

Targeting Context Specific Reasons for Reducing Poverty Faster: Utilizing the Stages-of-Progress Methodology

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1. INTRODUCTION

Targeting is an important concern of international development assistance, and it is imperative that valuable resources are appropriately directed and effectively utilized. However, the major focus so far has been whom to target and not so much on what to target, which is a mistake. When the objective of the aid effort is to reduce poverty sustainably, three steps need to be taken in order. First, actionable reasons for poverty must be identified. Second, programs must be devised that target these particular reasons. Third, efforts must be made to direct these programs toward the people who most need this support. The first and the second steps of this process have been mostly neglected so far¹ – and the third and subsequent step has received the most attention. This paper is intended to help rectify this unfortunate imbalance.

Targeting reasons – for escaping poverty or for falling into poverty – must form a central part of the aid effort. As discussed below, targeting people is likely to be of little consequence unless reasons are simultaneously targeted through appropriate policy measures.

Targeting as presently practiced is based on the premise that there is a given stock of the poor who can be identified reasonably accurately and affordably. There are two parts to this premise: first, there is a conception, rather an image, of a fixed stock of the poor; second, there is the belief that this stock can be marked off using methods that are reliable and also cost-effective.

Both parts of the premise suffer from significant shortcomings. Identification has been neither reasonably accurate nor affordable. Programs that have employed some form of targeting have achieved very mixed results, as discussed in Section 2.

The first part of the premise, related to a fixed stock of poverty, is even more troublesome. Section 3 reviews evidence from recent studies which show that poverty is fundamentally dynamic: instead of a fixed stock of the poor there is a changing cast of characters. Large numbers of those who were poor previously have escaped out of poverty. Conversely, large numbers who are poor at the present time have newly fallen into poverty.²

Controlling the generation of new poverty is – or should be – an equally important objective of poverty reduction. It seems more fruitful to prevent the creation of poverty in the first instance than to provide assistance only after someone has fallen into poverty. However, targeting “the poor” tends to preclude this consideration. By focusing resources upon those who are already poor, it directs attention away from others who are falling into poverty.

Targeting can at best help resolve only one part of the problem: it can help direct resources toward those who are presently poor and – if beneficiary rolls are updated regularly, which seldom happens – it can also steer resources toward the newly impoverished, albeit after (and not before) they have fallen into poverty. However, what effect these resources will have by way of poverty reduction is not altogether clear. Even in terms of raising the existing poor out of poverty, targeting beneficiaries provides only one part of the solution. Unless pathways out of poverty have been reasonably well charted, i.e., unless it is known what factors will help to take poor people out of poverty in a particular context, and unless programs are designed that directly target these specific pathways, program resources may amount to no more than temporary relief. Their impact on poverty reduction can be muted and marginal.

Knowing and operating upon context-specific reasons for escape and descent is an essential prerequisite for successful poverty reduction. Section 4 reviews evidence showing how reasons for escape and descent are not just different from each other; both sets of reasons are also different in different contexts. Section 5 concludes with some recommendations for targeting in future.

2. PRACTICAL LIMITS TO TARGETING BENEFICIARIES

Factors related to administrative cost, perverse incentive effects, and political viability have tended to bedevil the practice of targeting beneficiaries. Because information about the poor is imperfect and not costless to obtain, programs are never perfectly targeted in practice. Some of the deserving are unwittingly excluded while some of the non-poor are almost invariably included. Errors of inclusion and exclusion can be quite considerable, and reducing the extent of these errors can result in a huge and unacceptable burden of administrative, social and political costs (Baker and Grosh 1994; Cornia and Stewart 1995; Gaiha, Imai and Kaushik 2001; Ravallion and Datt 1995; van de Walle 1995).

Programs have generally targeted beneficiaries through four types of mechanisms: *indicator targeting*, *geographical targeting*, *community-based targeting*, and *self-targeting*. The choice of appropriate methods depends upon the quality of information available about the poor, the level of geographic heterogeneity, administrative costs, and political viability (Neto 2001).

Indicator targeting is a commonly used approach, and it encompasses a broad range of alternative methodologies. A verified means test is the most sought after technique, but lack of reliable information on incomes has prompted users to rely upon some other indicators, including age, acreage, asset holdings, education, employment, gender, and place of residence. The costs of assembling even these alternative bits of information reliably can overwhelm program administrators. Keeping this information current over successive years is a more forbidding task. Many beneficiaries remain on the rolls even after their earnings increase beyond the eligibility cut-off (Besley and Kanbur 1993). Incentives for cheating and corruption are especially likely in situations where incomes are variable, undocumented, and not directly verifiable – conditions that characterize the situations of most poor people.

