Chronic Poverty

Research Centre

Identifying and targeting the extreme poor: a methodology for rural Bangladesh

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What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty.

Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation.

This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

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Abstract

This paper argues that the extreme poor warrant specific analytical and policy focus. It attempts to identify the extreme poor in rural Bangladesh by devising sensitive targeting indicators that are effective in minimising leakage to the non-poor while ensuring broad coverage of the target group. A number of indicators are examined, resulting in the conclusion that, since no single indicator contains sufficient information, it is better to combine those that are most effective. Regional targeting and household-based indicators are also recommended for the design of programmes oriented at the extreme poor. However, if the process of administering is left to the bureaucratic discretion of programme managers, it is unlikely that better identification will have an effect on the extreme poor. This risk can be minimised through consultation with communities and non-governmental organisations (NGOs), and be facilitated by effective local government. Information exchange with like-minded programmes can also contribute to the development of more socially equitable and inclusive pro-poor policies.

Key words: Bangladesh, targeting, data, policy, rural development

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1   Do the poorest warrant specific analytical and policy focus?

This paper is premised on the importance of recognising the case for extreme poverty as an area of specific analytical focus, distinct from the general concern about poverty and deprivation. The poor are not a homogenous group and sharp divisions exist among them by sex, region, occupation, land ownership, housing, education, access to infrastructure and even clothing. The number of people living in extreme chronic poverty is too large to ignore. The question is therefore how to make the poorest and most vulnerable visible in the arena of public policy. How do we devise indicators that can identify the extreme poor with relative ease, while at the same time ensuring substantial coverage of extreme poverty?

The majority of literature on targeting focuses only on distinguishing between the poor and the non-poor. It is important to transcend such a limited position so as to ensure the more 'difficult to reach' poor are not excluded from development action and policy. Policies that have favoured the non-poor and moderate poor have not necessarily reached or benefited those living in extreme poverty. However, the task of identifying and targeting the extreme poor is far from straightforward. This paper will attempt to present a methodology for identifying and targeting the poorest of the poor in rural Bangladesh so that effective policies can be implemented to facilitate poverty alleviation.

1.1   Reducing extreme poverty is good for subsequent growth

The concern for the poorest is not just an issue of social justice or of moral judgement (although separation of ethics from economics was inconceivable in the days of classical political economy). Recent advances in development theory suggest that improvements in distribution are also instrumentally important in achieving higher economic growth, a faster rate of poverty reduction and higher social capital. A pro-poor distribution policy does not advocate income transfer, it strives to transform the poor from passive recipients of aid into active agents of high-quality growth. 'Distribution' implies distributing physical capital (recall land reform in the countries of the East Asian miracle, for instance) as well as human capital (broad-based access to education, health and nutrition). However, promoting pro-poor growth as a strategy for reducing poverty can only be effective if it also addresses inequalities, as the higher the level of initial inequality, the lower the future growth rate (Sen, 2001).

Despite numerous non-governmental organisation (NGO) outreach initiatives in Bangladesh, the extreme poor have not benefited from social development programmes, as these have usually targeted the poor by implementing the same techniques used to deliver microfinance schemes. It has been recognised that such programmes are known to actually exclude the poorest of the poor (Matin, 2002). Excluding the extreme poor from these initiatives means that the physically disabled and elderly who fall into this category are particularly discounted.

Just as women were ignored as constituents of development until the 1970s, the disabled and elderly remain neglected in development research and action today (Matin and Hulme, 2003). Evidence from the Bangladesh Rural Advancement Committee's (BRAC) Income Generation for Vulnerable Group Development (IGVGD) programme indicates that such beneficiaries are not successful in obtaining VGD support cards, although the programme specifically aims to reach the extreme poor (ibid). Targeting the poorest of the poor should therefore identify those experiencing severe deprivation, including the disabled and elderly, so that the systematic exclusion of these groups can be rectified through appropriate initiatives and policies.

1.2   Early images of the poorest

The gap between the poor and the poorest has long been a source of policy concern. As early as 1840, the French economist Antoine Buret wrote about the need for constructing the 'tableau of poverty' along with the physiocratic 'tableau of wealth'. Firmin Marbeau, who wrote one of the earlier treaties on pauperism in 19th-century France, was particularly concerned about the state of the poorest, saying that 'in a well-governed State, poverty must not degenerate into indigence. It is in the interests of the rich as much as of the poor that this should be so' (cited in Procacci, 1991).

