automatically work well. The India evidence, in particular, suggests that close attention is needed to the detail of programme design to make targeting work well, in particular to ways of ensuring that the scope for rent-seeking is minimised, and exclusion minimised. In Ethiopia, the effectiveness of self-targeting wage rates is found to be limited in the absence of a well-functioning labour market.

Susceptibility to errors and distortions: There is evidence from Ethiopia of errors of exclusion caused by overall lack of funds and a knock-on effect into dilution of individual amounts paid. Some exclusion is also caused by political pressure to graduate people quickly through the programme. Funding “caps” (e.g. with old-age pensions) in India cause similar exclusion, but not dilution. India is characterised by high and chronic levels of diversion of funds, both through rent-seeking within the bureaucracy, and as a result of political manoeuvring. There is slight evidence of the latter in Ethiopia, but very little of the former.

Conclusions and Scope for Improvement: Targeting arrangements in Cambodia appear too complex to be sustainable: large amounts of data have to be collected and interpreted to build up the criteria for assessing poverty, and the current proposal is that re-assessments should take place every year. This is likely to make unacceptable demands on the time of local government and of community members. Possibly here, and more likely also in Ethiopia, political pressures to show that the poor are “graduating” from particular programmes may be leading to excessive frequency of re-targeting. In India, serious consideration needs to be given to questions of whether the BPL procedure remains valid – it would be politically difficult to dismantle it, yet doubts are growing over its continuing usefulness. Errors of inclusion and exclusion abound, but it is the axis

of complex inclusion criteria, weak understanding by (often) semi-literate people of whether they are entitled to specific benefits, the large number of (often overlapping) schemes, the central role of the bureaucracy in making payments and weak monitoring of their performance – particularly weak safeguards against corruption – that needs to be broken if the performance of targeted poverty reduction programmes is to be enhanced. In Ethiopia, the key requirements are for systematic monitoring of targeting outcomes, and for improved systems for appeals and complaints. Without better independent monitoring it is very difficult to assess how well the targeting system is working, given the locally determined and relative nature of the targeting criteria used by community decision-makers. Improvements in the appeals process are needed to increase the transparency and accountability of the community targeting system.

More broadly, the criteria for identification of the poor need to distinguish how far the household can be economically active, and what types and levels of productive assets it possesses. The creation of common interest groups with cash transfer support for investment purposes may be relevant to those already owning or having access to productive resources, and, for instance, the World Bank-supported District Poverty Initiatives Project in Madhya Pradesh, India, has experimented with these. But for those having few productive resources, “cash for work” schemes, supplemented by strategies to improve the bargaining capacity of unskilled labourers through skill upgrading, skill verification and initiation of a labour company may be more appropriate. A third category – those unable to engage fully with the productive economy – will be reliant on social welfare transfers, in cash or kind, or in some combination.

Cutting across the three categories above are three propositions, prompted by, but lying beyond, the scope of this paper, which require further investigation: first, that, in poorly serviced locations, cash transfers can serve as a platform of regular “business” on which post offices, banks etc can build the provision of wider financial services. A second is that providing transfers to the economically productive in their own place of residence – such as via employment guarantee schemes – is a damagingly static approach when growth and poverty reduction might both be better served by encouraging the poor to find work in areas of high economic growth and, in doing so, to learn new skills. Eligibility criteria can be made tougher to restrict such transfers. A third is that the design and implementation of selection criteria can promote “citizenship” by the poor, both at a practical level of complaints procedures once lists of those eligible have been drafted, and at the broader level of “voice” – i.e. of helping the poor to identify and claim their entitlements. Simple, transparent and robust criteria are likely to facilitate engagement by the poor, and sophisticated and complex procedures to be an impediment.

1. Targeting: An Overview

1.1 Defining targeting

The decision to transfer public resources to the poor is a prior part of the overall policy context against which targeting must be viewed. Against this context, targeting is characterised by three stages:

- a set of policy decisions about (more precisely) who is to be supported through transfer programmes;
- the processes of identifying those people, and of keeping such lists up-to-date, and
- the design and implementation of mechanisms to ensure that support is provided to those intended, with minimal errors of inclusion and exclusion.

A fourth stage, of increasing concern to those mandated with monitoring the performance of transfer programmes, but as yet receiving little attention in practice, is that of ensuring that targeting criteria are simple enough, and information about them presented in a sufficiently accessible way, for even those intended beneficiaries with limited literacy to understand their entitlements. The ability then to voice their requirements and to press for their voices to be heard is a natural follow-on from these conditions, but depends on the wider ways in which particular societies function and so lies outside the mandate of the present report.

1.2 The costs and benefits of targeting¹

For a given objective, such as maximising the reduction in poverty or improvement in social welfare more generally, successful targeting provides a means of raising efficiency by increasing the benefits flowing to the poor from a fixed overall budget. However, there are costs to acquiring information about potential target groups, and such information is rarely perfect. These costs can be classified as follows:

Administrative costs: such as the costs of means-testing households or of conducting a survey on which to base a poverty map. The costs of gathering information, analysing it and applying it in time to be operationally useful, are likely to increase with the degree of precision required,

Private costs: households also incur private costs involved in taking up transfers. For instance, public works programmes incur an opportunity cost in terms of forgone income opportunities and energy expenditure². Travelling and/or queuing to collect benefits can involve both opportunity costs and cash outlays, as can also the need to obtain certification such as identity cards, or proof of residency or of disability. Keeping children in school also involves private costs.

Incentive costs: also known as indirect costs, result where eligibility criteria may induce households to change their behaviour in an attempt to qualify. For example, a programme open only to those below a minimum income may cause some households to reduce the amount of work they do, and thus their earned incomes. Transfers that guarantee a minimum income may change incentives in these ways.

Social costs: may arise when the targeting of poor households involves publicly identifying households as poor, which may carry a social stigma.

1 This section draws on Coady et al, 2004, which, for interested readers, provides a more detailed exposition of many of the concepts discussed here

2 This is particularly an issue with Food For Work, especially where workers are malnourished

Political costs: targeting may shift the balance of political support for or opposition to transfer programmes: those excluded may increase their opposition, but this may be outweighed by increased support from the poorer, as seems to have happened during the 2006 presidential elections in Brazil where social transfers were a major electoral issue.

1.3 Measuring how well targeting performs

In practice, programme officials do not have perfect information about who is poor because this information is difficult and costly to collect, analyse and apply in a timely fashion. Some types of poverty are also time-specific – sudden misfortune may reduce a comparatively well-off household to poverty from one year to the next. Some error of inclusion – identifying non-poor persons as poor and therefore admitting them to the programme, or of exclusion – identifying poor persons as not poor and thus denying them access to the programme – is therefore inevitable. Administrators need to know whether the costs of collecting further information are justified in terms of reduction in these types of error.

The impossibility of removing targeting errors altogether raises questions about how precisely to try to target, the most appropriate methods in each case, and indeed, whether to target at all. Policymakers may be equally averse to errors of inclusion and exclusion, or more to one than the other, and degrees of aversion may vary from one context to another. Such preferences will influence choices of methods and degree of precision. Refinements can be made by introducing more information on distribution – it is less undesirable for instance to include in error someone just above the poverty line than someone at the top end of the income scale, yet both are included under the blanket “error of inclusion” category. To create “welfare weights” across different kinds of households and/or individuals is an explicit but complex way of dealing with this issue. An alternative and simpler approach is to calculate the share of the programme budget going to, for example, the various deciles or quintiles of the national income distribution, and to assess whether these match with desired distributions, and, if not, what can be done about it.

In all of the above, the assessment of poverty status is potentially problematic. Not only is income difficult to measure for those with e.g. irregular incomes; in addition, the household survey information that the analyst usually relies on may not use exactly the same concepts of income, time period, or unit of observation that the programme does. Moreover, household welfare may have changed between the time the household sought entry to the programme and when it was surveyed. Errors in poverty assessment can lead to substantial mis-estimates of uptake rates and targeting errors (Duclos, 1995).

1.4 Classifying targeting methods

The following methods are among the more commonly used:

Individual/Household Assessment involves direct assessment, household by household or individual by individual, whether the applicant is eligible for the programme. It is the most laborious of targeting methods. Other individual assessment mechanisms are simpler, and include:

- i) *Simple means* tests, with no independent verification of income, may be made on the basis of a household visit by a programme social worker using simple proxy indicators such as housing quality, food stocks and so on.
- ii) *Proxy means* tests, while relatively rare, are being instituted in a growing number of countries. These generate a score for applicant households based on fairly easy to observe characteristics such as the location and quality of the dwelling, ownership of durable goods, demographic structure of the household, and the education and, possibly, occupations of adult members. The indicators used in calculating this score and their weights are derived

from statistical analysis (usually regression analysis or principal components) of data from detailed household surveys.

- iii) *Community based-targeting* uses a group of community members or a community leader to decide who in the community should benefit. School officials or the parent-teacher association may determine entry to a school-linked programme. A group of village elders may determine who receives grain provided for drought relief, or special committees composed of community members or a mix of community members and local officials may be specially formed to determine eligibility for a programme. The idea is that local knowledge of families' living conditions may provide more accurate criteria, more rapidly, more cheaply, and with fewer demands on human capacity than means tests conducted by a government social worker or a proxy means test.

Categorical Targeting involves the definition of categories, all members of which are eligible to receive benefits. It involves defining eligibility in terms of individual or household characteristics that are fairly easy to observe, hard to falsify, and correlated with poverty. Categories commonly used include:

- i) *Age*: examples include cash allowances for children's healthcare or education, school feeding programmes, and non-contributory pensions for the elderly
- ii) *Geographic targeting* helps to focus on lagging regions, within which additional categorisations (such as others on this list) might then be made. Classification may be by administrative district or province, or by ecological characteristics, such as drought-prone or flood-prone areas
- iii) *Gender*: examples include widows' allowances, and, where girls are particularly disadvantaged, allowances to support families who keep teenage girls in school rather than having them leave for early marriage or for domestic work.
- iv) *Ethnicity*: programmes for ethnic minorities of various kinds are common in some countries – e.g. for hill tribes in Vietnam, or for scheduled tribes in India
- v) *Economic and/or occupational status*: programmes which focus specifically on the landless, or provide support – either for re-employment or as a safety net – for those in declining industries such as handloom in India or jute industries in Bangladesh – are also common.
- vi) *Social status*: examples in India include programmes which focus on those having low caste status. In Vietnam, pensions are paid to war veterans. In Uganda, allowances are paid to HIV/AIDS orphans.

Categorical targeting of a different kind is sought under self-selection programmes. Here, the access to programmes may be unrestricted, so that they may appear untargeted, but the design makes the programme attractive only to the poorest, who are likely to have lower private participation costs than the better off. This can be done by:

- use of low wages on public works schemes so that only those with a low opportunity cost of time will present themselves for jobs
- restrictions on the timing of transfers so that there is a requirement to queue
- transfer of in-kind benefits with "inferior" characteristics (e.g., low quality wheat or rice)
- location of points of service delivery (e.g., ration stores, participating clinics or schools) in areas where the poor are highly concentrated so that the non-poor have higher (private and social) costs of travel.

A powerful example of self-targeting is provided by a major new programme in India: the National Rural Employment Guarantee Act (NREGA). This offers cash for public works employment to those unable to find sufficient work the whole year round.

The isolated use of individual methods of targeting is not the most commonly observed approach. A recent World Bank study (Coady et al, 2004), for instance, found that 60% of the 122 interventions reviewed in 48 middle and low-income countries sought to sharpen the precision of targeting by using overlays of two or more methods. Thus, for instance, a child allowance (categorical targeting) may be means tested (individual assessment), and geographical targeting provides a basis onto which virtually any other method can be overlain.

1.5 The effectiveness of targeting

A recent World Bank study (Coady et al, 2004) makes five observations based on the 122 interventions surveyed:

- *Targeting can work* . . .the median programme from those observed provides approximately 25 percent more resources to the poor than would random allocations. The best programmes were able to concentrate a high level of resources on poor individuals and households.
- . . . *but it doesn't always*: in approximately 25 percent of cases targeting was regressive, implying that a random allocation of resources would have provided a greater share of benefits to the poor.
- *There is no single method that is clearly preferable*: in the sample, 80 percent of the variability in targeting performance was due to differences within targeting methods and only 20 percent was due to differences across methods, implying wide variation in the appropriateness and/or quality of implementation of individual methods.
- *Different mechanisms tended to generate different qualities of outcome, but this was only a weak correlation*: Interventions that use means testing, geographic targeting, and self-selection based on a work requirement are all associated with an increased share of benefits going to the bottom two quintiles relative to targeting that uses self-selection based on consumption. But this ranking does not imply a blanket preference for some methods over others: it does not, for instance, consider cost or feasibility constraints.
- *Implementation strongly influences outcomes*. Some of the variability in outcomes could be explained by country context. Performance in targeting improved with country income levels (the proxy for implementation capacity), the extent to which governments are held accountable for their actions, and the degree of inequality. Unobserved factors, however, explained much of the differences in targeting success. Significant potential therefore, remains for improvements in the design and implementation of targeting methods.

1.6 Issues arising from the overview

From the World Bank overview of 2004 summarised above, as well as from several other sources (e.g. Nayak et al, 2002; Farrington et al, 2003), a number of issues potentially relevant to the design of new cash transfer programmes can be identified. These include:

- i) the importance of getting the balance right between precision on the one hand, and cost and implementability on the other. Errors of inclusion or exclusion can be reduced but not entirely eliminated by the collection of additional data on potential beneficiaries and through more detailed criteria for inclusion or exclusion. The classification of beneficiaries can be done on the basis of survey data (as generally in India) or by community-based wealth ranking (as in Ethiopia) or by some combination of these, depending on local circumstances. There are a number of caveats:

- First, even a simple classification (as in India) of above or below a national poverty line is built on large amounts of survey data and so is expensive to construct. But it is also fraught with difficulty, including widespread pressure by middle income households to have themselves classified as below the poverty line in order to qualify for benefits.
 - Second, the aim of making criteria “universal” (either geographically or in relation to a number of poverty focussed programmes (as the GTZ supported approach in Cambodia is seeking to do) may be flawed, especially where geographical differences are great or eligibility criteria for one type of programme (e.g. supporting access to education for teenage girls) will be very different from others (such as access to mother and child clinics). In such cases, very comprehensive datasets will have to be collected.
 - Third, to shift the burden of classification onto the community through e.g. community-based wealth ranking has (for government) the attraction of reducing costs, and possibly of achieving the more accurate classification that local knowledge can bring, but exposes the process to elite capture, and places costs on those charged with making the ranking – not merely costs of time and effort, but also of potential conflict with any who feel that they have been classified to their disadvantage.
 - Fourth, other types of private costs in relation to anticipated benefits are also potentially important in determining what categories of the poor will participate, and how far, in programmes intended to benefit them.
 - Fifth, classifications can quickly become out-dated as, for instance, new cohorts become automatically eligible for certain benefits (e.g. newborn children for mother-and-child benefits; the elderly reaching the age criterion for social pensions etc), or as people move in and out of poverty. This has at least two implications for targeting: one is that a balance must be sought between updating and stability – while lists of those becoming automatically eligible for certain benefits should ideally be updated at least annually, those involving e.g. means-testing as a basis for receiving benefits might more appropriately be updated at less frequent intervals, partly to provide stability, especially to those lying just above or below a poverty line, and partly because of the costs involved.
- ii) the importance of overlaying several sets of targeting criteria thus arises partly for reasons of geographical and socio-economic difference which can only be accommodated by a broad range of eligibility. For example, geographical criteria may allow lagging regions to be targeted particularly, but it will still be necessary to overlay this with targeting methods based on e.g. age or economic or social status. One watershed decision here is whether to rely on some form of official means testing as a criterion. To do so has the potential to increase the accuracy of targeting but also greatly increase the costs and complexity of administration. There are three broad alternatives to official means testing:
- one is to rely on “automatic” inclusion or exclusion criteria such as age (in the case of social pensions and child benefits) or civil status (as with widows). After periods of (highly unpopular as well as costly) means testing in some industrialised countries (such as Britain) there has been some shift back towards automatic criteria in e.g. the case of social pensions and family allowances, even at the cost of fairly large inclusion rate.
 - a second is to rely on self-selection. This is commonly used in e.g. public works programmes where wages are set high enough to provide a basic livelihood to workers and their families, but low enough to be unattractive to the better-off. Self-selection can work well, but faces a number of difficulties including the costs of identifying, designing and managing useful public works, of ensuring that registers are not falsified, that due payment (whether in cash or kind) is made and so on. More fundamentally, the approach reaches only those households having surplus labour, and does not work well where labour markets are rigid or thin. In these cases, additional measures will have to be applied.
 - a third is to rely more on informal approaches to means-testing, for instance via community-based wealth-ranking, as outlined above.