Targeting programs through fixed indicators can also run up against political viability considerations. Because there are fewer stakeholders in a narrowly targeted program as opposed to a universal one, opposition to programs narrowly targeted to particular groups can overwhelm the political will for going forward with such a program (Gelbach and Pritchett 2002; Gutner, Gomaa and Nasser 1999). During episodes of recession, budget cuts are deepest in programs that are narrowly targeted toward a particular group (Ravallion 1999; 2004). An intention to target program benefits narrowly is quite often compromised, therefore, because of a need to muster broader political support for the program (Pritchett 2005). In such situations, “attempts to achieve ‘more for the poor’ through the use of indicator targeting may in fact mean less for the poor” as program budgets get squeezed (Gelbach and Pritchett 2002: 42).

The second method, geographical targeting, is more attractive when poverty in a country is concentrated within particular areas. This method is less useful in large parts of the world where high levels of income diversity exist within regions and even within

communities (Bardhan and Mookherjee 1999; Coady and Harris 2001; Elbers et al. 2004; Nhate and Simler 2003). Poverty mapping based on small-area estimation can help improve coverage and reduce leakages by lowering the population of targeted units (Bigman and Srinivasan 2002; Elbers et al. 2003), but it can be very costly to implement.

Geographical targeting is more viable when the geography itself contributes to poverty and when migration is not a feasible option (Ravallion and Wodon 1999). And it can also be applied more effectively when ethnic, historical and location-based disadvantages overlap, as they do in some Latin American contexts (Schady 2002). Geographic targeting in such situations can help deal with large concentrations of the poor – but it does not help by itself to determine the reasons that cause the poverty of these people and other reasons that promote their escapes out of poverty. As discussed in the next section, any program based on targeting beneficiaries (or geographic regions) remains seriously incomplete when reasons for escape and descent are not simultaneously targeted.

The third set of targeting methods, community-based targeting, is based on the undeniable fact that there is richer and more accurate knowledge about poverty at the local level (Esman and Uphoff 1984; Uphoff et al. 1998). The danger is that this knowledge may not be appropriately utilized; in fact, inequality within a village may actually worsen if local elites capture processes of decision making and benefit allocation (Galasso and Ravallion 2002; Conning and Kevane 2002; Pender and Ruben 2004; Platteau and Abraham 2002). Inequalities in the exercise of power may never be entirely smoothed out, but they can be ameliorated if the investments choices are publicly justified on the basis of transparent analysis and do not remain purely an exercise of arbitrary power. I will discuss in the concluding section how a process of analysis and choice can be set in place within community groups, nested within a polycentric response directed toward reasons for escape and reasons for descent.

The fourth targeting method, self-targeting, is employed in programs that are open to all but which are designed in such a way as to be more appealing to poor people and less appealing to others. Usually, there is some sort of work requirement. In other cases involving food aid, certain types of cereals have been provided that poorer people will most likely consume because they lack other options, but which richer people will avoid.³

Self-targeting can assist the poor who are aware of such a program and who are physically able to complete the work requirement. However, considerable costs are entailed for those who participate by way of queuing, foregoing other income-earning opportunities, acquiring the required certification, etc. (Ravallion and Datt 1995). In addition, self-targeting can work poorly amid conditions of imperfectly working factor markets. As Barrett and Clay (2003: 176) conclude after reviewing evidence about self-targeting schemes from Ethiopia, “it may be hardest to reach the truly needy where the need is greatest.”

Finally – and most important – if the cause (and not the manifestation) of poverty is not lack of food or lack of makeshift employment, self-targeted schemes may end up providing little more than temporary income infusions. They can help poor people survive another day or week or month – which is important – but which hardly suffices to help people make an escape out of poverty.⁴

Combinations of targeting methods have been found more accurate and useful in some circumstances, for instance, a combination of geographical and community-based

targeting has been suggested, particularly for communities where poorer sections are better organized (UNDP 2000). On the whole, however, targeting has had very mixed results.⁵ While a few programs have successfully targeted groups in extreme poverty (Matin and Hulme 2003; Yunus 1997), evaluations of targeted programs have been generally quite unflattering.