Writing about livelihood conditions in Faridpur, Bangladesh, in 1910, J.C. Jack noted that the population seemed to be divided into four categories: in comfort, below comfort (but above hardship), above indigence and indigence. The first category corresponds roughly to the contemporary equivalent of 'non-poor' (those staying above the poverty line): this proportion stood at 49 percent in 1910. The other three categories capture successive gradations of poverty, the matched proportions being 28 percent, 18 percent, and 5 percent, respectively. Jack observed that these distinctions were robust to various socioeconomic criteria and not derived under income-/expenditure-based measures alone. His methodological position, stated over 85 years ago, is worth quoting in full because of its contemporary relevance:

> For easy comprehension [...] four classes were adopted, representing varying material conditions between comfort and actual want, to one of which each family was allocated. The classification was not made upon figures of income or expenditure, but always upon an inspection of the family and the family circumstances in its own homestead. Only such families as were well-housed, well-fed, well-clothed according to the evidence of the eye were permitted to be classified as living in comfort. By such a safeguard it was intended that the method of enquiry should be thoroughly practical, avoiding anything academic or mechanical, but ensuring accuracy by concomitant statistical investigation (Jack, 1916: 8).

Although only recently recognised in poverty literature, Jack noted the difference between income poverty and other poverty dimensions. The gap between those living in extreme

poverty and those not is often difficult to quantify in the income dimension, given the very nature of the former. Jack noted that, while on average the statistical 'figures of income probably represent correctly the facts', the income of the indigent families is 'often so precarious and so largely made up of charity as to be impossible of exact calculation' (ibid: 81). Here, qualitative impressions may be more useful. The imagery of poverty as reflected in literature is often instructive in deepening understanding about poverty. Images also help to crosscheck statistics and can help form an idea about who belongs to the poorest groups.

Jack's study noted considerable differentiation among the poor. Some of the latter displayed 'poverty only in the quality of their houses and their clothes' (ibid: 66), whereas for others it was a clear case of under-nourishment. In addition to this was the heterogeneity in occupation, which deserves attention in the subsequent examination of indicators. In Jack's study, the emphasis on the gender dimension to poverty and vulnerability also stands out (ibid):

> With few exceptions, those families which will be found in chronic need in any Eastern Bengal village will on enquiry prove to be either widows left with a family of young children or old people who are past work and who have no relatives to support them.

Many of the currently in vogue concepts of poverty, some of which will be discussed in this paper, can be traced back to earlier thinking on poverty in Bengal and can assist in the development of relevant indicators for poverty monitoring and policy choices.

1.3   Differentiation statistics

Poverty trends have shown little change since Jack wrote his book. According to his estimates, 51 percent of the rural population in Eastern Bengal (Faridpur) lived in absolute poverty in 1910. The matched figure for 1994 obtained from a 62-village survey undertaken by the Analysis of Poverty Trends (APT) Project of the Bangladesh Institute of Development Studies (BIDS) is estimated to be 52 percent. The lowest two categories in Jack's classification correspond to the category of extreme poverty ('above indigence' and 'indigence') and represented 22.3 percent of the rural population in 1910. In 1994, the matched figure was 22.5 percent. Despite the difficulties in making comparisons over such a long period, the extent of poverty is strikingly similar.

The existence of extreme poverty defined in the dimension of income/expenditure has traditionally been verified through three major measurement approaches: using information on calorie consumption ('direct' method); using data on income/expenditure ('indirect' method); and directly asking households to self-classify into poor/extreme poor/non-poor categories ('participatory' or 'subjective' method). These approaches often give contradictory

trends across time or space and opinions vary as to which one should be used.[1] However, all three approaches point to the large magnitude of extreme poverty.

Unpublished data for the most recent household expenditure survey (HES) (1995/96) produces poverty estimates by the *direct calorie intake* method. Following this approach, one may identify several layers among the poor. The Bangladesh Bureau of Statistics (BBS), for instance, considers two extreme poverty lines: one corresponds to 1805 calories per day per person (i.e. about 85 percent of the absolute poverty line of 2122 calories per day per person); the other line corresponds to 1600 calories per day per person (i.e. about 75 percent of the absolute poverty line). Despite the arbitrariness involved in ascertaining the two extreme poverty lines, it relays an alarming message.

