

**Good Practices in Poverty
Targeting in IDB Projects
in 1997**

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**Washington, D.C.
December 1998**

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Among the recommendations made by the Board in its last revision of *The Lending Program and Poverty-Targeted Investments 1997 Final Report* (GN-1964-3) there is an emphasis on the need for better targeting of beneficiaries so that investments reach the greatest number of the poor in the most effective way. The development of good practices in project targeting has been gradually taking shape in the last three years. By designing better targeting procedures, project teams expect to more effectively match proposed investments with their potential beneficiaries. Good practices in targeting, as highlighted here, have to do with an additional effort to go beyond the letter of the law in the identification of project beneficiaries. Effective and efficient targeting mechanisms attempt to better link the project's specific purposes with its intended group of beneficiaries.

To guide this process, it is necessary to clearly identify the project's objectives concerning poverty and the poor. For instance (i) is the project's objective to deal with emergency situations, i.e. with specific crises and adverse shocks (be they economic or climatic) that may have a temporary impact on the poor? Or (ii) are project objectives more long-term such as providing the poor with access to social services or to economic opportunities that will eventually contribute to improvements in their living conditions? Furthermore, considering that resources are always limited, how can specific projects target priority sub-groups of beneficiaries within the poor thus maximizing access to the services to be provided or the investments to be made by the groups who need them the most?

Following recommendations made in Document GN-1964-3, projects which demonstrated good practices in the design of poverty targeting mechanisms were nominated by each of the 3 Regional Operational Departments. These projects, listed below, all represent cases where the design of the operation made extra efforts to better target the poor that go beyond the PTI Classification Criteria. These design elements include a variety of instruments, such as the careful definition of beneficiary eligibility and selection criteria, use of poverty maps, application of qualitative methodologies, and more rigorous analysis of survey data to determine appropriate types of project interventions.

At this point, the concept of Good Practices includes only innovative attempts at the *project design stage* to resort to more effective mechanisms to identify beneficiaries. Because most of these projects were approved only last year, it is not yet possible to measure how effectively they have identified beneficiaries or the real impact of these interventions on poverty or on the poor beneficiaries they intend to reach.

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For Regional Operational Department 1, examples of good practices in PTI design include: AR-0161 (Atención a Grupos Vulnerables), AR-0169, (Programa de Apoyo a la Productividad y Empleabilidad de Jóvenes en Argentina), BO-0130 (Atención Integral al Menor de 6 Años), BR-0242 (Mejoramiento de Barrios en el Estado del Rio de Janeiro) and PR-0028 (Reformas a la Atención Primaria en Salud).

Examples of good practices in Regional Operational Department 2 include: DR-0078 (Modernización y Reestructuración del Sector de Salud), ES-0108 (Programa de Apoyo a Tecnologías Educativas), ES-0109 (Programa de Desarrollo Local), GU-0022 (Programa de Vivienda) and ME-0052 (Programa de Educación a Distancia).

For Regional Operational Department 3, examples of good practices include EC-0138 (Apoyo al Sector Habitacional) and JA-0041 (Social Investment Fund); EC-0182 and PE-0188, which consisted of two emergency loans - to Ecuador and Peru - to prevent or mitigate anticipated damage by the El Niño phenomenon in both countries; EC-0157 (Programa de Atención Integral a los Menores de 6 Años); PE-0126 (Programa de Modernización y Administración de Justicia) and VE-0059 (Programa de Apoyo a la Sociedad Civil).

A variety of resources and methods are available for projects to target beneficiaries. The decision on which of them to use will be a function of the reliability of available data in the country, the project objectives and institutional considerations like the level of decentralization in project execution. Some attention must also be paid to the costs and benefits resulting from the application of targeting schemes. Potential benefits deriving from the application of sophisticated targeting mechanisms could easily be offset by the financial costs of designing them and the institutional difficulties local teams might face during implementation. The projects cited above as good practices all represent efforts to creatively resolve this tension and do the most with the available resources and under the time constraints of IDB project preparation to reach the poor. In the discussion that follows we provide further detail on how some of the good practice projects listed above have targeted benefits and resources to the poor.

Some projects rely on geographic targeting and thus narrow the project focus in stages, from the regional or state to a more local level. Here, geographic targeting is used to identify priority areas of intervention. Subsequently, geographic targeting is often combined with self-targeting and community participation and involvement in project preparation as the final basis for targeting. Examples of this approach are: ES-0109 (The Local Development Program in El Salvador), AR-0161 (Program of Attention to Vulnerable Groups in Argentina), EC-0157 (Program of Integral Attention to Children under 6 in Ecuador) and BR-0242 (Rio de Janeiro Neighborhoods Improvement Program-Baixada Viva- in Brazil).