A recent comprehensive analysis of targeted programs found that compared to untargeted or universal assistance targeting has not consistently worked better in terms of reaching the poor. While in the median targeted program the poor received 25 percent more resources than they would have received in an untargeted program, in another 25 percent of targeted programs these benefits were actually regressive, leaving the poor worse off than in universal programs (Coady, Grosh and Hoddinott 2004). No single method of targeting was universally best: targeting mechanisms that had high median scores also had higher variability in terms of their ability to reach the intended beneficiaries.

Other evaluations of targeted programs in developing and industrialized countries have concluded similarly, that their benefits are at best no more progressive than would be a uniform transfer to all citizens (Gelbach and Pritchett 2002). In addition, targeting can have quite perverse effects, including stigmatization of the intended beneficiaries.⁶

Targeting beneficiaries has been relatively more useful for relief programs and programs that act as social safety nets (Coady, Grosh and Hoddinott 2004) or which can help correct gender imbalances (Appleton and Collier 1995). But in most other cases it has not helped reduce the incidence of poverty. “Policies that attempt to identify the poor and target benefits to them can serve important redistributive and safety net roles... The risk is when targeted instruments are seen as the main instrument for poverty reduction” (van de Walle 1995: 606).

Far from being the main instrument, targeting beneficiaries constitutes at best only a part of the strategy for poverty reduction. Who to target is only one part of the puzzle; what to target is an essential, but relatively ignored, second part.

One possible explanation for this disparity in knowledge and practice has to do with the dominance of a macroeconomic view of poverty where growth is regarded as the engine of poverty reduction. With this mindset, social safety nets are put in place as a compassionate supplement to the destabilizations of macroeconomic policy; all that is necessary to smooth the economic transition. However, identifying and assisting the poor does little to reduce the vulnerability of the non-poor to shocks (Baulch and Hoddinott 2000; Carter and Barrett 2006).

Thus even in the best of targeting worlds, a critical constituency – those at the risk of falling into poverty – is neglected. Further, when the microeconomic reasons for escaping poverty are also ignored, what types of assistance to provide is also quite often based upon nothing more than hunches or hypotheses.

3. CONCEPTUAL LIMITS: HITTING A MOVING TARGET

Poverty is not a static phenomenon; identifiable causes help regenerate poverty. Concentrating not just on who is poor at a given moment in time but on why they are poor can lead to better designed and in fact better “targeted” policies.

Table 1 presents illustrative results from a diverse selection of studies that have examined poverty in dynamic context. Considering different countries and different time periods, and employing different methods and even different definitions of poverty, these studies nevertheless arrived at a common conclusion: new poverty is being created even as some old poverty is destroyed. The stock of poverty is dynamic, changing significantly over time.

-- Table 1 about here --

The first row of this table shows that of a random sample of 379 households in two Bangladesh villages studied by Sen (2003), 26 percent of households escaped from poverty over the 13-year period, 1987 to 2000. These households formed part of the stock of poverty in 1987, but they were no longer poor in 2000. Movements in the reverse direction were also large: during the same 13-year period, another 18 percent of households fell into poverty.

Other studies also show that a falling tide operates alongside a rising tide in all parts of the world. Six percent of a sample of households in Egypt, studied by Haddad and Ahmed (2003), came out of poverty between 1997 and 1999, but another 14 percent fell into poverty. Fourteen percent of a random sample of rural Indian households escaped from poverty between 1970 and 1982, but another 13 percent of households fell into poverty during the same time period (Bhide and Mehta 2004). In 20 communities in Western Kenya, 18 percent of households came out of poverty over the past two decades, but another 19 percent fell into poverty concurrently. Net change in poverty in these Kenyan communities was minus one percent, but a total of 37 percent of households experienced a change in poverty status (Krishna et al. 2004).

A glacial pace of poverty reduction is simply a resultant of two offsetting trends. What is depleted by the flow of people out of poverty is concurrently replenished by a large inward flow.⁷

The first point to note in the context of targeting is that the set of beneficiaries changes considerably over time. Who is poor today is not the same as who was poor some years ago. Unless eligibility rolls are continuously updated, errors of exclusion will grow significantly over time. Updating these lists entails considerable expenses, however, and while adding new names may be politically rewarding, removing names from the eligibility roster can be politically costly and hard to accomplish. Out-dated and over-lengthy lists of beneficiaries are thus quite common to find.