The proportion of the population failing to meet the 1805 calorie norm in rural areas in 1995/96 was as high as 24 percent while the matched figure for urban area is higher at 27 percent. Even if one takes 1600 calories per day person as the cut-off mark for the severest poverty, the proportion of the rural population living below that line would be 14 percent, and 15 percent for urban areas. The weight of extreme deprivation in aggregate poverty is high. Thus, as a proportion of the total rural poor in 1995/96, the rural extreme poor population was as high as 52 percent; again, rather strikingly, the corresponding weight for urban area is even higher (57 percent). Although targeting extreme poverty in urban areas is an important concern for development policy and analysis, the focus in this paper is on rural extreme poverty. The same trend emerges when one considers income/expenditure survey data. A BIDS survey of 62 villages provides an estimate of rural income poverty.[2] It reveals that about 52 percent of the rural population lived in absolute poverty in 1994. This population is divided into two distinct groups: moderate poor (29 percent) and extreme poor (23 percent). In other words, in 1994 about 44 percent of the poor fell into the category of the extreme poor.

This wide gap between the poor and the poorest is also confirmed by subjective data. According to the self-categorisation of the BIDS survey respondents, in 1994 the proportion of rural households who lived in 'chronic deficit' throughout the year was 19 percent, whereas households facing 'occasional deficit' stood at 32 percent. These two groups are a priority for the extreme poor, comprising 51 percent of the sample.

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[1] There is a growing body of literature on the issue. For a Bangladesh-specific survey, see Ravallion and Sen (1996).
[2] Unless otherwise mentioned, the rural estimates of indicators presented in this paper relate to the 62 village data generated by the APT Project of BIDS collected in 1987, 1989/90 and 1994.

1.4 Chronic and transient extreme poverty

Panel data generated for many countries reveal considerable movement in and out of poverty, particularly between extreme and moderate poverty. Bangladesh is no exception, as indicated by the 62-village panel data. Examining project data regarding movement in and out of poverty, three important aspects emerge. First, 42 percent of the households classified as extreme poor in 1987/88 persisted in extreme poverty during 1989/90. They constituted 10 percent of rural households in 1989/90, and represent the *chronically* extreme poor, with little chance to escape ever from extreme poverty.

Second, about a third of the households termed 'moderate poor' during the first survey had slipped into extreme poverty by the second survey. Such slippage is often viewed as being 'stochastic' or temporary in nature because of the association with fluctuations in crop output under rain-fed agriculture, but this may not be true in other cases. The slippage may turn out to be of a long-term nature, as in the event of the sudden death of a principal earning member or some unanticipated crisis involving damage of bullock power, ownership disputes, high social ceremony expenditures (raising dowry for a daughter's marriage) or, frequently, health hazard-related risks. Such events can impose substantial coping costs not only on the poor, but also on the vulnerable non-poor.[3]

Third, the panel data indicate considerable presence of transient extreme poverty, showing that 28 percent of the extreme poor graduated to moderate poverty and another 30 percent were actually able to cross, at least for a given period, over the poverty line. This is an antidote to the pessimism often articulated in the development policy discourse regarding the alleged inability of 'development' to reach out to people living in extreme poverty. But, again, the movement in and out of extreme poverty should be calibrated by the fact that such movement itself may have been measured in narrow terms, i.e. current income (which is susceptible to annual fluctuation in the agrarian economy context). Had more durable indicators of permanent income been used, the observed fluctuation would probably have been much less.

The movement in and out of extreme poverty should not discount the principal issue advanced at the beginning of this paper, specifically that 'development' must begin with the poorest. It is therefore important to differentiate between the 'moderate poor' and those who are 'hardcore poor'. The latter should be accorded priority in development initiatives as they experience numerous deprivations, the severity of poverty experienced is deeper and they tend to endure poverty over an extended period of time (Matin and Hulme, 2003). The extreme poor therefore require specific policy focus based on these severe and multiple deprivations. Materialistic measurements of poverty are insufficient in effectively targeting those who are deprived in a number of capabilities, such as health care, education, human

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[3] This issue is discussed in detail in Rahman (1995) and Sen (1996).

rights and land (Hulme and Shepherd, 2003). Identifying the extreme poor necessitates a shift away from the income/consumption measurement of chronic poverty to a more holistic view, recognising the absence of multiple capabilities (Matin and Hulme, 2003). Because the extreme poor experience poverty at more severe levels than the moderate poor, they require diversification in their coping strategies, which is particularly difficult when they have low initial positions and multiple subsistence pressures (Sen, 2003). Policies should recognise these varied dimensions of poverty while incorporating measures to enhance voice, promote empowerment and raise the institutional capability of the poor and socially disadvantaged groups (ibid).

2   Targeting principles underlying indicator choice

Before proceeding to a discussion about the indicators and their estimates for rural Bangladesh, the methodology relating to the choice of indicators will be examined. Some basic principles of targeting that merit consideration in devising indicators will first be discussed.