- iii) the fundamental importance of how any given targeting method is implemented. This issue is in two broad parts: first is the question of how data are collected and applied to allow assessment of whether poor households or individuals meet agreed criteria for inclusion. This can involve formal or less formal means testing, and/or elements of community-based targeting. The second, much wider, issue is how resources are delivered to those included. This second issue, in turn, has three components: first, the channel of implementation (cash transfers, for instance, can be paid via programme staff themselves, via the wider public administration, via local government bodies, or via post office or bank accounts: second, the type of agency making the payment, which can be public sector, private commercial or private voluntary; and, third, issues of quality control, including not merely of how an individual targeting method is delivered, but also how mechanisms are put in place of accountability and of supporting intended beneficiaries in recognising and claiming their rights. Although the distinction between channel and agency is conceptually important, in practice the permutations may be less flexible than in theory – for instance, the private commercial sector operates only via certain channels (such as banks). Given the focus of this paper on targeting, the second issue of how resources are transferred is not considered in detail here.
- iv) What combinations of eligibility criteria and delivery mechanisms which minimise the scope for local-level rent-seeking by petty bureaucrats? These are likely to be simple and robust, and easily understood by beneficiaries. Where payments are regular and automated, the scope for corruption is minimised, and the scope that new digital technology offers in automation merits fuller investigation.
- v) In a rights-based vein, transparency of the eligibility criteria and of the decision-making process is important: even non-literate beneficiaries should be able to understand these, so that they can demand their entitlements if necessary, and so keep government responsive and accountable. In the case of NREGA in India, for instance, the eligibility criteria are very clear, but it is the process of getting a job card etc that is limiting access to entitlement, as is low general awareness about the programme.

2. Targeting: Lessons from the Cambodia, Ethiopia and India case studies

With the above issues in mind, brief case studies of targeting, drawing on authors' experience and on secondary materials, were conducted in these three countries. The reports are presented in Annex 2. The main cross-cutting lessons derived from these are presented below under five headings: types of criteria and implementation; self-targeting; standardisation versus local adaptation of criteria; susceptibility to errors and distortions; and scope for improvement.

2.1 Types of criteria and implementation

India's criteria and implementation modalities are well-established and, at best, amenable to only marginal change. By contrast, those in Cambodia are still in a pilot phase. In Ethiopia (as far as the Productive Safety Net Programme is concerned), they have evolved from a set of criteria based on food security to those with a broader socio-economic base. Table 1 sets out the main features of the criteria used in each case study country and how they are applied.

In *Ethiopia*, targeting proceeds through the sequence outlined in Table 1, namely:

Geographical: 262 chronically food-insecure *woredas* (districts) were pre-selected during the design of the programme, based primarily on previous years' food aid needs. Targeted districts are then responsible for allocating PSNP resources among the sub-districts (*kebeles*) and villages within their area. No national rules are set on how the intra-district targeting should be done, but fieldwork during 2006 found that some districts had simply included all sub-districts, while others had selected target areas on the basis of indicators including population size; previous food aid receipts; natural resources; recent harvest estimates; and in some cases detailed livelihood and food security assessments. Within the *kebeles*, all villages were included. (Sharp et al. 2006:15)

Administrative/community targeting: the selection of beneficiary households within villages is the final and most complex level of targeting. A broad definition of chronically food insecure households is given in the national guidelines, but the details of how to identify this group are largely left to local decision-makers. Previous years' food-aid rolls were taken as a starting point for PSNP beneficiary lists. However, it was immediately clear that the qualifying criterion of having received food aid for the past three years was too static. In practice local decision-makers are required to identify the poorest households in their community according to socio-economic criteria (assets, income and social capital) broadly indicated in the Programme Implementation Manual (PIM) but open to local elaboration (see box A2.1). These criteria implicitly recognise that chronic food insecurity is closely linked to household poverty.

Lastly, targeted households are divided into two groups. The majority are required to contribute labour to public works (PW) in exchange for the safety net transfers. However, eligible households who are unable to work are entitled to free or "direct" support (DS).

In all of the above, targeting responsibilities are shared between local government and community bodies, with government maintaining oversight at all levels. Special committees (Food Security Task Forces or FSTFs) are constituted at community/village, *kebele* (ward / sub-district) and *woreda* (district) level. The latter two work in parallel with the local government Councils, and there is a significant overlap between the membership of FSTFs and the administration. At each level, the PIM requires that at least one member should be a woman.

India is characterised by a large number of poverty focused programmes, many of them established and (mainly) funded by central government. Since 1992 the Government of India has used the Below Poverty Line (BPL) census as a principal means of targeting its poverty alleviation schemes to the poor. The BPL census is carried out every five years and is based on a household survey, as described below. Within the federal system, many such schemes are implemented by

the States, and these tend to accept the same criteria, occasionally adding criteria of their own. Households identified as BPL are entitled to benefits such as free or subsidized electricity, subsidized toilets, subsidized rations, preference under the national housing scheme (*Indra Awas*), subsidized loans under the national self-employment scheme (SGSY) and free insurance coverage. Inclusion in the BPL list is therefore potentially of great significance for households, and this explains the pressure from middle and higher income households to have themselves included on the list.

Three times during the last decade the Government of India has changed the way in which poverty is measured, with the objective of improving criteria and thus targeting – in 1992 the BPL census had a focus on income, in 1997 it was based on expenditure, and the latest census, 2002, relied on an aggregate scoring of 13 indicators. Serious questions have been raised about the way BPL households are being identified for every census and there is widespread agreement that the latest approach is not an improvement on earlier ones.

In the 1997 census, identification of those lying below the poverty line was by and large determined by expenditure levels of households³. The determining factor for the poverty line was decided on the basis of monthly per capita expenditure of a household corresponding to a stipulated daily requirement of calories. If that figure was less than what was identified by the Planning Commission the household would be classified as BPL (Jalan & Murgai, 2006). The 1997 BPL methodology was widely criticized for using grossly underestimated calculations of poverty (Karat, 2006).

The Expert Group set up by the Government to develop the 2002 BPL census also questioned the 1997 census. First of all, the basic exclusion criterion was found to be very stringent as, for example, possession of a ceiling fan could exclude a household from BPL. Secondly, that the criteria were used uniformly and did not take into account inter-state variations. The Expert Group also pointed out that there was no mechanism by which a household that became poor after the census could be included (Sundaram, 2003).

The shortcomings of the 1997 census led to a change in the approach used for developing the 2002 BPL census. Instead of relying on household expenditure, the Expert Group suggested that poverty should be based on a set of diverse social and economic factors that would reflect the quality of life of a household. A system was worked out in which each household was given a score of one to four for thirteen standard indicators.⁴ A cut off score for segregating the poor, i.e. BPL from non-poor, was decided with some scope for variation between districts. However, the Government also put in place a ceiling of number of BPL households that could be identified in a given area by saying that it could not be higher than what was the estimate by Planning Commission for the year 1999-2000 for the State in question (Jalan & Murgai, 2006). The large difference between these has the potential to generate the same kind of exclusion as noted above for Ethiopia.⁵

3 See Annex 2 for details

4 The thirteen indicators included size of land holding; type of house; availability of clothing per person; sanitation; possession of consumer durables; literacy, status of household in labour force; means of livelihood; status of children between 5-14 years; type of indebtedness; reasons for migration in case of a migrant household; and preference for assistance from various schemes. (Jalan & Murgai, 2006)

5 The BPL census of 1997 identified 41.05% rural families as BPL. In contrast, the Planning Commission figure of 1999-2000 based on NSSO data found 26.10 % people in rural areas to be poor (Hirway,2003). In Ethiopia, the “quotas” are defined at district and sub-district levels

The BPL census of 2002 resulted in a lot of discussion about the methodology as well as the final result.⁶ One criticism concerns the “universality/location specificity” argument raised above, namely the fact that the same basis for developing indicators is used across widely differing circumstances: for instance, the method assumes that comparisons can readily be made between states like Bihar and Kerala where levels of service provision in e.g. health and education differ widely, as does the enforcement of law and order, and so conditions of personal security.

Other critiques of the BPL approach argue that substantial parts of the poverty programme provision in fact relate to the kinds of public good that should be available to all (improved health, sanitation, education...) the provision of which is better based on geographical than on poverty indicators (Sundaram, 2003). The largest and most recent poverty reduction initiative, the National Rural Employment Guarantee Programme, is in fact intended to be self-targeting rather than rely on BPL criteria (see below).

Based on the inherent bias and problems with establishing who are the poor and the non-poor, questions are being raised about the overall effectiveness of the BPL census as a way of targeting the poor (Hirway, 2003). Sundaram (2003) poses a fundamental question: do we actually need a BPL census and, if so, for what, and does the current census based on 13 indicators give us the information required for purposive targeting of the poor? Sundaram argues that many of the national poverty programmes are based on provision of public goods which should be for everyone – sanitation, education, health. To deliver these programmes effectively it becomes important to understand the geographical concentrations of the population that needs targeting – this information is already available in the population census of 2001 and does not require a BPL census. For the national self employment programme – Swaranjayanti Gram Swarojgar Yojana (SGSY) – where the objective is to raise incomes of households, the census is in practice of no use with regard to implementation or monitoring as income does not form a part of the 13 indicators. The largest poverty alleviation initiative, NREGA, is not related to BPL but based on self-targeting and thus open to all who are interested. For implementation of schemes such as the Antyodaya Anna Yojana in which food grains are supplied at much-reduced prices for the poorest of the poor, identification on the basis of food security would be crucial. However, as the BPL list is made up of an aggregate score it has little value in terms of identifying food insecure households. In sum, the BPL census has limited relevance for implementation of poverty reduction programmes and its utility at large needs to be questioned (Sundaram, 2003).

Social transfers in **Cambodia** are in their infancy. The most relevant Cambodia government budgetary provision in relation to social protection is known as Chapter 31 (“Interventions in Social and Cultural Sectors”), with an allocation of \$38 million in 2003. i.e. some 10 percent of government’s current expenditure. However, its provisions are targeted mainly on the formal sector, especially civil servants and their families, but also over 450,000 relatives of former soldiers, including families of disabled former soldiers and policemen. Pensions and allowances average around \$1 per person per day.

A GTZ project entitled Identification of Poor Households (IPH) and conducted within the framework of the National Strategic Development Plan (NSDP 2006-2010), and in collaboration with the Ministry of Planning, aims to facilitate efforts to target services and resources to the poor. It aims to overcome the fragmented approach of donors and NGOs hitherto which have identified the poor according to their own specific and highly localised criteria. In doing so, the IPH project aims also to promote awareness of social transfers within the government of Cambodia, and, with new discoveries of offshore oil and gas reserves, and so a potential boost to government revenues, this is a crucial time to do so.

6 See Annex 2 for details

Current drafts of the village-level procedures under the IPH project involve a seven step process of:

- i) Selecting and training the Planning and Budgeting Committee Representative Group
- ii) Selecting and training Village Representative Groups
- iii) Compiling a list of households, conducting household interviews and compiling a first draft list of poor households
- iv) Village consultation meeting on the first draft list of poor households, receipt of villager complaints, and preparation of the final draft list of poor households
- v) Review and endorsement by the Village Council; issue of priority access card
- vi) Data entry of final lists of poor households and selected other data into database of poor households
- vii) Taking photographs of poor households

Step (iii) alone involves a further seven steps, from the compilation of the list of households to be interviewed, through the development of a complex scoring system, to the conducting of household interviews, the preparation of a draft list of poor households, and its cross-checking by village authorities and others.

According to the guidelines, village lists of poor households must be updated annually during the first quarter of each calendar year. The provision is for annual updating of the village lists of poor households in a province or selected districts to be initiated and coordinated by the Provincial Department of Planning, with implementation of targeting and distribution of funds by the local elected body, i.e. the Commune Council.

Village Working Groups (VWGs), consisting largely of members of the community, will implement the Identification Method to update the List of Poor and Very Poor Households in their village according to the procedures outlined above, but with one key difference relating to data collection. In the first year of implementation of the Identification Method, the VWG collected data from all households. But for the updates in Years 2 and 3, the VWG will only collect data from previously identified Poor and Very Poor households, from new households in the village (including those who have left existing households to form new households), or from Moderately Poor households whose circumstances are known by the VWG to have worsened significantly since the previous identification round. The reason for this changed procedure is to reduce the time and resources required by VWGs to carry out updates. In Year 4 (three years since the first identification process), the VWG will collect data from all households in the village, the same as in Year 1, to ensure that the data is comprehensive.

2.2 Self-targeting

As elsewhere, the assumption underlying self-targeting in Ethiopia is, given that the employment provided is unskilled physical labour at a very low payment rate, then 'only those who really need it' will be willing to work. The PSNP's public works requirement was expected to provide a self-targeting element in addition to the administrative-community selection system. In parts of Ethiopia this assumption may be challenged because overall job opportunities are low, and better-off households tend to have more labour.