Other programs rely on the application of formulas for budget allocation or for the provision of direct subsidies. Formulas are designed so that the poorest groups benefit proportionately more from the project's investments or are required to contribute proportionately less to its maintenance than less poor beneficiaries. Such is the case of

PR-0028 (Paraguayan Primary Health Care Reform Program) which introduces a progressive formula for budget resources allocation to regions and municipalities. This formula is based on demographic, health and income indicators obtained through a household survey on the use of health services and the users' perceptions about the quality of these services. Along a similar line, GU-0022 (Programa de Vivienda in Guatemala) utilizes two different mechanisms for beneficiary targeting. A self-targeting mechanism for families under an income threshold provides a social window made of subsidized loans for home improvements on informally built houses for poor families with a very low-income. For poor families who are slightly better-off, the project finances a commercial window of a direct initial cash subsidy for home acquisition through mortgage loans with the private sector.

The Ecuador Housing Sector Program (EC-0138) uses the poverty line as a basic targeting mechanism and couples it with built-in mechanisms like ceilings for loans and for the applicants' family income. These mechanisms are combined in scores to assess applicants, making it more likely that families benefiting from the investments will be those earning the least. The Jamaican Social Investment Fund (JA-0041) uses a geographical targeting mechanism based on the Jamaica Poverty Map to ensure that program resources will reach the regions and groups currently underserved by existing social programs. In addition, built-in mechanisms for project execution and a menu of sub-programs eligible for financing encourage the participation of beneficiary groups at all stages of project execution.

Some projects elected to use a combination of targeting mechanisms as judged more adequate for each of their different components or subprograms. Such is the case of the Programa de Apoyo a la Productividad y Empleabilidad de Jovenes en Argentina (AR-0169). This project uses self-targeting for its training component, while another component-scholarships to increase school retention - combines targeting at the national level with mechanisms for assigning quotas of scholarships to provinces according to a formula combining poverty and school performance indicators. As a final step, it uses the system of beneficiary identification (forms from the Sistema de Identificación de Familias Beneficiarias - SISFAM) for targeting and identifying the poorest and neediest students through a special attached form called SISFAM-BECAS.

In addition to the good practice projects nominated by the Regional Departments, it is also of particular interest to highlight PTI projects outside of the social sectors that made extra efforts to improve poverty targeting. Given the relative under-representation of the non-social sectors in the PTI lending program, it is important to learn from the good practices that do exist. Three examples merit consideration in this report: HA-0075 (Haiti Secondary and Tertiary Road Rehabilitation Program), NI-0014 (Nicaragua Food and Agricultural Revitalization Program), and PR-0094 (Paraguay Global Microenterprises Credit Program).

The Haitian Secondary and Tertiary Road Rehabilitation Program provides a good example of a non-social sector PTI in a sector that is not eligible for PTI classification under the sector-automatic rules. Even though at the time of its approval the country-

automatic classification criterion was still applicable and projects in Haiti automatically qualified, the project includes extra efforts to reach the poor. The project's investment component addresses the needs for economic integration, transportation of goods and development of economic activities (like tourism) of isolated rural areas, benefiting approximately 750 thousand rural residents in a country where 80% of the rural population is below the poverty level. Additional features that enhance the project's PTI design are the program's emphasis on labor-intensive maintenance works (which would provide temporary jobs and income for part of the population in the affected areas) and the participation of local stakeholders in the definition of tertiary road projects.

The 1997 Nicaragua Food and Agricultural Revitalization Program's goal is to support rural development activities aiming at increasing rural income and employment. It combines geographic targeting of rural municipalities in the Central and Pacific regions of Nicaragua where over 75% of the rural population is below the poverty line with mechanisms for resource allocation based on poverty and development potential indicators.

Finally, the Paraguay loan for a Global Microenterprise Credit Program has as its main component a line of credit for microentrepreneurs to purchase fixed assets and fund working capital through participating IFIs. It targets low-income microentrepreneurs through a series of mechanisms like ceilings in credit line and eligibility criteria related to the size of the microenterprise (both in terms of number of employees, volume of sales and value of assets) that widens the access of low-income beneficiaries to productive credit. The program also addresses the need to resolve the obstacles that hinder the access of women entrepreneurs to credit.

This year's nomination of good practice cases to be highlighted in Document GN-1964-3 was done in a decentralized and relatively ad-hoc fashion. The Poverty and Inequality Advisory Unit, in collaboration with the Office of the Executive Vice President, is currently preparing guidelines for the selection of good practices in poverty reduction projects. Starting next year, these selection criteria will be used to pick good practice projects that will be highlighted in future documents prepared by the Unit and serve as inputs to other official documents of the Bank. We also intend to highlight good practices of poverty targeted components within operations for which the entire project may not necessarily qualify as PTI. For example, the Venezuela Sector Program in Support of Fiscal and Public Sector Reforms approved in October 1998 (VE-0118) had a component to protect public spending on targeted social programs accounting for 15% of the overall loan amount. One essential element of the selection criteria for future good practice projects will be the presence (or not) of a sound monitoring and evaluation component. Such a component can yield future information regarding the effectiveness of targeting mechanisms and the project's actual impact on the poor, thus allowing the Bank to track over time the performance of projects identified as good practices in poverty targeting during the design phase.²

² This recommendation is consistent with those made in documents RE-212-2 and RE-231.