The indicator should aim at capturing broad *group* characteristics (group poverty) rather than focussing on *individual* targeting (Lipton, 1996). Poverty analysis does not allow for the selection of individuals for programme benefits. If the latter approach is used, as in the case of some anti-poverty programmes, such as India's Integrated Rural Development Programme (IRDP) or Sri Lanka's Janasaviya, it gives incentives to provide incorrect information, which causes a much higher proportion of leakage. More importantly, individual targeting stimulates changes in behaviour, which tends to reduce labour income in order to achieve programme benefits (Besley and Kanbur, 1993). Such problems become even more difficult when it comes to distinguishing between extreme poor and moderate poor. But *if* one can establish that households with particular characteristics are likely to be poor, then anti-poverty projects can target these groups (indicator targeting), or identify commodities or types of employment they are likely to select (self-targeting). Self-selection is a targeting mechanism that has generally been used in Bangladesh to select recipients for microfinance schemes. The structure of self-selection is designed to discourage participation of the non-poor by offering small, short-term loans and requiring beneficiaries to attend regular group meetings (Marr, 1999).

Cost effectiveness is another reason why group targeting may be preferred to individual targeting. Steering project benefits towards individuals would require prohibitively costly nationwide surveys over and above the problem of underreporting income/consumption. In short, the central principle is to identify groups that have a high probability of being poor so that projects, programmes and policies may target them cost effectively.

Note that the concept of 'group targeting' includes not only household parameters but also the characteristics of the geographic region in which the poor are located. The concept is sensitive to seasonal variation, whereby particular periods display high distress intensity. Provided that such zones of distress are known, targeting regionally under imperfect information is best practice, especially from the vantage point of targeting the severely poor. Studies also show that errors of spatial targeting are much fewer than those made in individual targeting. The problem is that knowledge about the variation in poverty rates across space in Bangladesh is still too limited to be a firm guide in practice, despite recent attempts to study this matter (GoB, 1991; Ravallion and Wodon, 1997; WFP, 1996). The suggested approach in this paper combines insights derived from household characteristic-based poverty profiles as well as analyses of the regional (and seasonal) dimensions of poverty.

The indicator(s) for targeting should be effective not only in *minimising leakage* to the non-poor, but also in ensuring *broad coverage* of the target group. The first aspect, which focuses on *targeting ability* (how sensitive is the given indicator in identifying the target group?), may be viewed as the necessary condition in order to be selected as a targeting indicator. The second aspect, focusing on the *representativeness* issue (how effective is the indicator in reaching the maximum numbers of the target group?), may be termed the sufficient condition. Certain indicators may satisfy the first principle but fail to meet the second criteria, making it too restrictive. The reverse example is also true. Some of these examples are discussed below with actual poverty data.

3 Identifying the poorest and most vulnerable

In what follows, evidence is taken from the previously mentioned APT project. The method of investigation proceeds as follows: first, the *targeting ability* and *representativeness* of an initial set of indicators will be examined to predict the incidence of extreme poverty. After giving due attention to practical considerations of easy implementation, the preferred choice of core indicators will be determined.

3.1 Some indicators are expressive of extreme poverty, but remain restrictive to only a small part of it

Indicators such as the possession of minimum clothes, access to 'safe' drinking water and sanitation fall under this category. These indicators meet the first criteria of targeting ability, but not the second, as they cover only a small part of the target population. For example, 57 percent of the rural population without a minimum of two items of clothing is considered extreme poor compared with 24 percent for those who have such access. But the indicator covers only 4 percent of the total population and 8 percent of the total extreme poor. Access to drinking water varies by poverty status, as the incidence of extreme poverty is higher for those who do not have access to tube-well water compared with the category that does have such access (34 percent vs. 26 percent). Again, the indicator is very limited in scope, addressing only 4 percent of rural inhabitants.

The relative merit of sanitation as a poverty-sensitive indicator is better on this score. A considerably higher percentage of children under 10 years old who use open space fall under the category of 'extreme poor'. The incidence of extreme poverty is 35 percent in this case, compared with only 10 percent recorded for the sanitary/slab category. Users of open space constitute as high as 79 percent of the extreme poor. Nevertheless, the indicator has obvious disadvantages, as the use of sanitary facilities is not just a question of income status but also one of the attitudes influencing the non-poor. The latter explains why only 22 percent of rural households use the sanitary facility even though the share of non-poor is roughly 50 percent. In short, targeting by this indicator will result in considerable leakage to the non-poor and moderate poor.