The PSNP payment rate is fixed nationally, as the cash equivalent of basic consumption needs (see Annex 2). Inflation means that the purchasing power of this has eroded recently, but there remains strong demand for work even though the payment is below market wages. This is attributed mainly to the scarcity of paid employment. Two important non-wage factors also inclined potential beneficiaries to prefer public works to other employment, despite the lower daily rate: the reliability of PSNP employment, and the location of work-sites within walking distance of their

homes.⁷ These factors may weaken the self-targeting effect of the PSNP daily rate, which is only one element in the comparisons people actually make. In addition, the PSNP is probably the only employer offering equal pay for women and men. Nevertheless, the 2006 study found that the work requirement and low pay did have a limited self-targeting effect by discouraging a minority of applicants with better income-earning opportunities from seeking inclusion through the community targeting system.

In **India**, an increasing number of employment generation programmes initiated by the Government of India are intended to be based on self-targeting.⁸ NREGA is currently the largest self-targeting programme in India open to all rural poor who are willing to undertake manual labour work in their village. Although there are promising examples emerging such as *Dungarpur* district in Rajasthan⁹ where most poor have job cards and people are getting employment due to a very proactive district administration (Sivakumar, 2006), the 'open to all' policy is far from working well in practice across the country. Social status, social networks, nepotism, religion and politics have all found their way into influencing access to the scheme and local elites are manipulating the implementation of NREGA in much the same way as they do with other government initiatives (Allen and Pellissery, 2006).

The Registration for access to work is done by elected representatives at village level (Gram Panchayat). Refusals, delays, and requests for bribes are common, with informal fees of between Rs5 and Rs50 being charged for an application form (Allen & Pellissery, 2006). Instances of discrimination with regard to caste, age and gender in general have also been observed. There is evidence from the field suggesting that single-women headed households as well as physically challenged individuals are being denied registration (Sood, 2006). In the latter case this argues strongly for isolating the disabled for separate targeted funds, as happens in Ethiopia.

Problems include the "disappearance" of jobcards, delays in the distribution of jobcards, and poorly accessible information, so that the less literate and more marginalised (such as tribal) are unable to know or demand their rights. (AID, 2006; Sood, 2006). This is consistent with the argument that the poor need to be empowered to demand their rights for any form of targeting to be effective (Hirway, 2003). The rights-based platform of NREGA, i.e. people being entitled to 100 days of work through an Act, is also what civil society is banking on for the initiative to eventually become more effective, and this rights-based dimension may prove to be equally, or perhaps even more important than the principle of self-targeting.¹⁰

⁷ The PIM requires all PSNP projects to be located within one hour's walk or 5 km of beneficiaries' homes (MoARD 2004: section 2.2.3).

⁸ Most recent examples are: Sampoorna Grameen Rozgar Yojana' (SGRY) - Universal Rural Employment Programme; Employment Assurance Scheme (EAS) – now merged with SGRY; Drought Prone Areas Programme (DPAP); and National Rural Employment Guarantee Act (NREGA).

⁹ Also worth noting is that the right to information movement has been particularly strong in Rajasthan

¹⁰ Experience from other employment generation schemes based on self-targeting (e.g. Drought Prone Areas Programme (DPAP) and Sampoorna Grameen Rozgar Yojana (SGRY) – employment creation with food security - also illustrate that exclusion of the poor and inclusion of the better off are common. Poor governance along with widespread corruption are cited as the key reasons (Srivastava, 2004b)

2.3 Standardisation versus local adaptation of criteria

Given the heterogeneity of rural *Ethiopia's* farming and socio-economic systems, there are few or no indicators of poverty or food insecurity which could be standardised across the country. In the absence of direct means-testing, proxy criteria for identifying eligible households are left to woredas and local task-forces to determine, and the household targeting criterion most frequently used is relative poverty. This implies a complex, holistic assessment of potential beneficiaries' situations, and most importantly is a relative rather than an absolute classification. The system in effect produces targeting by wealth-ranking to identify "the most food-insecure people in the most food-insecure areas". The disadvantage is, of course, that it is impossible (with the information generated by the targeting system itself) to compare beneficiary characteristics between areas or across the programme as a whole.

The tendency in *India* is towards centralisation, with criteria relating to the official Poverty Line set centrally. Also, the national Planning Commission sets ceilings on potential transfers to individual States, and, working back from here, the States adjust BPL scoring to ensure that the claims will not exceed this ceiling. Any scope which the States have for locally-specific action is somewhat tangential to the BPL assessments – thus, for instance, they can make inter-year variations in claims on food for subsidised distribution from the Food Corporation of India.

2.4 Susceptibility to errors and distortions

Ethiopia has the reputation of being one of the least corrupt countries in Africa, but any targeting system which relies partly on the subjective judgement of local decision-makers creates opportunities for bias or misuse. In Ethiopia, the most frequently reported problem is pressure on task force members to include their friends and family in the beneficiary list (Sharp et al. 2006:19).

Political uses of the targeting system have also been alleged, particularly linked to the campaign for the 2005 national legislative elections. It was reported that opposition supporters in some places had been excluded from the safety net, and that ruling party members had made misleading promises about inclusion and resource levels. However, such incidents appeared to be specific to local power struggles in some areas, rather than any systematic use of the targeting system for political ends (Sharp et al. 2006).

The PSNP PIM recommends that the list of proposed beneficiaries should be "displayed in public for at least a week, in order for it to be commented upon and endorsed by the general meeting of the village residents." However, since the great majority (70%) of rural Ethiopians are illiterate, the names of potential beneficiaries are more usually read out in community meetings. In reality, the transparency of the process and the degree of community involvement differ greatly from place to place, being influenced by.

- high staff turnover and capacity constraints in local government;
- inadequate appeals processes, in which those hearing appeals are associated with those designing and implementing the project; and
- little or no record-keeping of complaints and appeals.

In *India*, corruption is rife and is most readily felt by the rural poor in the form of rent-seeking among petty officials and local elected representatives. This is evident in many ways, including the charging of informal fees for providing application forms, for reviewing forms and for approvals, and the charging of "commission" on benefits received. More detail is provided above in relation to the example of self-targeted schemes. In addition, there are major diversions of funds for political purposes. Singh et al (2003) describe these in detail in the context of Madhya Pradesh (MP), and there is no reason to believe that MP is atypical of other States. Political manipulation includes the redirecting of resources to reward those who have given political support, to tempt floating voters, and the withdrawal of resources from those who have voted for competitors. This behaviour

manifests itself among elected representatives at all levels, ranging from those at village (Gram Panchayat) through district to State levels. Those at higher (e.g. State) levels typically put pressure on those below to deliver the desired re-direction of funds.

2.5 Conclusions and scope for improvement

In the individual countries:

In **India**, the principal requirements are for:

- a rationalization of schemes, which drastically reduces their number from over 200 at present, to a number which can more easily be managed by local administrators and elected representatives;
- this may imply broader categorizations of the poor; it will certainly require simplification of criteria and procedures for their identification;
- a new emphasis on simplicity and accessibility in the specification of eligibility criteria and terms and conditions, with a particular emphasis on making this information accessible to semi- and non-literate beneficiaries so as to enhance the prospects of their knowing what they are entitled to and being able to make claims
- an emphasis on robustness of delivery mechanisms in order to reduce the dangers of both political misdirection of funds and rent-seeking by petty officials.

In **Cambodia**, the requirement is for less resource-intensive ways of making initial poverty assessments. Discussions with key informants, either by outsiders directly or as part of a community-based process, may be useful in identifying poor households by category, including for instance those with large numbers of dependents, those where adult(s) can no longer be economically active, those without adequate access to productive resources, and so on. The problem may arise in establishing criteria - so this needs to be carefully done. Similarly, the frequency of re-assessment could usefully be reduced from every year to once every second year. Community-based involvement in identifying the poor needs to be monitored to ensure that costs borne by community members – financial and other – are not excessive.

In **Ethiopia**, the key requirements are for systematic monitoring of targeting outcomes, and for improved systems for appeals and complaints. Without better independent monitoring it is very difficult to assess how well the targeting system is working, given the locally determined and relative nature of the targeting criteria used by community decision-makers. Improvements in the appeals process are needed to increase the transparency and accountability of the community targeting system. This would require a separation between the bodies who make targeting decisions and those who hear complaints about those decisions, and clear directives on reporting and documenting appeals and their outcomes.

In a wider vein, targeting needs to be considered in relation to degree and type of economic activity. As a minimum, the criteria for identification of the poor need to distinguish how far the household can be economically active, and what types and levels of productive assets it possesses. The creation of common interest groups with cash transfer support for investment purposes may be relevant to those already owning or having access to productive resources, and, for instance, the World Bank-supported District Poverty Initiatives Project in Madhya Pradesh, India, has experimented with these. But for those having few productive resources, employment generation schemes, supplemented by strategies to improve the bargaining capacity of unskilled labourers through skill upgrading, skill verification and initiation of a labour company may be more appropriate. A third category – those unable to engage fully with the productive economy – will be reliant on social welfare transfers, in cash or kind, or in some combination.

Cross-cutting issues: cutting across the three categories above are a three questions¹¹, prompted by, but lying beyond, the scope of this paper, which require further investigation:

First, for those living in remote locations, and/or having still fairly unsophisticated production systems, are existing local delivery systems adequate to allow cash transfers to be institutionalized? Putting the same question another way, can cash transfers serve as a platform of regular “business” to allow the strengthening of post offices, banks etc and to support the engagement of poor people with them, and so possibly help to promote the provision of wider financial services?

Second, is there any validity in the argument that to provide transfers to the economically productive in their own place of residence – such as via employment guarantee schemes – is a damagingly static approach when growth and poverty reduction might both be better served by encouraging the poor to find work in areas of high economic growth and, in doing so, to learn new skills? If this is the case, then employment or enterprise-related transfers to the poor might best be reduced, either pro rata across all beneficiaries and/or by making the criteria for eligibility tougher. In such locations, the volume of transfers to those unable to be fully economically active will then automatically increase in relation to that going to the economically active. In situations where there is a surplus of local staples, it may make sense to increase this difference further, by some combination of higher transfers per beneficiary plus easier inclusion criteria.

Third, the design and implementation of selection criteria can have a powerful influence on the feasibility of engagement by the poor, either at a practical level of complaints procedures once lists of those eligible have been prepared, or at the broader level of “voice” – i.e. of helping the poor to identify and claim their entitlements. The poor tend to be underrepresented in public meetings, and, even if they do attend, generally lack the confidence to speak (Sjoblom and Khatana, 2006). In both cases, simple, transparent and robust criteria are likely to facilitate engagement by the poor, and sophisticated and complex procedures to be an impediment.

¹¹ Which can equally well be re-phrased as propositions

Table 1: Targeting criteria and how they are applied

	Cambodia	Ethiopia	India
Main types of criteria	Socio-economic Self-targeting	Sequence of: Geographical Socio-economic Ability to work Some self-targeting	Some geographical, but unrelated to Socio-economic. Some self-targeting, but no explicit consideration of ability to work
Agencies applying the criteria		Mix of local government and community	Public administration with some involvement of local government; community involvement is rare
Main challenges faced	Questions over whether such a complex set of criteria can be implemented adequately or updated often enough	Funding cap causes exclusion and “dilution error” Those monitoring and hearing complaints are also involved in implementing, therefore only weak recourse Weak monitoring system, making it difficult to quantify targeting outcomes – community targeting does not generate objective data	Large errors of inclusion; funding caps in some cases (e.g. pensions) have caused exclusion; widespread petty corruption and politically motivated diversion of funds; varying conditions across States not reflected because of uniformity of criteria

Annex 1: Comparing targeting approaches to cash transfers in Cambodia, India and Ethiopia – Cambodia case study

Guidelines for poverty targeting under the Identification of Poor Households Project

Targeting in the wider social protection context

Social protection, and targeting along with it, is relatively under-developed concepts in the Cambodian public sector. However, several pieces of legislation relevant to SP have recently been passed, including:

- the Labour Law which was signed on 25 October 1998;
- the Insurance Law which was adopted by the National Assembly on 20 June 2000; and
- the Law on Social Security Schemes for Persons Defined by the Provisions of the Labour Law (25 September 2002) but this law has not been implemented to date.

The most relevant RGC budgetary provision in relation to SP is known as Chapter 31 (“Interventions in Social and Cultural Sectors”), with an allocation of \$38 million in 2003. i.e. some 10 percent of government’s current expenditure. This chapter is entitled “Interventions in Social and Cultural Sectors”. However, its provisions are targeted mainly on the formal sector, especially civil servants and their families, but also over 450,000 relatives of former soldiers, including families of disabled former soldiers and policemen. Pensions and allowances average around \$1 per person per day. Most programmes aimed at reducing the vulnerability of the poor are funded by external assistance. With 36% of the population living on under US\$0.5 per day, Cambodia attracts considerable official development assistance – approximately \$500/yr over recent years, with around 10% of this being contributed by NGOs. There are, for instance, currently more than 60 NGOs engaged in the fields of children’s rights, human trafficking, and disability assistance. Much donor assistance in the early 1990s was targeted geographically in response to natural disaster. This was also the case in 1999 – 2002 when aid was targeted in response to flooding.

In Cambodia, official poverty-oriented development planning has not yet begun to focus on carefully identified groups of poor people. Donor and NGO-supported poverty reduction programmes generally target poor **areas** and are beginning to target poor **households**, but each institution has developed and applied its own procedures for identifying poor households. This can sometimes lead to the same poor households being identified several times for various interventions, using different criteria. In addition, many identification activities often do not take into account the opinions of the poor. Because the criteria for identifying the needy are mostly project and sector-specific and use different methodologies, they are not comparable and do not preserve relativity between different geographical areas. The findings of such surveys and identification activities are also often unavailable to other organisations, projects or programmes.

In an attempt to respond to some of these difficulties, the GTZ Identification of Poor Households (IPH) project was set up to run from 2006 to 2009 in collaboration with the Ministry of Planning. It follows a number of rural development, health and nutrition projects¹², and an earlier project in the provinces of Kampot and Kampong Thom, entitled: Most Vulnerable Families Listing Project. The IPH project is positioned in the context of the national poverty-oriented development strategy—the National Strategic Development Plan (NSDP 2006-2010)—and will facilitate efforts to target services and resources to the poor.

12 Rural Development Programme, Support to the Health Sector Reform Programme, Food Security and Nutrition Policy Support Project.

Following a National Forum in February 2005 under the auspices of the Ministry of Planning, there was broad consensus on the necessity to develop such standardised national guidelines. A Working Group on Identification of Poor Households was established in June 2005, with a smaller Core Group, whose members included representatives of the ministries of Planning, Health, Education, and Interior, as well as organisations including GTZ, World Bank, World Food Programme and University Research Company (URC). The Core Group worked throughout the second half of 2005 and into mid-2006 in a consultative process to develop initial procedures and criteria for conducting poor household identification.

The **overall objective** of the project is to develop an improved, standardised procedure for identifying poor households ("Identification Method"), to reach an official consensus at national level regarding the common use of a standardised procedure, and put it into practice in selected provinces.

This process aims in the medium term to assist various sector programmes to reach the poor more effectively. It also aims to reduce the overall administrative costs of selecting target groups and allow scarce government and non-governmental resources to be redistributed in a way that benefits the poorest target groups. Already-identified potential areas for application of a standardised procedure are the provision of medical services through Health Equity Funds, improving access of the poor to education through targeted financial support, the provision of rural development-related services, and allocation of land to the poor.