The second and equally important point is that formerly non-poor people are falling into poverty in all contexts studied. Fresh poverty is being created constantly, but with some rare exceptions, discussed later, hardly any assistance is provided that can help households stave off poverty. For instance, Bhide and Mehta (2004) estimated that an additional 13 percent of all rural Indian households fell into poverty between 1970 and 1982. These households were not poor in the initial period, 1970, thus they were not eligible for receiving assistance from targeted programs. By 1982, these households had fallen into poverty. They were now eligible for assistance – but to get assisted, they first had to fall into poverty.

This is a critical failing of targeted programs: they do not help households and individuals deflect or avert poverty in the first place. They come into play only after a fall has been suffered. As a result, poverty creation has gone mostly unattended and unchecked.

An accumulating mass of studies show that large numbers of households fall into poverty – and it is not only borderline households who are affected by descents. Among 2,631 households in 36 Ugandan communities, a total of 325 households fell into poverty over the past ten years (Krishna et al. 2006a). As many as 24 percent of these newly impoverished households can no longer afford food and clothes, and another 29 percent have pulled their children out of school. Several formerly well-to-do households are included within this number. They have fallen so deeply into poverty that coming back out is a remote possibility. Fully one-quarter of all households that fell into poverty in 36 Andhra Pradesh villages were relatively rich 25 years ago: they owned cattle and jewelry in addition to land and a *pukka* (brick) house, but they are now reduced to working as day laborers on other people’s fields (Krishna 2006). The probability of becoming poor is larger for households that subsist closer to the poverty line, but the danger of falling into poverty is also clear and present for other, better-off households.

A poverty trap, corresponding to a low-level equilibrium, tends to ensnare freshly impoverished people (Carter and Barrett 2006). Many households that fall into poverty tend to remain poor for long periods of time. For instance, only one-third of households that fell into poverty in these Ugandan communities during the 15-year period, 1979-1994, were able to make an escape out of poverty over the next ten years. The remaining two-thirds of newly impoverished households continued to remain poor even ten years later. A similar story was repeated in 40 communities of Peru. Less than half of all households that fell into poverty over a 15-year period were able to climb out of poverty during the next ten years. The other half have been persistently poor for ten years and longer (Krishna et al. 2006b). In other contexts as well, many who fall into poverty tend to remain poor over long periods of time.

Falling into poverty is frequent, traumatic, frequently irreversible, and therefore serious enough to merit separate policy attention. Another look at Table 1 shows that the numbers in the last column are large in every case. In some cases, e.g., those examined by the Kenyan and South African studies, people who fell into poverty outnumber the people who escaped. Yet, most present-day targeting strategies do not help slow down the pace of new poverty creation. It is also far from obvious that these strategies have helped raise many poor people out of poverty.

How can a better targeted strategy be developed? Targeting reasons before targeting people is suggested below as the better way forward.

4. REASONS FOR DESCENT AND REASONS FOR ESCAPE

“Targeting is a means toward the end, which is poverty reduction” (Coady, Grosh and Hoddinott 2004:83). Reducing poverty through targeted efforts will be assisted by knowing the reasons that assist escapes out of poverty and other reasons that are responsible for descents into poverty. Once these reasons are better known, they can be addressed through suitable programs.

Studies show that escaping poverty and falling into poverty are *not symmetric* in terms of reasons. Poor people escape from poverty as a result of one set of reasons, but people fall into poverty on account of a different set of reasons. Targeting both sets of reasons simultaneously is necessary; the growth of the problem will have to be contained even as the size of the problem is reduced.

Two different sets of policies are required, therefore: one set to prevent people from falling into poverty, and another and parallel set of policies to promote escapes out of poverty.⁸ Both sets of policies need to be in force simultaneously. Those in danger of becoming poor will be assisted by the first set of policies, while those who are presently poor will be assisted by the second set. Knowing the separate reasons for escape and descent that operate within any given context will help fashion such a two-track approach.

Between 2001 and 2005, a series of studies were undertaken spanning 223 villages and 25,866 households in diverse areas of Kenya, Uganda, Peru, North Carolina, and India, using the Stages-of-Progress methodology (described briefly at Annex 1), which allows us to understand poverty dynamics from the perspective of the communities surveyed. The Stages-of-Progress method provides a useful methodological device, a benchmark or yardstick, for assessing how high up the ladder of material prosperity a particular household has climbed (or how far down it has descended) over some specific period of time. Compiling these trajectories of stability and change for all households within the communities studied helped us to assess the overall situation of poverty over time. More important, learning about the *reasons* for change in each individual case helped to identify chains of events associated, respectively, with escaping poverty and falling into poverty.