However, numbers should not be the ultimate criteria for inclusion on the list of core indicators. Some indicators may be limited in coverage but speak of additional dimensions of vulnerability, such as gender, caste and ethnicity. Female-headed households, for example, display a much higher incidence of extreme poverty compared with male-headed households (37 percent vs. 22 percent). However, the overall percentage of such households is quite low, at only 5 percent, barring the widespread application of this indicator (Table 1). Nevertheless, the number should not detract our attention from the substantive point of the gendered perspective relating to poverty and vulnerability.

Table 1: Estimates of rural poverty by gender status of household head

Gender status	% of households in the category	Incidence of poverty	
		Extreme	Moderate
Female-headed	5	37.3	62.7
Male-headed	95	21.8	78.2

3.2 Some indicators are analytically relevant as determinants of poverty, but less sensitive to the state of extreme poverty

Indicators such as literacy and land tenure fall under this category. While there is no denying that levels of educational attainment matter in determining long-term poverty, the first criteria of targeting ability are not satisfied. Estimates of poverty in rural areas based on the education of the household head indicate that the incidence of extreme poverty for those who are illiterate is 32 percent yet, for those experiencing moderate poverty, 34 percent are illiterate. Similar estimates reveal that this indicator is insufficient in predicting the incidence of poverty in this category, owing possibly to the high levels of adult illiteracy in general. The same applies to targeting ability by tenancy status, although the variation among tenure groups is slightly less pronounced. The incidence of extreme poverty among non-cultivators is 38.5 percent compared with 34 percent of those experiencing moderate poverty. These two indicators can therefore be disregarded for the purpose of identifying the poorest.[4]

3.3 Some indicators capture the poorest successfully, albeit allowing for some leakage

Three indicators in this category stand out prominently: land ownership, housing and occupation (Table 2). In the past, identifying functionally landless households (those owning up to 0.5 acres) has been used as a method for targeting the poor, particularly in the context of microcredit. Indeed, the functionally landless category contains 71 percent of the rural households in extreme poverty. However, not all households within this land-size group can be termed as extreme poor, as 57 percent of moderate poor households also belong to this category and there are also non-poor households in the smaller land-size groups (Ravallion and Sen, 1996). In short, land alone will not suffice for the targeting purpose.

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[4] For detail on statistics presented, refer to Sen and Begum (1998).

Table 2: Rural poverty estimates by land ownership, housing category and occupation

Category	% of households in category	Incidence of poverty		% of poor households	
		Extreme	Moderate	Extreme	Moderate
Landownership (acres)					
<.50	48.6	38.3	33.3	71.0	57.2
.50-1.49	21.4	23.1	31.7	18.8	23.9
1.50-2.49	12.2	14.3	23.0	6.7	9.9
2.50-4.99	11.4	5.3	17.3	2.3	7.0
5.00 +	6.3	4.8	8.4	1.1	1.9
Housing category					
Jhupri	1.6	63.6	27.3	4.1	1.6
1 room thatch	23.5	44.0	33.7	39.4	28.0
1+ room thatch	13.1	34.1	35.8	17.1	16.7
Tin-made house	54.3	17.6	25.5	36.5	48.9
Pucca house	7.5	10.5	18.9	2.9	4.8
Major occupation					
Cultivator	41.6	20.6	24.4	33.2	39.5
Agricultural wage labour	18.5	46.7	40.2	37.3	22.8
Non-agricultural wage labour	2.7	24.3	34.6	2.6	2.2
Rural industry, informal service, etc.	7.0	26.5	38.5	7.3	6.2
Trade	10.4	9.3	29.6	4.0	12.4
Transport	4.5	22.3	34.0	4.9	5.1
Construction	1.8	36.5	34.6	2.6	3.0
Salaried service	9.5	4.7	14.7	2.0	4.8
Others	5.8	27.6	19.7	6.1	4.0

Source: APT 1995/6

Housing is another indicator that strongly expresses extreme poverty. The incidence of those experiencing extreme poverty who reside in the lowest two categories on the housing scale together accounts for 44 percent (Table 2). However, this indicator is not without problems, as approximately 37 percent of extremely poor households live in tin-made structures.[5]

Using occupation as an indicator also has potential for identifying the extreme poor. Estimates reveal that the percentage of people living in extreme poverty is highest in the case of agricultural wage labourers. According to the BIDS survey, 37 percent of these labourers fall under the 'extreme poor' category (Table 2). This observation is also vindicated by the HES data generated by the BBS. According to the latter source, which uses consumption data, the incidence of absolute poverty (extreme and moderate taken together)