At the national level, the project aims to build the capacity of Ministry of Planning and NIS staff to manage, coordinate and implement the Identification Method in collaboration with sub-national authorities; to monitor implementation; to conduct poverty mapping and monitoring using collected household poverty data; to develop linkages with government and non-governmental service providers for utilisation of the household data to provide targeted assistance and transfers; to develop a national policy for use of the Identification Method and for developing coordinated assistance and transfer programmes for the poor; to mobilise resources for expansion of the Identification Method to more provinces.

Sub-national activities in three provinces will focus on capacity development of participating institutions to implement the Identification Method; increasing local understanding about the benefits and potential applications of the Identification Method; and promoting the use of household data by government and non-governmental service providers to provide targeted assistance and transfers.

The project is an unusual mix of objective survey and community decision-making. It is one of the few examples globally of a systematic effort to work out criteria by which the poorest households can be identified, so that these poverty groupings can then be utilised to guide the allocation of cash and other transfers at village level. The criteria are meant to be simple and robust, so that they can be used by local officials and checked by villagers themselves at the level of commune council and lower. The project works under the aegis of the Ministry of Planning, and has identified potential demand for the set of criteria from several agencies responsible for local level transfers and service delivery. Among the most significant of these is the GTZ Health Equity Funds project operating also in *Kampot* and *Kampong Thom*.

Current drafts of the village-level procedures involve a seven step process of:

- Selecting and training the Commune Working Group
- Selecting and training Village Working Groups
- Compiling a list of households, conducting household interviews and compiling a first draft list of poor households
- Village consultation meeting on the first draft list of poor households, receipt of villager complaints, and preparation of the final draft list of poor households

- Review and endorsement by the Village Council; issue of priority access cards
- Data entry of final lists of poor households and selected other data into database of poor households
- Taking photographs of poor households

The third step alone involves a further seven steps, from the compilation of the list of households to be interviewed, through the development of a complex scoring system, to the conducting of household interviews, the preparation of a draft list of poor households, and its cross-checking by village authorities and others.

The processes for establishing and training the various committees, and setting out their mandates, responsibilities and modes of action are both complex and comprehensive. These, and the seven steps outlined above, are described in a project document¹³, an abridged version of which is presented.

13 Procedures for Identification of Poor Households in Cambodia. GTZ/ Ministry of Planning, 2007.

Extracts from procedures for Identification of Poor Households in Cambodia (GTZ/Ministry of Planning, 2007)

The procedure for identification of poor households in each village is carried out by village representatives themselves, in the form of a Village Working Group (VWG), with the support and supervision of a Commune Working Group (CWG), the Commune Council, and representatives from the District Facilitation Team (DFT). Village Working Groups will collect data on a standardised set of selected indicators which best reflect the level of poverty of a household, in some cases modify the categorisations according to the special circumstances of households, and finally provide opportunities for the local population to comment on and propose changes to the list.

Villagers are identified into moderately poor, poor and very poor categories. The household identification process will take place during the first three months of each calendar year, and finalised lists must be ready by 31 March.

The process that starts at the commune and village level consists of seven steps. Prior to this, Provincial Department of Planning (PDOP) and other staff will be trained in organisation, management, coordination, and monitoring of the process for identifying poor households in their province. A national Core Trainers Group will also train the Project Facilitation Team (PFT) and DFT members as trainers and provide support to them to enable them to train Commune Councils, Commune Working Groups, Village Working Groups and other stakeholders to implement the process for identification of poor households. This cascade training and support system, which builds capacity at the commune and village levels, will promote the long-term sustainability of the programme.

Step 1: Establishing and training the Commune Working Group

The process starts at the commune level with the establishment of a Commune Working Group (CWG) and the initial orientation and training for CWG members and selected VWG members.

The Commune Council is responsible for establishing the CWG, with assistance and guidance being provided by the District Facilitation Team (DFT) as well as other actors at district level, such as PDOP staff.

The Commune Working Group should have the following composition and characteristics:

- A total of six members, of whom at least two are female.
- All members must be able to read and write in Khmer, regardless of their ethnic identity.
- All members must be numerate.
- Includes two Commune Council members, one of whom should be a woman (i.e. if the Commune Council has any female members).
- The four remaining members should be selected from the community and from local NGOs or CBOs. The community representatives should be widely respected community members such as VDC members, teachers, monks, temple association members, *achar*, respected elders (*pritheachar*), members of Community Based Organisations (CBOs), etc. If local NGOs are working in the district or the commune, at least one NGO staff member (possibly two) should be asked to participate in the CWG.

The Commune Council approves the membership once it is satisfied with the composition of the CWG.

The Commune Council has overall responsibility for identification of poor households within the commune, but the CWG is delegated the day-to-day responsibility to facilitate and supervise the process. Specifically, the CWG is responsible for the following tasks:

- To facilitate the establishment of Village Working Groups (VWGs) in each village.

- To provide guidance and support for organising the First Village Meeting.
- To provide orientation and training for all VWG members.
- To facilitate and supervise the compilation of a list of households to be surveyed.
- To supervise and monitor the conduct of the household survey, including score allocation and counting.
- To EITHER organise the Commune Review Meeting / OR conduct the External Check of the Draft Household Poverty Categorisation List.
- To facilitate and supervise the Village Consultation Meeting.
- To conduct further investigation in case the Commune Council identifies the need for this.

Once the CWG is formed, it must also identify two representatives from each village in the commune and obtain their agreement to become the initial members of the Village Working Group (Planning and Budget Committee or VDC members are automatically given priority if they exist, and they must meet the selection criteria specified in Step 2 below). If possible, one of these village representatives should be a woman. Each village's two representatives will attend training at the commune level together with the CWG.

The DFT will conduct a joint training at the commune level for all CWG members, the two village representatives from each village in the commune, and other local NGO or CBO representatives. The training will include all aspects of the process for identification of poor households, as well as how to organise the training of all VWG members.

For each village in the commune, the CWG must assign responsibility to one CWG member for supervising and facilitating—at village level—the process of identification of households. This CWG member must not be a resident of the village to which he/she is assigned. DFT representatives will assist assigned CWG members to carry out their responsibilities at the village level until these CWG members have sufficient experience and capacity to do these tasks on their own. Additionally, those staff of NGOs working in the district or in the commune who have been trained during the commune- or village-level training may also be called upon to support training and implementation at the village level. This will be especially important for the purpose of quality assurance.

Step 2: Establishing and training Village Working Groups (VWGs)

In each village in the commune, the two village representatives who attended the commune-level training with the CWG, with assistance from one assigned CWG or DFT member and the Village Chief, must establish a list of VWG candidates, including the two village representatives already selected and trained, according to the following principles:

- a) Members are primarily selected from existing village structures, such as the Planning and Budget Committee (which normally includes the Village Chief), Village Development Committees (VDCs), Village Health Support Groups (VHSGs), Village Network representatives, leaders or members of community-based organisations (CBOs), the Village Livestock Agent, religious leaders (monk or Achar/Sarav Cham), respected elders (Prithechar), etc.
- b) Between one quarter and one half of the VWG members must be women. The VWG cannot be formed unless this criterion is met.
- c) All VWG members must be able to read and write Khmer. An exception may be made in the case of villages which are predominantly non-ethnic Khmer—in this case, at least half of VWG members who are not ethnic Khmer—but preferably more—must be able to read and write Khmer.
- d) VWG members should come from different religious, ethnic or socio-economic groups in the village, and from different geographical parts of the village.
- e) The final number of VWG members selected should be proportional to the number of households in a village, in the ratio of one VWG member for every 30-35 households

(maximum). However, villages with less than 200 households must select a minimum of eight VWG members.

First Village Meeting to inform villagers about the process for identifying poor households, and to select/approve the VWG

The two village representatives and one CWG or DFT member must organise a first public meeting in the village (with the assistance of the Village Chief if he/she is not already one of the two village representatives), to inform villagers about the process for identifying poor households and to select/approve the VWG. It must be made clear that villagers are entitled to put up their own alternative candidates. Minutes must be kept of the meeting.

Training of VWG

Following the First Village Meeting, the assigned CWG member and DFT member will organise training for the VWG members, to include all aspects of the process for identification of poor households, as well as how to organise the training of all VWG members.

The first time this training is conducted, the assigned DFT member may take the lead and act as the main trainer if necessary. The assigned CWG member should take on more training responsibilities during subsequent trainings.

Selection of VWG Coordinator and planning activities of VWG

Following the training of the VWG, the VWG must meet to select a VWG Coordinator and to plan activities. Selection of the VWG Coordinator should be done by consensus. A list of the membership of the VWG, specifying the name of the elected VWG Coordinator and signed by all members, must be provided to the CWG. If any members who were selected during the First Village Meeting declined to participate in the VWG or were replaced by someone else, this must be noted in this document.

Step 3: Compiling list of households, conducting household survey and compiling Draft Household Poverty Categorisation List

Compilation of list of households to be surveyed

In the first year that the household identification process is implemented in a village, the VWG must compile a list of all households based on the records maintained by the Village Chief. The VWG will use this list used for conducting a survey of each household. If new households have been established or other households have ceased to exist in the village (e.g. a household has moved away, or the last member of a household has died) and these changes are not reflected in the village chief's records, then the household list should be updated to reflect the actual current situation. Households which have not yet been officially registered with the village chief but are in the territory of the village must also be included in the list. The names of the head of household and/or spouse of the head of household shall be recorded for each household.

In Years 2 and 3 of implementation, the VWG is required only to compile a list of Poor and Very Poor households identified the previous year, new households in the village (including those who have left existing households to form new households), and households identified as Moderately Poor in the previous year whose circumstances are known by the VWG to have worsened significantly since the previous identification round.

In Year 4 of implementation, the VWG must compile a full list of all households in the village, following the same procedure as for Year 1.

Conduct of household survey

The Identification Method makes use of a short household survey to collect data on household poverty indicators.

In the first year of implementation, the VWG will collect data from all households. In Years 2 and 3, the VWG will only collect data from previously identified Poor and Very Poor households, from new households in the village (including those who have left existing households to form new households), or from Moderately Poor households whose circumstances are known by the VWG to have worsened significantly since the previous identification round. In Year 4 (three years since the first identification process), the VWG will collect data from all households in the village, the same as in Year 1.

Data is collected by asking a set of standard questions from the head of the household or the spouse of the head of the household, or as a last option, another adult member of the household if neither the household head nor the spouse is available. Some data may require verification through direct observation.

Score allocation and counting, preparation of Draft Household Poverty Categorisation List

Once all VWG members have completed their interviewing, the household survey forms must all be collected and given to the most numerate VWG members to count up the scores. Cut-off points will be provided to allow each of the three categories to be separated from each other.

The VWG must not discard the survey forms. These must be kept until the VWG submits the Final Draft List of Poor and Very Poor Households to the Commune Council.

Modification of Draft Household Poverty Categorisation List

The VWG should consider the scores obtained from the household survey as a tool to assist the VWG to classify the poverty level of households. However, due to the fact that indicators used in the survey cannot capture all aspects of a household's circumstances, the VWG must also consider whether there are any other factors relating to these households which may need to be assessed. For this reason, all members of the Village Working Group must meet together again to discuss the Draft Household Poverty Categorisation List. The purpose of this discussion is to consider whether or not the score for each household obtained from the household survey resulted in a poverty classification that fairly represents each household's real situation.

The VWG must go through the Draft Household Poverty Categorisation List category by category, paying special attention to those households near the Very Poor/Poor and Poor/Moderately Poor boundaries, and discuss whether the poverty status of any households should be altered based on their knowledge of these households. The VWG should especially take into consideration special circumstances which are not observable or easily verifiable through the household survey (e.g. debt, external financial or in-kind assistance from relatives or family members, the recent or impending sale of land or other assets), or which have not yet caused significant loss of assets but which will rapidly have this effect within the next few months (e.g. the loss of productive family members through chronic illness, disability or death, crop failure, or natural disasters). In principle, the VWG should not re-categorise more than 10% of all households in the Draft Household Poverty Categorisation List.

The VWG should safely keep the Draft Household Poverty Categorisation List to allow checking by any officials at the commune or district level (e.g. CWG, Commune Councillors, DFT members).

Step 4: Village Consultation Meeting on the First Draft List of Households

Following the preparation of the First Draft List of Poor and Very Poor Households and its public display on the village notice board, the VWG, with the supervision and facilitation of the CWG member assigned to the village, must organise a “Village Consultation Meeting on the First Draft List of Poor and Very Poor Households”. The purpose of the Village Consultation Meeting is to remind villagers about the objectives and process of identifying poor households in the village, to present the First Draft List of Poor and Very Poor Households prepared by the VWG, to receive suggestions for modification of the list from villagers, and to inform villagers of the process by which they may lodge complaints.

When the 7-day period for receiving complaints has expired, the VWG must meet to consider the complaints. The VWG must make a final decision on each household in question, and then prepare a Final Draft List of Poor and Very Poor Households, signed by all VWG members. The VWG must also prepare minutes of this meeting, detailing the decisions made in response to each complaint received.

Step 5: Review and endorsement by the Commune Council

As soon as the Commune Council receives the Final Draft List of Poor and Very Poor Households from each village in the commune, the Commune Council, with the help of the CWG, must review the lists.

The Commune Council may decide to instruct the Commune Working Group to conduct further investigation in the event that:

- Significantly higher- or lower-than-expected percentages of households in a village are included in the Poor or Very Poor categories.
- Commune Council members identify apparent anomalies in the list based on their local knowledge of households or the village itself.
- They have received complaints regarding the composition of the Final Draft List of Poor and Very Poor Households.

The CWG members may investigate by carrying out spot checks of households to verify their socio-economic status against the survey forms, by talking with villagers who made complaints, by talking with VWG members to ascertain whether procedures were properly followed, or by using other appropriate methods.

If the CWG’s further investigation confirms concerns raised by the Commune Council, the CWG communicates the Commune Council’s concerns or recommendations to the VWG. The VWG must report back to the Commune Council within 10 days regarding what measures it is taking, if any, to respond to these concerns. However, it should be noted that the Commune Council can only voice concerns or make recommendations and that the final decision remains with the VWG and the rest of the village whether to make any changes to the list.

Step 6: Data entry, computerised generation of Final Lists of Poor and Very Poor Households

The PDOP will enter the following data from the survey form into the Provincial Database in two stages:

Stage 1 (from Final List of Poor and Very Poor Households approved by Commune Council):

- District, commune and village names and codes
- Survey form number
- Formal name of head of household

- Total poverty score
- Poverty classification (Poor, Very Poor) according to the classification specified in the Final List of Poor and Very Poor Households approved by the Commune Council—not according to the poverty score itself.

When Stage 1 of data entry is complete, the PDOP will generate the computerised Final List of Poor and Very Poor Households for each village, and send copies, stamped and signed by the PDOP Head, to the District Governor and the Commune Council. The Commune Council must keep a copy of each village's Final List of Poor and Very Poor Households, and also distribute each village's Final List to the Village Chief.