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[5] It is possible that tin obtained through relief under various disaster-mitigating and housing projects contributed to this anomalous outcome.

in the agricultural labour group was 71 percent in 1991/92. This can be compared with the 87 percent combined figure derived under the BIDS survey using income data. In terms of overall poverty ranking in 1991/92, agricultural labourers are followed by fishermen and non-agricultural labourers, having a headcount index in excess of 50 percent. On the other end of the spectrum, the lowest poverty is reported by the formal sector service holders (14 percent), owner farmers (24 percent) and tenant farmers (37 percent). Rural petty traders and industrial owners/workers occupy an intermediate position. The poverty ranking, particularly for the highest and lowest poverty groups, varies little with the change in the survey year, implying the stability of this indicator.

Targeting by occupation also meets the requirement of representativeness. The group of agricultural labourers not only displays the highest probability of being in poverty, but also contains 37 percent of the extreme poor. As such, the group constitutes about a fifth of the total rural households.

3.4   Since no single indicator contains sufficient information, it is better to combine those that are the most effective

The preceding discussion shows that the poorest on the land scale reside in the functionally landless category, the poorest on the housing scale are located in the jhupri and one-room thatch categories and the poorest on the occupation scale relate to the category of agricultural wage labour. It seems, therefore, reasonable to combine information contained in the land, housing and occupation indicators (Tables 3-5). The objective is to find the common set that is present in the poorest category on all three scales, as this will help to identify the poorest of the poor.

For example, consider the combination of housing and occupation. This can be analysed from various angles. Approximately 60 percent of the total agricultural wage labour households in the BIDS sample reside in the two lowest housing categories (Table 3). The incidence of extreme poverty among agricultural labourers dwelling in the various housing categories consistently declines with housing status as one proceeds from jhupri to pucca/tully housing (Table 3). Clearly, the error of targeting can be further minimised by combining housing and occupation. This is not only an issue of locating the extreme poor in quantitative terms, but also one of identifying the most vulnerable. There are differences in poverty levels even within the agricultural wage labour. Thus, 75 percent of agricultural labourers living in jhupris are extreme poor compared with 52-54 percent observed for the two thatch categories. Such gradations within wage labourers can be captured only by simultaneously applying housing and occupation-based indicators.

Table 3: Incidence of poverty among agricultural labour households by housing category

Housing category	% of agricultural labourer households	% of agricultural labourer households in each housing category	Incidence of poverty among agricultural labourers	
			Extreme	Moderate
Jhupri	5.0	54.5	75.0	25.0
1 room thatch	54.3	42.7	54.0	35.0
1 + room thatch	15.2	21.4	51.4	43.2
Tin house	24.7	8.4	50.0	31.7
Pucca/tully house	0.8	4.4	-	100.0
TOTAL (average)	**100.0**	**(18.5)**	**(46.7)**	**(40.2)**

Combining land ownership and housing can also assist in identifying the extreme poor. Microcredit programmes in Bangladesh mainly follow the criteria of land ownership, defined as owning up to 0.5 acres of land ('functionally landless'). Observations conclude that there is considerable variation in poverty even within this land-size group, a feature ignored by many of the microcredit programmes. As a result, these programmes may become restricted to the richer sections among the poor.[6] Data presented in Table 4 illustrate this possibility. The poorest among the functionally landless live at the bottom end of the housing scale, with the lowest two housing categories containing about 40 percent of these households and 52 percent of the extreme poor living within this land-size group.

Table 4: Poverty estimates by housing and land ownership

Type of housing	% of poor households		% of landownership (acres)				
	Extreme	Moderate	<.50	.50-1.49	1.50-2.49	2.50-4.99	5.00 +
Jhupri	5.7	2.3	3.0	0.3	-	-	-
1 room thatch	46.1	37.6	37.0	16.7	8.1	8.0	2.4
1 + room thatch	15.1	18.3	14.6	14.6	11.2	10.7	6.0
Tin house	31.0	36.2	41.0	63.7	72.0	65.3	72.3
Pucca house	-	1.4	1.2	1.4	6.8	12.7	17.0
Tully house	2.0	4.2	3.1	3.2	1.9	3.3	2.3
TOTAL	**100.0**	**100.0**	**100.0 (48.6)**	**100.0 (21.4)**	**100.0 (12.2)**	**100.0 (11.4)**	**100.0 (6.3)**

Similar results can be derived when information on land ownership and occupation is considered together (Table 5). For the functionally landless households, variation in the incidence of extreme poverty measured on the occupation scale is considerable. As before, the wage labour households stand out as the most poverty-stricken category. While there is little difference in the extreme poverty rate between cultivator and wage labour households,

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[6] Hossain (1988) found that only 14% of Grameen households belonged to the agricultural wage labour category, although the targeting criteria of 0.5 acres was strictly followed.

those who could manage to adopt trade and services are substantially better off (26-36 percent vs. 54-58 percent).

Table 5: Incidence of extreme poverty by occupation controlling landholding size, 1989-90 (% of population)

Occupation	Landholding size (acres)			
	Less than 0.50	05-2.49	2.5-4.99	5.00 and above
Cultivator	54.1	18.9	7.5	3
Wage labour	57.9	39.9	-	-
Traders	25.6	13.6	12.2	14.6
Service	35.8	20.5	17.1	16.4
Others	49.5	25.5	21.8	4.3

Source: Hossain (1995).

The information presented in Tables 3-5 show that there would be considerable targeting gains if one combined the poorest categories as per the three key indicators. The prospective poorest clientele in rural areas would therefore be agricultural labourers residing in jhupri or single structure thatch owning up to 0.5 acres of land.

3.5   Locating the poorest regionally

Favouring land, housing and occupation as the set of three indicators should not create the impression that other characteristics, such as region, do not matter. Indeed, the emphasis should be to prioritise the poorest areas first and then apply household-level core indicators. By analysing solely infrastructure indicators, for example, considerable differences in poverty rates are noticeable. Examining areas 'with a road and electricity' and 'without a road and without electricity', data indicate that the incidence of extreme poverty is 25 percent in underdeveloped settings (the latter), compared with 18 percent in the developed setting (the former).

The Government of Bangladesh 1991 Task Force Report on Poverty Alleviation attempted to take a closer look at this issue by actually identifying 100 of the most economically depressed upazilas (sub-districts). The Task Force mainly considered the following factors: (i) land area per person; (ii) proportion of land under broadcast *aus* and deep water *aman*[7] varieties of paddy as a measure of low productivity; (iii) proportion of irrigated area as a measure of the capacity to adopt modern agricultural technology; (iv) proportion of functionally landless households; and (v) proportion of the population engaged in non-

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[7] Aus and aman are the two types of rice paddy grown in Bangladesh. The term 'broadcast' refers to the method of cultivation whereas 'deep water' refers to the level of water in the field where the particular type of rice paddy is cultivated.

farming activities. Similar exercises have been undertaken by the World Food Programme (WFP) using a distress zone map to implement food-assisted programmes throughout the country.

If regional targeting was combined with household-based indicator targeting both in design and implementation, further gains in fine tuning programmes oriented at the extreme poor could be achieved.

4   Process issues

4.1   Avoiding the risk of bureaucratic targeting

The implementation of core indicators is an important process issue, with implications for targeting. For example, the most effective set of indicators may have little effect on the status of the extreme poor if the process of administering is left to the bureaucratic discretion of the programme managers. This is particularly true in the case of indicator targeting through means testing as opposed to indicator targeting via self-selection. The risks of leakage thus cannot be avoided in the case of bureaucratic targeting, as evidenced by the experience of Food-for-Education (BIDS, 1997). Such risks can be minimised only through local consultation with communities and NGOs, a task that can be institutionally facilitated by the presence of effective local government. The need for building and/or coalescing grassroots-level initiatives outside the domain of public government, however, can create a demand-driven, receiving mechanism 'from below' and also act as a pressure mechanism on the quality of local governance (Sen, 2001).

4.2   Working with other self-targeted programmes

While the option of minimising the risks of leakage and infiltration of the non-target group via consultation with communities, NGOs and local government functionaries needs to be explored, some immediate solutions can also be considered.

Existing local government machinery is far short on the task of 'managing development' at the grassroots level and, despite attempts to reinvigorate the concerns for local government,[8] the actual devolution of power to lower tiers of government is seriously restricted. Indeed, if anything, the official discourse on local government is disproportionately focused on electoral issues, such as appropriate methods used for voting or the gender composition of the members, rather than with the taxing, spending and jurisdictional power of the local bodies. It is therefore unlikely that local government will soon become an efficient organ of power, coordinating and managing development at the grassroots level, at least in the short to medium term. In the absence of such effective overseeing machinery, it is difficult to see how the risks of bureaucratic targeting and leakage can be avoided. Even if we arrive at a consensus on the targeting indicators along the lines suggested in this paper, the question of finding an alternative solution to inefficiencies at local levels remain.