Stage 2: (from the Survey Form, by matching the unique household number and the name of the head of household)

Stage 2 of the data entry process is only implemented for villages which are covered by service providers with a definite need for Priority Access Cards (PACs), such as Health Equity Fund operators or other large programmes. This step compiles an electronic database for such service providers, including stage 1, plus additional data, and photograph from step 7.

Step 7: Issuing Priority Access Cards (PACs)

A mobile Priority Access Card Distribution Team (PACDT) or a number of teams will be established in each province (this may be contracted out to an NGO, e.g. the Health Equity Fund operator). Each team will have two members, both of whom will be trained in the use of a digital camera (each PACDT will be provided with one digital camera). One representative of the Commune Working Group and one Commune Council member will facilitate the process in the commune. The Village Chief and two members of each village's VWG will facilitate at the village level.

The whole electronic Provincial Database will be made available to high-volume service providers such as HEF implementers. They will be able to view beneficiaries' personal data and the household photos directly in the database whenever clients come to receive services.

Regular updating of lists of poor households

Village lists of poor households must be updated annually during the first quarter of each calendar year.

Annual updating of the village lists of poor households in a province or selected districts must be initiated and coordinated by the Provincial Department of Planning, with the support of the PFT and DFTs, who will provide refresher training. However, each Commune Council is responsible for organising implementation in its own commune, with the assistance of PFT, DFT and CWG members.

VWGs will implement the Identification Method to update the List of Poor and Very Poor Households in their village according to the procedures outlined above, but with one key difference relating to data collection. In the first year of implementation of the Identification Method, the VWG collected data from all households. But in Years 2 and 3 (updates), the VWG will only collect data from previously identified Poor and Very Poor households, from new households in the village (including those who have left existing households to form new households), or from Moderately Poor households whose circumstances are known by the VWG to have worsened significantly since the previous identification round. The reason for this changed procedure is to reduce the time and resources required by VWGs to carry out updates. In Year 4 (three years since the first identification process), the VWG will collect data from all households in the village, the same as in Year 1, to ensure that the data is comprehensive.

Annex 2: Comparing targeting approaches to cash transfers in Cambodia, India and Ethiopia – Ethiopia case study

Kay Sharp

Introduction

This paper discusses the ‘administrative-community’ system developed to target relief and social protection transfers in rural Ethiopia. It first sketches the development of targeting policy in Ethiopia from relief food aid targeting in the 1970s and 1980s, through an increasingly employment-based relief-to-development approach in the 1990s, to the current safety-net programme (which distributes both cash and food transfers). A detailed description of the targeting system of the national Productive Safety Net Programme (PSNP) is then followed by a discussion of some key issues arising from its implementation.

The paper draws mainly on a DFID-funded study of the PSNP targeting system conducted in mid-2006 (Sharp et al. 2006, and the linked report by Devereux et al. 2006).

The evolution of targeting policy in Ethiopia

Targeting has been a policy concern in Ethiopia since the late 1970s, when the first government guidelines on the management of relief food aid distributions were issued. The main focus at that time was on prioritising the neediest and limiting the coverage of the distributions, which were to become an annual feature (varying in magnitude) for the next two decades. Already in the 1970s, primary responsibility for identifying beneficiaries was given to the *woredas* (districts) and *kebeles* (sub-districts; the smallest unit of local government). During the following decade, especially in the wake of the major famine of 1984/85, the majority of food aid resources were in fact managed by NGOs, using a variety of targeting approaches.

In the 1990s, there was a shift in policy discourse towards ‘linking relief and development’, which in practical terms meant trying to make better use of the huge quantities of food aid received each year by moving to an employment-based (food-for-work) distribution system. The 1993 National Policy on Disaster Prevention and Management (NPDPM) stipulated that only people unable to work should receive free food aid, while the able-bodied should be employed on community development projects. It also stated as a first principle that “[t]he community shall play the leading role in the planning, programming, implementation and evaluation of all relief projects” (TGE 1993). Along with this important policy statement, came renewed attention to targeting: donors required more information and accountability on the use and impact of their resources, while the government was keen to re-establish its overall control and to bring greater standardisation to the range of targeting methods used by NGOs. Following a study of targeting practice in the rural areas (Sharp 1997), therefore, National Targeting Guidelines were developed and disseminated through an intensive programme of regional and district training (DPPC 2000). These Guidelines establish the ‘administrative-community’ targeting system which is described in more detail under the PSNP heading below.

The choice of this ‘administrative-community’ system was a pragmatic one, taking account of existing capacity and experience at local government level combined with the government’s ideological principle of community engagement. Alternative targeting approaches had been considered, and elements of some were incorporated into the administrative-community system:

Direct means-testing was not considered possible on a national scale, given Ethiopia’s current level of capacity in governance and information processing. In the theoretical targeting literature, means-testing is often described as high-cost: but in this case (and in similarly low-income, low-capacity countries) the issue is not so much one of cost as of feasibility.

Nutritional screening through direct anthropometric assessment of children had been widely used in relief and recovery contexts, especially by NGOs, not only to identify individual children at risk but also as a means of targeting households. This remains appropriate in emergency situations characterised by acute malnutrition. However, the increasing recognition of food insecurity in Ethiopia as being a function more of poverty than of unexpected shocks, and the commitment to intervening earlier in the development of food crises (ideally before acute malnutrition is manifest), indicated a need for primarily socio-economic targeting criteria.

Categorical targeting of physiologically and socially vulnerable groups (the elderly, disabled, orphaned, single-parent households etc.) is widely accepted and transparent, and therefore relatively easy for community decision-makers to implement. Categorical targeting was adopted to identify those eligible for free assistance without working (GR or gratuitous relief beneficiaries under the NPDPM). However, it was not considered appropriate to identifying the able-bodied poor eligible for the employment generation schemes (EGS).

Self-targeting through low-wage employment schemes was much discussed and extensively piloted in the 1990s. The overall conclusion was that self-targeting was effective for achieving the implementation of development works but not for selectively targeting the poorest. Given the labour market conditions in rural Ethiopia, even relatively well-off households were keen to gain employment on the EGS projects: a wage rate low enough to discourage all but the poorest would be well below minimum subsistence level (let alone market wage rates). Apart from strong ethical objections to this, it would undermine the primary objective of providing adequate transfers to the target group. Elements of self-targeting are automatically present in an employment-based programme, but it was clear that self-targeting alone would not achieve the policy objective of focusing resources on the poorest.

By the time the National Targeting Guidelines were disseminated, the policy debate had already moved beyond 'linking relief and development' to a longer-term social protection agenda. Both government and donors recognised that the recurrent annual 'emergency' distributions were in fact treating the symptoms of a long-term problem of chronic food insecurity, and that a more appropriate and longer-term response was needed. Increasingly, experiments were made with cash transfers replacing food aid (see, for example, Emebet Kebede 2006; and for earlier experience with cash transfers, Jenden 1995). At national level, the outcome of the new policy discussions was a major new Productive Safety Net Programme (PSNP) designed largely to replace the relief system, which began implementation in early 2005. The targeting system developed for the EGS/GR relief operations and outlined in the 2000 National Targeting Guidelines was adopted with only minor changes for the new safety net.

The Productive Safety Net Programme (PSNP)

The PSNP is implemented by the Ethiopian government under the Food Security Coordination Bureau of the Ministry of Agriculture and Rural Development, although the bulk of the funding is from a consortium of international donors. The programme has the dual objective of protecting household assets (by providing timely, adequate and reliable income transfers to smooth consumption and prevent distress sales), while building community assets such as water catchments and social service infrastructure which will contribute to longer-term food security (through labour-intensive public works).

Key differences between the PSNP and the relief system are multi-year resource commitments and planning; greater government ownership of the programme at all levels from federal government to kebele (sub-district) administration; and a move towards cash transfers in place of food aid. The intention is literally to move millions of people off the relief food aid rolls into a more predictable, largely cash-based, multi-year safety net. In the first year of implementation, transfers were approximately 50:50 cash and food. The targeting process is identical for food and cash transfers, with some districts (and the beneficiary households located in them) receiving a mix of

cash and food transfers. The PSNP would therefore offer a rare opportunity to compare cash and in-kind targeting under identical conditions, but unfortunately this analysis has not yet been done.

A description of the PSNP targeting system

Target group definitions

Donors and government agreed during the design phase that the PSNP's "primary targeting objective should be to guarantee timely and adequate transfers to the most food-insecure people in the most food-insecure areas." (DFID 2005: xviii, emphasis added). Its initial coverage of approximately 5 million chronically food-insecure rural people in 2005 was raised to 7.2 million in 2006. The rules and procedures for targeting the PSNP are set out in a national Programme Implementation Manual or PIM (MoARD 2004)¹⁴, which includes the basic definition of target areas and households shown in Box A2.1.

Box A2.1: Definition of PSNP target areas and households

(a) Chronically food insecure woredas (districts):

- For the purposes of the Safety Net, a woreda is considered chronically food insecure if it (a) is in one of 8 regions (Tigray, Amhara, Oromiya, SNNP, Afar, Somali, rural Harari and Dire Dawa), and (b) has been a **recipient of food aid** for a significant period, generally for at least each of the last 3 years. ...

(b) Chronically food insecure households:

- For the purposes of the Safety Net, a household is considered chronically food insecure if it is located in one of the 262 chronically food insecure woredas (as defined above);
- Has been assessed by a mix of administrative guidelines and community knowledge to have faced **continuous food shortages (usually 3 months of food gap or more) in the last 3 years and received food assistance;**
- This also includes **households that suddenly become more vulnerable** as a result of a severe loss of assets and are unable to support themselves (last 1-2 years);
- Any **household without family support and other means of social protection** and support.

extracts from PIM Section 1.4

Geographical targeting

As indicated in the definitions above, the first level of targeting in the PSNP is geographical. 262 chronically food-insecure *woredas* (districts) were pre-selected during the design of the programme, based primarily on previous years' food aid needs. Targeted districts are then responsible for allocating PSNP resources among the sub-districts (*kebeles*) and villages within their area. No national rules are set on how the intra-district targeting should be done, but fieldwork during 2006 found that some districts had simply included all sub-districts, while others had selected target areas on the basis of indicators including population size; previous food aid receipts; natural resources; recent harvest estimates; and in some cases detailed livelihood and food security assessments. Within the *kebeles*, all villages were included. (Sharp et al. 2006:15)

"Administrative-Community targeting" of households

The selection of beneficiary households within villages is the final and most complex level of targeting. A broad definition of chronically food insecure households is given in the national guidelines, but the details of how to identify this group are largely left to local decision-makers.

¹⁴ The PIM has since been replaced by a revised (2006) version. The original version is referred to here as it was the basis for implementation during the period covered by the fieldwork and analysis discussed.

Previous years' food-aid rolls were taken as a starting point for PSNP beneficiary lists. However, it was immediately clear that the qualifying criterion of having received food aid for the past three years was too static, and indeed that the objective of identifying chronic food insecurity at household level was flawed. Logically it would be necessary to leave a household struggling for some time before deciding that their problem was chronic: in the meantime, they would probably have sold or lost productive assets, undermining the first key objective of the programme. In practice, therefore, local decision-makers are required to identify the poorest households in their community according to socio-economic criteria (assets, income and social capital) which are broadly indicated in the PIM but open to local elaboration (see Box A2.2). These criteria implicitly recognise that chronic food insecurity is closely linked to household poverty.

Box A2.2: Local fine-tuning of household targeting criteria

The Programme Implementation Manual **does not set standardised indicators or thresholds**. The Woreda (District) Food Security Task Force (FSTF) is empowered to “set criteria for beneficiary selection to suit the particular conditions of the Woreda within the spirit of the general guiding points”.

The community can further refine and verify the selection by considering the following factors:

- Household **assets**: land holding, quality of land, food stock, etc;
- **Income** from non-agricultural activities and alternative employment;
- **Support** or remittances from relatives or community.

Source: summarised from PIM section 4.2.

Lastly, targeted households are divided into two groups. The majority are required to contribute labour to public works (PW) in exchange for the safety net transfers. However, eligible households who are unable to work are entitled to free or “direct” support (DS). There is therefore a further set of targeting criteria to filter out those beneficiary households who will not be required to work (Box A2.3).

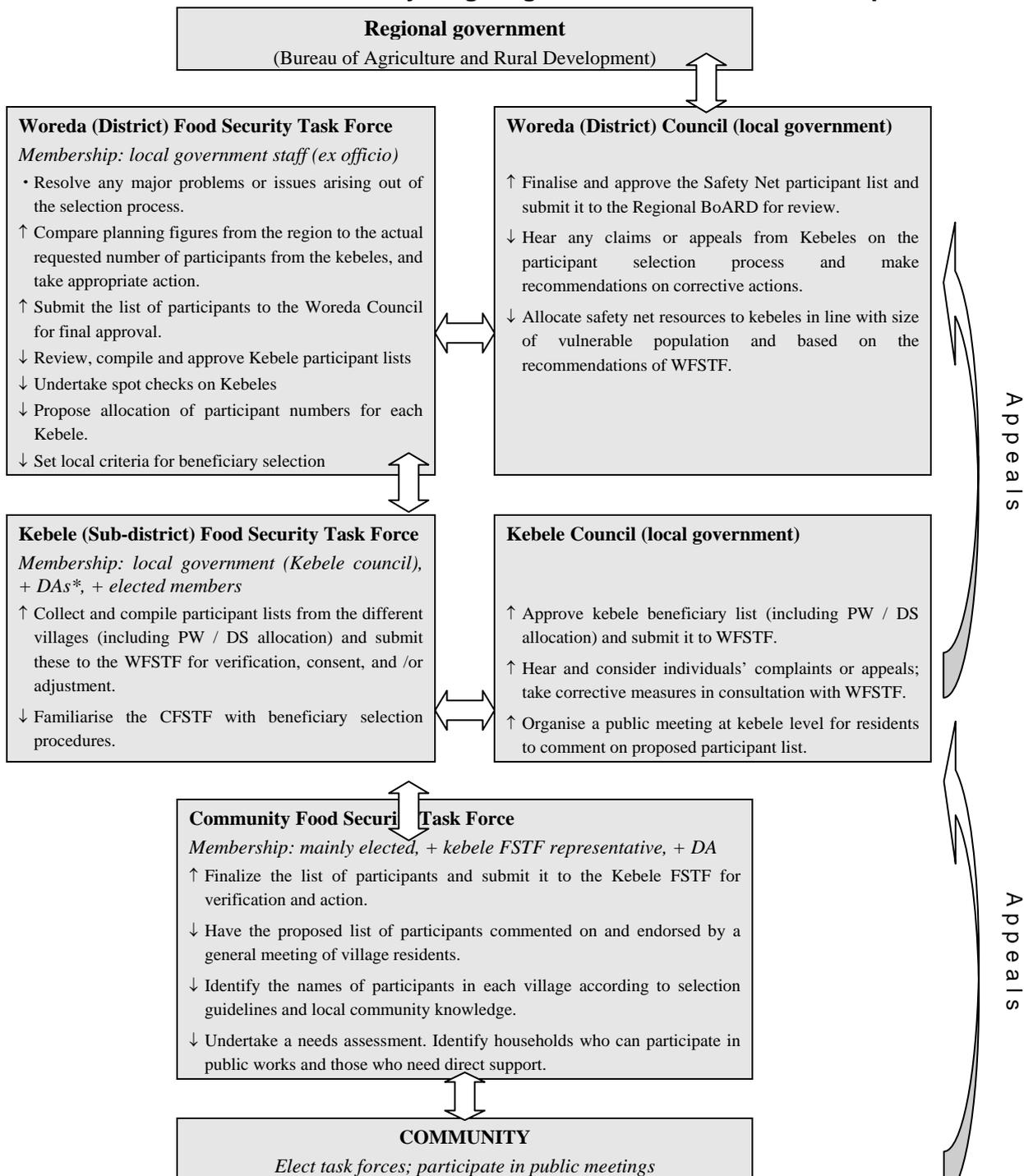
Box A2.3: Criteria for identifying households exempt from public works

- Households with **no able-bodied adult labour**;
- **disabled** people;
- **sick or mentally challenged** people unable to undertake even light work;
- **pregnant** women after the sixth month;
- **lactating** women in the first ten months after child birth; and
- **orphaned** teenagers.

Source: PIM section 4.3.

The institutional structures and processes set up to make this series of targeting decisions are represented in Figure A2.1. As the “administrative-community” label implies, targeting responsibilities are shared between local government and community bodies, with government maintaining oversight at all levels. Special committees (Food Security Task Forces or FSTFs) are constituted at community, *kebele* and *woreda* level. The latter two work in parallel with the local government Councils, and there is a significant overlap between the membership of FSTFs and the administration. At *woreda* level the FSTF is entirely appointed, comprising administrators, technical staff from line departments (such as agriculture, food security, finance, and women’s affairs), and in some cases representatives of NGOs involved in implementing the PSNP. *Kebele* FSTFs are led by Council representatives but also include elected members. Community FSTFs are mainly elected, but include a representative of the *Kebele* FSTF. At each level, the PIM requires that at least one member should be a woman.

Figure A2.1: Administrative - Community Targeting: institutional structures and processes



* DAs (Development Agents) are technical staff of the Ministry of Agriculture and Rural Development

Adapted from Sharp et al. (2006:7)

These overlapping structures ensure coordination and information flows, but they also cause problems of accountability (since the decision-makers and overseers are largely the same people). In principle, members of the community can appeal to the *Kebele* Council if they feel they have been unfairly excluded or have any other complaint about the targeting: the *Kebele* Council in turn can take complaints to the *Woreda* Council. In practice this appeal system has not worked well, as discussed in a later section.

“CMTD [Community-managed targeting and distribution] is an approach to food aid targeting that is *designed to enhance community participation and leadership* in the distribution process, based on the principle that beneficiary communities themselves are best placed to identify and target the most vulnerable or crisis-affected households in their communities, as well as to undertake and manage the distribution process itself.”

(Mathys 2004:1), *emphasis added*

The Ethiopian targeting system thus gives the main decision-making authority to local government and official leaders, with community representatives largely implementing others' decisions. This contrasts with the principles often pursued by NGOs working with community targeting in Africa. In NGO programmes, community empowerment is usually high on the hierarchy of objectives, and the ideal is to give the community genuine control of the targeting process (including setting the criteria for beneficiary selection). This often involves systematic efforts to bypass existing power structures: for example, Village Relief Committees established by Save the Children in Tanzania controversially excluded village leaders (Mathys 2004:41). By contrast the PSNP system is very much an establishment process, using existing channels of governance.

Self-targeting elements

Based on decades of experience with public works in Ethiopia¹⁵, both the relief targeting guidelines (DPPC 2000) and the PSNP manual state that “self-targeting based on the wage-rate is not applicable since alternative employment opportunities are either non-existent or minimal, especially in chronically food-insecure areas of the country” (MoARD 2004, section 4.2.1). Nevertheless, there is an expectation among government and donor stakeholders that the PSNP's public works requirement will provide a self-targeting element to the programme in addition to the administrative-community selection system. Since the employment provided is unskilled physical labour at a very low payment rate, the assumption is that ‘only those who really need it’ will be willing to work. Anyone who has a better-paid alternative use for their time (or who places a higher value on leisure) will self-select out of the targeting process, thus reducing the number of households competing for registration. This is standard self-targeting theory, but applied in conjunction with a community selection process. Self-targeting alone is not expected to identify the intended target group (the poorest or most food-insecure households), because alternative local employment at any rate of pay is so scarce and because better-off households¹⁶ tend to have more labour. In these conditions, the opportunity costs of public works participation could actually be lower for better-off households than for the poorest.¹⁷

15 See, for example, Barrett and Clay (2003); Barrett et al. (2005); Berhanu and Swinton (2001); Jenden (1995); Middlebrook (2003); Sharp (1998); Quisumbing and Yisehac (2004).

16 “Better-off” is used in a purely relative sense here: few or no households in PSNP targeted areas could be considered wealthy.

17 See Barrett and Clay (2003:152) for an economic analysis of this effect. Hypothesising that “imperfect factor markets generate a predictable dispersion across households in reservation wage rates that breaks down the unconditionally positive relation between income and shadow wages on which the theory of self-targeting public employment programmes rests”, they conclude that self-targeting of public works is

The PSNP payment rate is fixed nationally and is calculated on the basis of consumption needs, not market wages. The daily rate is 3kg cereal if paid in food or 6 Birr if in cash, because “[i]t is assumed that 6 Birr will buy the daily requirement of 3kg of grain” (MoARD 2004 section 5.3.1). Since targeted households are rationed to 5 days’ paid work per month for each household member, the 3kg per working day equates to the long-established monthly food aid ration of 15 kg per person.

There are two running arguments about the PSNP payment rate. On the one hand, food price inflation has reduced the real value of the 6 Birr so that it no longer buys 3 kg of cereal (though this varies by region and season - see Devereux et al. 2006; Alderman et al. 2006; Gilligan et al. 2007). This reduced purchasing power has been a factor in some districts requesting to switch back from cash to in-kind payments.¹⁸ There is therefore a strong lobby in favour of raising the PSNP wage rate. Directly opposed to this argument, some government and donor observers argue that the very high demand for inclusion in the PSNP suggests that the payment rate must be above market wage rates, and should therefore be cut in order to enhance its self-targeting effect. However, available evidence shows that market wages are, in fact, above the PSNP rate. This paradox of high demand for PSNP employment despite the below-market payment rate is discussed in the section below on self-targeting outcomes.

Administrative-Community Targeting in Practice: Issues Arising

How accurate is community targeting?

Among the oft-cited advantages of community targeting are that it avoids the high costs of data collection and analysis, and that community members are better able than outsiders to make a holistic judgement of their neighbours’ situation, taking account of several factors without the need for an algorithm to combine them. Unfortunately these features also mean that community targeting, by its nature, does not generate the types of objective, quantitative data about beneficiaries (and non-beneficiaries) which would enable a regular analysis of targeting accuracy. Additional monitoring systems are needed to provide such analysis: so far, these systems have been weak in the PSNP.

The 2006 study attempted to gain some indication of how well the PSNP targeting system was working, pending the larger and statistically representative “baseline” survey (Gilligan et al., 2007) which should have been conducted before the start of the programme but for various reasons had only just begun data collection in mid-2006. The findings were encouraging. Despite some inevitable problems, the qualitative fieldwork concluded that PSNP resources were going mainly to the poor and food-insecure (Sharp et al. 2006:19), while the household survey conducted in the same communities found that PSNP beneficiaries had substantially lower incomes, farmed less land, and owned a lower value of assets than non-beneficiaries; had less labour and higher age-based dependency ratios; and were more likely to have suffered food shortage in the past year. The survey further found that 70% of Direct Support (non-working) beneficiary households were older-headed; 56% were female-headed; and 20% included one or more disabled person (compared to 22%, 27% and 7% respectively for the whole sample) (Devereux et al. 2006). Selected characteristics of beneficiary and non-beneficiary households are shown in Table A2.1.

inaccurate in rural Ethiopia because “higher income households are endowed with more labour per unit of land or animal. Due to poor factor markets in land and livestock these labour-abundant households have lower marginal labour productivity on farm, thereby depressing the reservation wage rates they find acceptable for FFW participation.”

18 Pelham and Reta (2006:3) find that “in May 2006, there was a net shift of 1,322,751 (30% of cash beneficiaries) from cash to food.” Their analysis of woreda (district) decision-making shows clear seasonal, regional and gendered patterns to cash or food preference.

Table A2.1: Economic and demographic characteristics of beneficiaries and non-beneficiaries

Household characteristics*	Non-beneficiaries n = 196	Public works beneficiaries n = 609	Direct support beneficiaries n = 155	All households N = 960
Annual household income (Birr**)	1,949	1,587	690	1,531
Total asset value (Birr)	1,471	846	320	880
% owning land	88%	89%	75%	87%
Land cultivated (ha)	0.98	0.64	0.47	0.70
Household size	5.96	5.75	3.16	5.36
Dependency ratio	1.40	1.47	1.63	1.48
% households with disabled members	4%	5%	20%	7%
% female-headed	14%	23%	56%	27%
% older-headed (≥ 60 years)	16%	11%	70%	22%
* mean values (except where percentages are shown)				
** Ethiopian Birr = £0.06 / €0.09/ \$0.12				
Source: Devereux et al. 2006 Tables 5, 7 and 10				

Inclusion and exclusion errors were impossible to quantify reliably from the data collected. About 12% of beneficiaries (94 / 764) reported less than 3 months' food shortage in the previous year, which may suggest a moderate inclusion error judged by that one indicator of food security. However, the indicator itself is too simplistic and is likely to be affected by receipt of PSNP transfers. Some anecdotal cases of clearly inappropriate inclusion were encountered during the qualitative fieldwork (see section below on elite capture), but on the whole the disputed cases seemed to be on the margin of eligibility.

In village focus group discussions, the major perceived problem was that the "quota" of beneficiary numbers was too small to cover the number of households who met the targeting criteria. This perception is borne out by the fact that 84% of all sampled households in the survey reported 3 months or more of food shortage. Independent sources for the number of people who might be classed as food insecure range from 52%¹⁹ to 34%²⁰ of the rural population (the lower figure representing more than 20 million people, far beyond the capacity of the programme). There is, therefore, a large inherent rate of exclusion or under-coverage: the safety net cannot cover the entire target group. In fact the whole targeting system is based on the prioritisation of relative needs, rather than identifying a clear category of people according to absolute criteria. This makes it both technically and socially difficult for community task forces to divide beneficiaries from non-beneficiaries.

This difficulty, combined in some cases with local opposition to the principle of targeting or a wish to avoid its divisive effects within the community, leads to a different type of targeting error which we term "dilution": that is, the sharing of transfer resources among a larger number of beneficiaries than budgeted for. This is a common outcome of community targeting and, of course, reduces the amount received by each beneficiary. If there is a high degree of dilution, the impact of the assistance received at household level may be very weak.

Dilution has been a major problem in past relief operations in Ethiopia, and there are indications that it is persisting in the PSNP despite specific government instructions to avoid it. The number of family members registered in *woreda* beneficiary lists tends to be lower than actual average household sizes, while the household survey data indicate that the value of transfers received is lower than it should be if beneficiaries were receiving their full entitlement. Those paid in food

19 Estimate of food poverty incidence, GoE Food Security Strategy 2002.

20 Percentage of rural households suffering food shortage, Welfare Monitoring Survey 2004.

received an average of 71kg per capita during the year preceding the survey compared to the planned amount²¹ of 90kg, while those paid in cash received 135 Birr per capita compared to the planned amount of 180 Birr (Sharp et al. 2006:25; Devereux et al. 2006:27). The official baseline survey also found that the level of transfers actually received by households, particularly Direct Support (non-working) beneficiaries, was significantly below the planned amounts (Gilligan et al. 2007:3).

Local criteria and thresholds versus standardisation and comparability

Detailed criteria for identifying eligible households are left to *woredas* and local task-forces to determine, because in the absence of any feasible system of direct means-testing it is necessary to rely on proxy indicators of poverty and food insecurity: but given the heterogeneity of rural Ethiopia's farming and socio-economic systems, there are few or no such indicators which could be standardised across the country. For example, beehives or irrigated land are important income indicators in some places, but non-existent in others. Even with the universally important farming assets of land and livestock, the threshold values separating the poorest from the less poor differ greatly by agro-ecological zone and economic context.

Proxy indicators can create poverty traps and perverse incentives. For example, oxen are a key asset and a valid indicator of relative wealth in the ox-plough farming system of the central and northern highlands. However, when relief food aid was targeted to households without oxen in the 1990s there were many reports of marginal households selling their last ox in order to qualify for aid, thus risking their longer-term food security to meet immediate consumption needs.

In fact, the household targeting criterion most frequently cited by local decision-makers, beneficiaries and non-beneficiaries alike is relative poverty. This implies a complex, holistic assessment of potential beneficiaries' situations, and most importantly is a relative rather than an absolute classification. The system in effect produces targeting by wealth-ranking to identify "the most food-insecure people in the most food-insecure areas". Box A2.4 reports a particularly clear and well-organised example of this from a district in the northern highlands. The disadvantage is, of course, that it is impossible (with the information generated by the targeting system itself) to compare beneficiary characteristics between areas or across the programme as a whole.

²¹ Planned per capita entitlements are 3kg of cereal or 6 Birr per day, for 5 days a month, 6 months a year.

Box A2.4: Targeting by community wealth-ranking

In Kalu district, the local authorities learned from a rather chaotic first year of PSNP targeting to develop a much more participatory and transparent process for 2006.

- First, Woreda and Kebele Food Security Task Forces (FSTFs) were created (early 2006).
- KFSTFs called village meetings at which everyone voted to elect their Community FSTF.
- Each Community FSTF ranked all households in their village according to months of food shortage.
- CFSTFs then called village-level meetings of all households, where a task force member read out the names of each household head in order and the ranking was debated by the meeting. Based on this feedback, households were moved up or down the ranking. Once agreed by the village meeting, the household list was forwarded to the kebele.
- The KFSTF called a general assembly meeting to discuss and confirm the village lists. During this meeting, names of beneficiaries, their family size, age etc. were again read out and confirmed by the general assembly. The kebele set a two day period in which appeals could be heard, then passed the list of beneficiaries to the woreda FSTF for approval.
- Once the “quota” (resource allocation) was received from the regional and woreda governments, households were taken from the bottom of the list up to the allotted beneficiary number for each village. No cut-off point was set to separate eligible and non-eligible households: the CFSTF simply included as many people as the resources allowed, prioritising in order of relative need.