One suggestion is to detect the extreme poor who participate in programmes that are self-targeted to the needs of the poorest. A number of evaluations have indicated that programmes such as Food-for-Work (FFW) and VGD successfully target some of the poorest groups. Data reveal that the lowest expenditure households in rural areas have an

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[8] See bill on Gram Sarkar (Village Government), 2003.

overwhelming presence in the programmes, with 72 percent of FFW and 92 percent of VGD participants representing the extreme poor (Sen, 1997). Between the two programmes, VGD beneficiaries stand out as the most disadvantaged in terms of poverty ranking. A major reason for the success of VGD targeting may lie in their use of 'self-targeting'. As previously mentioned, this targeting method allows people to select themselves as beneficiaries based on programme characteristics such as inferior quality wheat, hard manual labour occupations, social stigma and gender criteria, such as being an 'abandoned' female-headed household.

Although hard data are yet to be compiled on the extent to which FFW and VGD successfully reach the extreme poor, it appears that 5-10 percent of rural households have already been brought under their ambit. Other important facets of these programmes are their country-wide coverage and a system of monitoring that, although not without deficiencies, is able to provide important buffers to the extreme poor in times of severe economic stress. Targeting a substantial number of poor households may be an opportune entry point into the arena of pro-poor policy interventions for the poor living in rural areas. A mechanism that facilitates information exchange between FFW, VGD and policymakers may bring about favourable public policy and ensure broad-based participation of the poor in poverty alleviation programmes. Collaborating with programmes that have been successful in reaching the poorest can reduce costs and the likelihood of repeating mistakes, while promoting mutuality between policymakers and the programmes. Such exchange can result in more socially equitable and inclusive pro-poor policies and analyses so that the extreme poor are not denied access to poverty alleviation interventions.

5 Conclusion

This paper is premised on the emerging evidence that the poor are not a homogenous group and that sharp divisions exist among the poor by sex, region, occupation, land ownership, housing, education, access to infrastructure and even clothing. It argues that the poorest warrant specific analytical and policy focus, as policies targeted to the non-poor and moderate poor may not necessarily reach or favour the extreme poor. The task of targeting the extreme poor is evidently complex, as no single factor acts as a good proxy for extreme poverty. As the majority of literature on targeting focuses only on distinguishing between the poor and the non-poor, acknowledging the extreme poor as a distinct target group with specific characteristics is important to prevent their exclusion from development action and policy.

The objective of this paper has been to devise extreme poor-sensitive indicators by emphasising broad group characteristics rather than individual targeting. It suggests that the indicators for targeting should not only be effective in minimising leakage to the non-poor but also ensure broad coverage of the target group. The first aspect of this principle focuses on the sensitivity of the given indicator in identifying the target group, referred to as the *targeting ability.* The second aspect focuses on the *representativeness* issue, examining the effectiveness of the indicator in reaching the maximum numbers of the target group. Having analysed a number of possible indicators, it is evident that some will meet the first criteria but fail to meet the second, and vice versa.

After examining the suitability of various indicators, three criteria met the above two conditions of targeting. These were: land ownership, housing and occupation. Considered individually, however, each allows for some leakage, which can be avoided if these criteria are combined to identify the poorest of the poor. A particular conclusion derived in this paper relates to the intuitive observation that, since no single indicator, however efficient, contains sufficient information, it is better to combine those that are most informative. Following this approach, the article suggests that the poorest of the poor in rural Bangladesh are likely be agricultural labourers residing in jhupri or single structure thatch dwellings, owning 0.5 acres of land or less. These indicators also meet the criteria of visibility: they are easy to capture. Combining such indicators contrasts with traditional targeting approaches which mainly use gender and/or land holdings to identify the poorest.

While household-level core indicators favour the set of three indicators, this should not create the impression that other characteristics, such as region, do not matter. The emphasis should be to prioritise the poorest areas first and then apply household-based indicators. However, even the most effective set of indicators can have little effect on the status of the extreme poor if the process of administering is left to the bureaucratic discretion of the programme managers. This risk can be minimised through local consultation with communities and NGOs, a task that can be institutionally facilitated by the presence of

effective local government. Given the relative absence of the latter, an 'intermediate' solution is advocated for the short to medium term. FFW and VGD have successful track records of reaching the poorest, owing possibly to their country-wide coverage, a system of monitoring that provides buffers in times of severe economic stress and the use of the self-selection approach. Promoting a mechanism of information exchange between FFW, VGD and policymakers could help facilitate more socially equitable and inclusive pro-poor policies so that the extreme poor are not denied access to poverty alleviation interventions.

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