Interviews with community members revealed a strong sense of ownership and satisfaction with this process. As one non-beneficiary commented:

“We do not have any complaints or grievances on the targeting process this year because our involvement was very high. Some of us even excluded ourselves from the programme during the community meeting since we are relatively better off than those targeted households.”

Source: summarised from Sharp et al. (2006) and field notes

Elite capture and political pressures

Ethiopia has the reputation of being one of the least corrupt countries in Africa, and the degree of honesty observed throughout the targeting system seems to bear this out. Nevertheless, it is inevitable that when scarce resources are in the control of locally powerful groups there will be some who take advantage of it. The evidence on elite capture of transfers under the administrative-community targeting system is mixed and largely anecdotal: further systematic research on this issue would be valuable. Certainly, any targeting system which relies partly on the subjective judgement of local decision-makers creates opportunities for bias or misuse. In Ethiopia, the most frequently reported problem is pressure on task force members to include their friends and family in the beneficiary list. In the 2006 survey, almost 11% of non-beneficiaries thought that “not having friends or relatives among the local decision-makers” was a reason for their exclusion (Sharp et al. 2006:19).

Similar observations of a tendency towards small-scale nepotism were made before the PSNP. Gilligan and Hoddinott, analysing household data from nine villages which received food aid in the aftermath of an agricultural drought in 2002, found that:

“Having a father who was considered important in the social life of the village increased the likelihood of access to [public works] by about 10 per cent, and having a relative who held an official position of some sort within the kebele increased the likelihood of obtaining gratuitous relief by about the same amount.” (2004:31; see also Sharp 1997).

Allegations of bribery are also occasionally made, and it is not unknown for task force members to be arrested for corruption: but these reports are very difficult for outsiders to substantiate or

quantify. The test of the targeting system's honesty should probably not be whether such incidents happen, but how effectively they are detected and corrected. This issue is touched on again in the section on transparency and accountability.

Political uses of the targeting system have also been alleged, particularly linked to the campaign for the 2005 national legislative elections which unfortunately coincided with the launch of the PSNP. It was reported that opposition supporters in some places had been excluded from the safety net, and that ruling party members had made misleading promises about inclusion and resource levels. Again, these reports are not officially recorded and are very difficult to corroborate as people are reluctant to discuss them. However, as far as the 2006 study could establish, such incidents appeared to be specific to local power struggles in some areas, rather than any systematic use of the targeting system for political ends.

A different type of political issue arose around the potentially conflicting policy objectives of providing a minimum consumption guarantee for the poorest on the one hand, and enabling significant numbers of households to achieve food security on the other (the latter being the prime objective of the overall Food Security Programme or FSP of which the PSNP is one component). In the first year of the PSNP, one regional government (Amhara) took a policy decision to target the safety net resources not on the poorest but on the middle-income group of farming households who would be more likely to benefit from credit and extension packages and to "graduate" to food security. The poorest groups, particularly young landless people, were excluded from the safety net and instead pressured to join the "voluntary" resettlement schemes which are also part of the Food Security Programme. After intensive lobbying by donors and NGOs via the federal government, this policy was eventually reversed.

The tension remains, however, between the safety-net function of the PSNP (which dictates that its target group should be the poorest and most vulnerable households) and the overall goal of the FSP. Since 2006 the federal government is pushing for other elements of the FSP (particularly credit and extension packages) to be targeted to PSNP beneficiaries, in order to raise the graduation rate (Slater et al. 2006; World Bank 2006). There are fears that this could again create incentives for local government to select the less-poor for the PSNP, although there is as yet no evidence of this happening.²²

Transparency and accountability

The PIM recommends that the list of proposed beneficiaries should be "displayed in public for at least a week, in order for it to be commented upon and endorsed by the general meeting of the village residents." However, since the great majority (70%) of rural Ethiopians are illiterate, the names of potential beneficiaries are more usually read out in community meetings (as in the example of Kalu, described in Box A2.4). Illiteracy is therefore not an insuperable barrier to ensuring that everyone understands the targeting process and criteria. However, the actual transparency of the process and the degree of community involvement differ greatly from place to place.

The goals of accountability and transparency in the PSNP targeting system, as defined in Box A2.4, have been unevenly achieved and are undermined by a number of factors including:

- high staff turnover and capacity constraints in local government;

²² Compared to the safety net, the other food security programmes (OFSPs) are under-resourced and have achieved limited coverage so far. Gilligan et al. (2007:69) find that "there is little evidence that PSNP beneficiaries also receive benefits from the OFSP".

- inadequate appeals processes; and
- little or no record-keeping of complaints and appeals.

“Targeting processes are **accountable** when the individuals and bodies that make targeting decisions are answerable to potential beneficiaries as well as to policy-makers and politicians. They are **transparent** when potential beneficiaries understand who is being targeted and why, and there is no maladministration.” Taylor Brown, in Sharp et al. 2006:46

The appeals process, by which individuals and groups supposedly have the right to challenge targeting decisions, does not function well. The literature on community targeting in Ethiopia and elsewhere in Africa often stresses the need for an independent authority to support and audit the decisions of local targeting bodies: yet the PSNP appeals system (indicated by the curved arrows in Figure 1) is effectively a closed circuit. For the most part, the people who hear the appeals are the same group as (or closely connected to) those who made or supervised the original decisions. Complaints that reach the *woreda* are often referred back to the *kebele* or community, and eventually dropped. The 2006 survey found that more than half of non-beneficiary households thought their exclusion was unfair, but of them only 47% had appealed, and only 20% of appeals had been successful. Complaints from male-headed households were more likely to succeed than those from female or elderly household heads (success rates were respectively 23%, 15% and 15%). Of those who were dissatisfied but did not appeal, 79% said either that they did not know who to complain to, or that there was no one to complain to. (Sharp et al. 2006: p.27-31)

Who pays? Community targeting and the redistribution of targeting costs

As mentioned above, community targeting is often regarded as a low-cost option in comparison to more data-intensive administrative systems. Ethiopia’s experience suggests that, while the direct budgetary costs of implementing the targeting may be minimal, the costs of establishing and monitoring the necessary institutions, and the costs that fall on the community decision-makers themselves, can be substantial.

The PSNP targeting system builds on a pre-existing system of local committees accustomed to targeting relief food aid, so the major investments in establishing these processes had already been made.²³ Nevertheless, disseminating the rules and requirements of the new programme, and overseeing the election of Task Forces, has been a major task for local government. Objective monitoring of the accuracy of community targeting, as discussed above, requires a separate system for data collection and analysis to cross-check the targeting outcomes and to estimate inclusion and exclusion errors. The appeals system, as discussed, remains weak: to strengthen it through systematic audit and record-keeping would again need additional funding. A capacity development component has been added to the PSNP budget to assist the local administration and line departments in their ongoing responsibilities for targeting and implementation.²⁴

23 In spite of this prior experience, the effectiveness of the community task forces varies greatly between regions and districts. The literature on community targeting in Africa suggests that the nature of pre-existing local governance and power structures is crucial to the feasibility of community targeting. Where representative structures for local decision-making do not already exist, the lead-time and staff inputs (usually from NGOs) needed to create them are considerable.

24 The institutional support component of the PSNP, which includes local capacity development, is costed at \$52 million for the current 3-year phase (2007-09). This is a little under 6% of the total programme budget of \$915 million (World Bank 2006:74). Since targeting activities are interwoven with the general management and implementation of the programme, it is impossible to separate out what proportion of this sum should be imputed to improve targeting. This is a general problem with quantifying the implementation costs of targeting systems.

For the community decision-makers themselves, their participation in the targeting process is unpaid and therefore un-costed in monetary terms. However, the real costs to them in time and foregone earning opportunities, as well as social friction, can be high. CFSTF members interviewed during the 2006 study said that they met regularly once or twice a month (more often if there were disputes), and that meetings could take anything between two and eight hours. Task force members are not barred from inclusion in the PSNP beneficiary list, but the majority (in the communities covered by the study) were not in fact beneficiaries. In return for their service on the task forces, they are under constant pressure from people lobbying for inclusion or complaining about the decisions made. Tension occasionally breaks into physical violence, and in some cases people involved in the community targeting have had their houses or livestock compounds burned.

Poverty dynamics and frequency of targeting

The original PSNP design requires a revision of the household targeting lists every six months, to take account of inevitable changes in peoples' circumstances and to correct any errors of targeting. There is plenty of evidence, both from the Ethiopia PSNP studies and the wider poverty literature, of "churning" at the margins of poverty – i.e. people moving in and out of poverty or food insecurity according to luck and changing circumstance. Some such changes can be sudden, for example loss of assets, or the death or illness of family members – or conversely, inheriting land or gaining employment. Any of these could affect eligibility for the PSNP. In aiming to identify the poorest, the programme is trying to hit a moving and changing target.

However, two factors led to a decision after the first year of implementation that targeting every six months was too frequent: the high transaction costs of the household targeting system, and the uncertainty caused to beneficiaries by too frequent revisions of the list. The burden on local decision-makers has been outlined above. For beneficiaries, a key aim of the programme is to provide predictable transfers so that they can make investments and take risks (such as buying livestock on credit) to improve their future livelihood prospects. Too frequent re-targeting and uncertainty over how long they would be eligible for the payments was undermining this aim. Therefore, the six-monthly re-targeting was dropped in favour of an annual revision of the household lists, combined with a government commitment to guarantee beneficiaries access to the programme for "several years" (World Bank 2006:29). It is not yet clear how far the latter commitment is being implemented, but if beneficiaries are enrolled for two or three years then the annual targeting will become a smaller exercise to correct errors and assess individual cases of households falling into need, rather than a complete re-run of the whole initial process. The 2006 study recommended improved procedures for considering individual cases and appeals during the periods between targeting rounds.

Are the public works self-targeting?

The 2006 study found that, as expected, the work requirement and low pay did have a self-targeting effect by discouraging a minority of applicants with better income-earning opportunities (Box A2.5). For example, both the interviewees quoted in the text box said they had lobbied to be included in the beneficiary lists when the PSNP was first announced, but dropped out when they understood the payment rate and the work required. However, these cases were few: most households in the targeted communities continue to compete for places on the public works, despite complaining that the payment is too low for the work required. As one public works employee put it, "6 Birr is not enough, but we are all fighting to be included in the 6 Birr".

Box A2.5 Self-exclusion of the better-off

“When I observed the type of PW activities done and the wage payment, I found out it wasn’t worth working there and getting 6 Birr a day compared to what I can earn from shaping stone to sell in Mekele market, or producing and selling vegetables. I can obtain a much better income than the Safety Net pays”.

“I told the administrator not to call me for Safety Net meetings any more since it is a waste of time. I would rather work on my own farmland and obtain more than the payment I would receive from working on the PSNP”.

(Non-beneficiaries from two targeted communities)

In the eight districts covered by the study, reported daily wage rates for alternative employment ranged from 8 to 15 Birr. It is difficult to pin down comparative wage rates because of the great variety of contract forms and hours of work required in exchange for a “daily” wage, and indeed the scarcity of employment opportunities makes the comparison purely theoretical for many potential workers. Local labour markets are also highly seasonal and segmented by gender, with women systematically earning lower rates than men (whether for similar or distinct tasks). The PSNP may in fact be the only employer offering equal pay for women and men in these areas.

Two important non-wage factors also inclined potential beneficiaries to prefer public works to other employment, despite the lower daily rate: the reliability of PSNP employment, and the location of work-sites within walking distance of their homes.²⁵ Because sites are nearby, workers can avoid the various costs and risks of migration in search of work, and can combine part-time working on the PSNP with managing their farms and other activities. The relative reliability of the PSNP employment means they can predict their monthly or seasonal earnings, in contrast to higher-paid casual work which they may obtain only for a few days or not at all. These factors further weaken the self-targeting effect of the PSNP daily rate, as it is only one element in the comparisons people actually make.

Leaving aside these complications, however, the available evidence suggests that the PSNP rate is already below the market wage, and does encourage a minority of better-off people to self-exclude from the community targeting process. Cutting the rate further is very unlikely to improve targeting, and would certainly reduce the impact of the transfer on beneficiaries’ livelihoods.

Conclusions

The Ethiopian administrative-community targeting system is an interesting example of balancing targeting precision against affordability and feasibility. It involves a series of trade-offs between the ideal and the practical, and between central design and local implementation. The system is broadly successful but not without problems. Transaction costs for the local government and community decision-makers are high; implementation varies greatly from region to region and even village to village; and systems for appeals and audit remain weak. Nevertheless, the system does appear to reach mainly the intended target groups with relatively low levels of inclusion error or corruption.

The balance between local adaptability of the targeting criteria and national comparability is a difficult one. Standardised national criteria for socio-economic targeting are not possible in the current Ethiopian context, and a key strength of community targeting lies in understanding complex local determinants of poverty and food insecurity: therefore, locally determined criteria and

25 The PIM requires all PSNP projects to be located within one hour’s walk or 5 km of beneficiaries’ homes (MoARD 2004: section 2.2.3).

thresholds are needed. However, this means that beneficiary characteristics are not comparable across the programme and targeting outcomes are very difficult to quantify. Since the targeting system itself does not generate objective data, and because it basically identifies relative not absolute poverty, additional data collection and monitoring systems are needed to assess the success of the system.

The Ethiopian experience also exemplifies two observations that have almost become truisms of the targeting literature: that most interventions in practice need to combine several targeting methods or elements, rather than a single mechanism; and that the quality of implementation is at least as important as the method chosen in determining outcomes.

Annex 3: Comparing targeting approaches to cash transfers in Cambodia, India and Ethiopia – India case study

Disa Sjoblom

The BPL criteria as a targeting mechanism

Since 1992 the Government of India has used the Below Poverty Line (BPL) census as a way of channelling poverty alleviation schemes to the poor. Households identified as BPL are entitled to benefits such as free or subsidized electricity, subsidized toilets, subsidized rations, preference under the national housing scheme (Indra Awas), subsidized loans under the national self-employment scheme (SGSY) and free insurance coverage. Inclusion in the BPL list is therefore potentially of great significance for a household in poor communities

The Government of India has during the last decade changed the way in which poverty is measured in the country three times with the objective of improving criteria and thus identification – in 1992 the BPL census had a focus on income, in 1997 it was based on expenditure, and the latest census, 2002, relied on an aggregate scoring of 13 indicators. Serious questions have been raised about the way BPL households are being identified for every census and there is widespread agreement that the latest approach is not an improvement on earlier ones.

In 1997, the BPL census was by and large determined by expenditure levels of households. The census covered 2 parts. Part A was based on an attempt to exclude ‘the visibly non-poor’ from a more thorough survey by collecting information from all households on income and a small number of assets. A positive answer to any of five criteria would exclude the household from an initial list.²⁶ A second survey, Part B, was subsequently administered to all remaining households and information was collected on human, social, physical as well as economic aspects.²⁷ The determining factor for the poverty line was decided on the basis of monthly per capita expenditure of a household corresponding to a stipulated daily requirement of calories. If that figure was less than what was identified by the Planning Commission the household would be classified as BPL (Jalan & Murgai, 2006). The 1997 BPL methodology was widely criticized for using grossly underestimated calculations of poverty (Karat, 2006).

The Expert Group set up by the Government to develop the 2002 BPL census also questioned the 1997 census. First of all, the basic exclusion criterion was found to be very stringent as, for example, possession of a ceiling fan, could exclude a household from BPL. Secondly, that the criteria were used uniformly and did not take into account inter-state variations. The Expert Group also pointed out that there was no mechanism by which a household that became poor after the census could be included (Sunadaram, 2003).

Hence the shortcomings of the 1997 census led to a change in the approach used for developing the 2002 BPL census. Instead of relying on household expenditure, the Expert Group suggested that poverty should be based on a set of diverse social and economic factors that would reflect the quality of life of a household. A system was worked out in which each household was given a score

²⁶ 1) Operating size of land more than two hectares; 2) ownership of a ‘pucca house’ ; 3) receipt of annual income of Rs 20,000 or more; 4) ownership of consumer durables like television, refrigerator, ceiling fan, motor cycle/scooter and three wheelers; and, 5) ownership of farm equipment such as tractor, powertiller, or combined thresher/harvesters (Jalan & Murgai, 2006)

²⁷ A lot of information was collected in this survey which was not used in classifying BPL households (Jalan & Murgai, 2006).

of one to four for thirteen standard indicators.²⁸ The scores would then provide an aggregate index for each household ranging from zero to fifty. A cut off score for segregating the poor, i.e. BPL from non-poor was decided with some scope for variation between states. However, the Government also put in place a ceiling of number of BPL households that could be identified in a given area by saying that it could not be higher than what was the estimate by Planning Commission for the year 1999-2000 for the state (Jalan & Murgai, 2006).²⁹

The BPL census of 2002 resulted in a lot of discussion about the methodology as well as the final result. It is a well-known fact in India that BPL lists are often inflated and closely linked to political affiliation, proximity to local leaders, nepotism and corruption and the 2002 census were not found to be any different. A study of three villages of Uttar Pradesh established that BPL lists had basically been finalized by local government officials in collaboration with village heads (Srivastava, 2004a). A field investigation in West Bengal suggested that many of the actual poor were not included in the list of BPL households (Mukherjee, 2003). Of course, it needs to be kept in mind that getting into the list is the first step, but that this alone will still not ensure access to various schemes. Some schemes have limited targets which introduces another layer of potential nepotism and corruption. As an example, Indra Awas Yojna, the housing scheme, has been found to be subject to substantial manipulation and corruption at village, block as well as district level (PACS, 2007).

Apart from ample questioning of the field investigations used to conduct the latest census, there has also been serious questioning about the appropriateness of the scoring framework applied to identify poor households – basically on two points. Firstly, the validity of the aggregation method in scoring households, and secondly, the relevance of the indicators used to construct BPL scores. For example, the scoring presumes that an artisan would always be less poor than a subsistence cultivator or that not owning consumer durables would be at par with ‘having less than one square meal per day for a major part of the year’. Moreover, the method used assumes that comparisons can readily be made between states like Bihar and Kerala (Sundaram, 2003) where levels of service provision in e.g. health and education differ widely, as does the enforcement of law and order, and so conditions of personal security. Another problem with the 2002 BPL list is the way cut-off scores are being arrived at and the lack of uniformity in application between states. There is no uniform cut-off score for the country but it is up to the states to determine below what score households will be classified as BPL. The states are also allowed to have different cut-off scores between districts, blocks or even villages. As there are already basic problems in the scoring method used, there is little evidence suggesting that the provisions for diversity will lead to better poverty targeting. On the contrary, leaving cut off scores to be managed by the states gives further scope for misuse and subjective considerations influenced by political rivalry and other power relations. The Planning Commission has already set up a committee to review the methodology used and make recommendations for the next BPL census of 2007 (Karat, 2006). As of date, the BPL lists have not been finalized throughout the country. There are many objections being raised at panchayat level by families who have been excluded and appeal systems have been worked out involving the block and district administration. Limited awareness of procedures, illiteracy, and corruption are likely to influence whether the poorest and most deserving finally get included in the list. The bottom line is that the states will finally have to adjust the number of BPL households

28 The thirteen indicators included size of land holding; type of house; availability of clothing per person; sanitation; possession of consumer durables; literacy, status of household in labour force; means of livelihood; status of children between 5-14 years; type of indebtedness; reasons for migration in case of a migrant household; and preference for assistance from various schemes. (Jalan & Murgai, 2006).

29 The BPL census of 1997 identified 41.05% rural families as BPL. In contrast, the Planning Commission figure of 1999-2000 based on NSSO (National Statistical Survey Organisation) data found 26.10 % people in rural areas to be poor (Hirway, 2003). In practice, this means that the states are not in a position to demand allocations from the centre based on the BPL census.

through a cut-off score which does not exceed the number of poor estimated by the Planning Commission in the year 2000.

Based on the inherent bias and problems with establishing who are the poor and the non-poor, questions are being raised about the overall effectiveness of the BPL census as a way of targeting the poor (Hirway, 2003). Sundaram (2003) poses a fundamental question— do we actually need a BPL census and, if so, for what, and does the current census based on 13 indicators give us the information required for purposive targeting of the poor? Sundaram argues that many of the national poverty programs are based on provision of public goods which should be for everyone – sanitation, education, health. To deliver these programmes effectively it becomes important to understand the geographical concentrations of the population that needs targeting - this information is already available in the population census of 2001 and does not require a BPL census. For the national self employment programme – Swarnajayanti Gram Swaraj Yojana (SGSY) – where the objective is to raise incomes of households, the census is in practice of no use with regard to implementation or monitoring as income does not form a part of the 13 indicators. The largest poverty alleviation initiative, NREGA, is not related to BPL but based on self-targeting and thus open to all who are interested. For implementation of schemes such as the Antyodaya Anna Yojana in which foodgrains are supplied at much-reduced prices for the poorest of the poor, identification on the basis of food security would be crucial. However, as the BPL list is made up of an aggregate score it has little value in terms of identifying food insecure households. In sum, the BPL census has limited relevance for implementation of poverty reduction programs and its utility at large needs to be questioned (Sundaram, 2003).

Scope of self-targeting – the case of NREGA

An increasing number of employment generation programmes initiated by the Government of India are intended to be based on self-targeting.³⁰ The idea is that these programmes will by virtue of design cater to the poorest as others will not be interested to carry out manual work for low wage rates. While evidence suggests that self-targeting can work as a fairly straightforward targeting mechanism under certain circumstances, there is also ample proof indicating that without more comprehensive improvements in programme implementation, self-targeting alone cannot omit errors of inclusion or exclusion and ensure that benefits reach the poorest. The National Rural Employment Guarantee Act (NREGA) is a good example of this. NREGA is currently the biggest self-targeting programme in India open to all rural people who are willing to undertake manual labour work in their village.

NREGA was launched on February 2, 2006 across 200 poorest districts in 27 states. The affordability of NREGA has been an issue of wide debate in India and opponents have warned against the programme eventually contributing to a fiscal crisis (Acharya, 2004; Patnaik, 2006) as the programme is supposed to be open-ended – it entitles anyone in rural areas who places a demand to obtain employment. Nevertheless, the way NREGA has unfolded over the past year, it appears that it would still have a long way to go before it could be described as leading to a fiscal crisis. The total budget for last year was Rs 11,300 crore (approx US\$2.8bn) and this has now been raised to Rs 12,000 crore (approx US\$3.0bn) for 2007-08. This amounts to just under half of one percent of GDP, i.e. approximately half the funds spent on subsidised food under the Public Distribution System. Another 130 districts have been added which brings the total number of districts to 330. The Ministry of Finance, which has been against the programme since inception, has insisted that the low absorption of funds during last year means that the additional districts can be accommodated with just a marginal increase in the budget (Jain, 2007)). This reduction in

30 Most recent examples are: Sampoorna Grameen Rozgar Yojana' (SGRY) - Universal Rural Employment Programme; Employment Assurance Scheme (EAS) – now merged with SGRY; Drought Prone Areas Program (DPAP); and National Rural Employment Guarantee Act (NREGA).

commitment has been heavily criticized by, for example Dreze (2007) who maintains that the Government is not really living up to its stated principles of 'inclusive growth'.

Information about NREGA till date suggests that the implementation of the scheme needs to improve more broadly if the poor are to be reached. Although there are promising examples emerging such as Dungarpur district in Rajasthan where most poor have job cards and people are getting employment due to a very proactive district machinery (Sivakumar, 2006), the 'open to all' policy is far from working well in practice across the country. Social status, social networks, nepotism, religion and politics have all found their way into influencing access to the scheme and local elites are manipulating the implementation of NREGA in much the same way as they do with other government initiatives (Allen and Pellissery, 2006).

The bureaucratic procedure for access to work which requires beneficiaries to register for job cards is substantially contributing to exclusion (Allen & Pellissery, 2006). The registration is to be done by the Gram Panchayat. Denials, delays, as well as request for bribes are common. In Gujarat, Madhya Pradesh as well as Jharkhand it has been found that the fee for an application form for a job card may range from Rs 5 to Rs50. Instances of discrimination with regard to caste, age and gender in general have also been observed. There is evidence from the field suggesting that single-women headed households as well as physically challenged individuals are being denied registration (Sood, 2006).

Social audits reveal that there exists a discrepancy in the official and actual numbers of job cards issued at panchayat level (AID, 2006). A delay in distribution of cards is also a common phenomenon implying that people are unable to demand work (Sood, 2006). The overall assessments of the effectiveness of self-targeting within the Maharashtra EGS – which is a forerunner to NREGA – also present a mixed picture. While some have pointed out that it is basically low income, low asset households and female agricultural labourers who have been covered (Dev, 1995) others have observed that the benefits have been more in certain pockets and that low awareness of entitlements and provisions have resulted in backward tribal areas benefiting less (Ganesh Kumar et al 2004). This is consistent with the argument that the poor need to be empowered to demand their rights for any form of targeting to be effective (Hirway, 2003). The rights-based platform of NREGA, i.e. people being entitled to 100 days of work through an Act, is also what civil society is banking on for the initiative to eventually become more effective. NREGA still stands a chance if awareness of the programme can be spread to the extent that people start demanding employment at scale. Should this happen, the rights-based angle of the scheme may thus prove to be equally, or perhaps even more important than the principle of self-targeting.³¹ The recent success achieved with regard to NREGA in Dungarpur district has been partly attributed to the Right to Information Act as having gained ground in Rajasthan and made information more easily available to the public (Dreze and Bhataia, 2006). A social audit carried out during 2006 in the district noted that awareness about the Act was high in all villages (Lakshman, 2006).

Targeting that works better

In India there is evidence that combinations of simple targeting can work to a certain extent as long as the benefits involved are relatively small and straightforward. Leakages have been found to be low in the National Old Age Pension Scheme (NOAPS) which entitles destitute persons over 65

³¹ Experience from other employment generation schemes based on self-targeting (e.g. Drought Prone Areas Programme (DPAP) and Sampoorna Grameen Rozgar Yojana (SGRY) – employment creation with food security - also illustrate that exclusion of the poor and inclusion of the better off are common. Poor governance along with widespread corruption are cited as the key reasons (Srivastava, 2004b)

years of age to a monthly pension. The procedure of making payments through post office accounts is also believed to be giving less chance for malpractices in payment (Farrington et al 2003; Weiss 2005).³²

Other examples of comparatively successful targeting can be found in the education sector. For example, the District Primary Education Programme (DPEP) has been successful in raising literacy levels by targeting districts with low female literacy (Ferro et al 2002). There is also some evidence suggesting that the targeting of ST and SC girls in education through benefits such as uniforms, free books, and bicycles is having an impact on attendance (Jayachandran, 2002) although there is limited comprehensive assessment of impact.³³

The need to think beyond targeting

However, as development initiatives become more comprehensive and, for example, aim to boost the livelihoods of poor households, targeting often becomes more complex as well as more focused. Evidence from livelihood development programmes in India suggest that while sound targeting is needed, the approach to poverty reduction also has to be based on a holistic understanding of the poverty problems if such programmes are going to work. The examples below of two donor-assisted livelihood improvement projects in the state of Madhya Pradesh can demonstrate this argument in more detail.

The District Poverty Initiatives Project (DPIP) in Madhya Pradesh is a World Bank aided livelihoods improvement programme operational across 14 districts of the state. Within the districts, poor blocks and subsequently poor villages were identified on the basis of the Madhya Pradesh Human Development Report 2001. In the selected villages a participatory poverty ranking exercise is used to identify poor households. The households of the village are divided into four categories; A (rich), B (medium), C (poor), and D (very poor). The households falling into the poorest categories, i.e. C and D, are facilitated by the project to form Common Interest Groups (CIGs) to take up economic activities. While DPIP has been fairly successful in supporting close affinity groups to develop land or other existing assets, it has been recognized that those without productive assets do often not come within the purview of what the project has to offer (PEO, 2005). The poorest lack productive assets that can be readily improved upon or they find it difficult to come together in groups to venture new livelihood activities. Consequently, unskilled labour work remains a more familiar option for the poorest (Sjoblom et al 2006). The project management has however realized this shortcoming in design and is consequently trying to ensure that the program includes the poorest by focusing on strategies to improve the bargaining capacity of unskilled labourers through skill upgrading, skill verification and initiation of a labour company.

The situation of the DFID supported Madhya Pradesh Rural Livelihoods Project (MPRLP) is similar to that of DPIP. MPRLP focuses on improving the livelihoods of selected tribal villages. Despite an exhaustive targeting methodology – districts with high percentage of tribals, clusters of underdeveloped villages based on available statistics, and lengthy participatory exercises to rank the households as per locally defined poverty criteria- the project has achieved little with regard to improvement in the livelihoods of the poorest. This is partly due to the nature of the programme which, like DPIP, is more tuned to support those who are moderately poor through asset building or setting up of local businesses. Moreover, the poorest do not generally attend the Gram Sabha

32 This does not mean that the pension scheme is without problems. It has been suggested that coverage, verification of existing beneficiaries, identification of new beneficiaries and the transfer process needs to be looked into (Bhatia, 2006)

33 School attendance incentives in Bangladesh have been a matter of much discussion. While the positive impact on girls' attendance has been widely established, there are also many reports of corruption (e.g. Transparency International Bangladesh, 2005).

(village assembly) where proposals are put up and decisions taken; and even if they do attend they often lack confidence to speak at public meetings (Sjoblom and Khatana, 2006). In MPRLP too it has been realized that the strategy needs to change if the poorest households are to be included in the programme. Hence, the next phase will include measures such as cash transfers, improved access to relevant government schemes and soft loans.

The above illustrates the point made earlier- that despite ample time spent on refining targeting these projects have so far had limited impact on the livelihoods of the poorest households. Hence, targeting alone is not adequate but development programs have to respond to the realities of the poor if inclusive poverty reduction is to be achieved. As pointed out by Mathie (2001) poverty targeting needs to go beyond identifying the poor and include ways of reaching and attracting the poor as well as ways of discouraging the non-poor.

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