I review below, first, the reasons for descent that we observed in the different regions we studied. Next, I discuss reasons for escape. Finally, I examine how both sets of reasons vary – not just across countries but also across regions *within* countries, indicating that policy responses need to be variegated by context.

(a) Reasons for descent

Descents into poverty generally occur gradually and cumulatively and not from one moment to the next. No single reason is usually associated with falling into poverty; multiple linked factors propel most descents. Tackling these major factors can lead to large reductions in the incidence and probability of descent. Important factors of descent identified in each of the regions studied are presented in Table 2.

-- Table 2 about here --

In communities of Kenya, Uganda, India and Peru ill health and high healthcare costs constitute overwhelmingly the most important reason for households' descents into poverty. Ill health and health-related expenses were associated with nearly 60 percent of all descents recorded in villages of Rajasthan, India, 74 percent of all descents examined in Andhra Pradesh, India, and as many as 88 percent of all descents studied in villages of Gujarat, India. In communities of Uganda and Peru that we studied, respectively, 71

percent and 67 percent of all descents were associated with ill-health and health-related expenses.

Not only does ill-health reduce the earning capacity of a household's members; in the absence of affordable and easy-to-access healthcare facilities, it also adds considerably to the household's burden of expenditure, thereby striking a double blow, which quite often results in tragedy. The resulting dependence of survivors, including orphans, upon other households contributed further to descent in many cases. Evidence from many other countries, including Cambodia, China, Ethiopia, Haiti, Kenya, Peru, Sierra Leone, Senegal, and Vietnam, points unambiguously to the deleterious effects of healthcare costs upon households' welfare (Asfaw and von Braun 2004; Barrett et al. 2001; Deolalikar 2002; Fabricant et al. 1999, Farmer 1999; Krishna 2004; Krishna et al. 2006b; Strauss and Thomas 1998; Xu et al. 2003; Yao 2005). More than half of all personal bankruptcies in America are attributable to medical costs (Himmelstein et al. 2005).

Social and customary expenses on marriages and funerals constitute another set of factors often associated with descent. Funeral expenses were associated with a considerable proportion of descents in many but not all regions studied, including Kenya (64 percent of all descents), Rajasthan (34 percent), Gujarat (49 percent), Andhra Pradesh (28 percent), and Peru (11 percent). Marriage-related expenses were very important in all three states studied in India. They were also an important factor in communities of Peru, affecting younger couples in particular. Over a 25-year period ending in 2004, marriage expenses (together with expenses associated with setting up a new household) were associated with 29 percent of all cases of households falling into poverty.

Land-related factors, including crop disease, land exhaustion, drought and irrigation failure, were also associated with a significant number of descents. Particularly in some regions, these factors had considerable significance. In communities of Western and Central Uganda this set of factors was associated with 39 percent of all observed descents and in communities of Western Kenya with 38 percent of all descents.

Other reasons for descent included the loss of a job resulting from retrenchment, sacking or retirement. Drunkenness and laziness, sometimes thought to be important causes of poverty among the poor, were found to be relatively insignificant reasons. In all the communities investigated, these factors were associated with no more than five percent of all descents.⁹

High-interest private debt is highly prevalent as a factor contributing to descents in the three Indian states. Villagers deal with high healthcare expenses and expenses on marriages and deaths by taking out high-interest loans from private moneylenders. No institutional sources are usually tapped for such loans. Even in villages of Andhra Pradesh, where self-help groups and rotating savings and credit associations have spread rapidly in the last decade, hardly any villager has been able to avert descent through taking loans from such institutions. Private sources are most often drawn upon for such purposes, and private rates of interest – often as high as ten percent *per month* – are paid. The high burden of debt that results helps push households downward into poverty.¹⁰

Drought and irrigation failure constituted another important reason for descent. However, the effect of this factor, as of many other factors reviewed above, varies considerably across different parts of a region or state. These inter-regional differences are reviewed later in this section.

(b) Reasons for escape

Income diversification – through the cultivation of a new source of income – has been the most important pathway out of poverty in all areas studied (Table 3), as has also been found in other contexts (e.g., Eder 1999; Ellis 2000). Poor rural households have diversified their livelihood and income sources through two different types of strategies. On-farm strategies include pursuing new crops, new techniques, and new methods of livestock husbandry. Diversification into non-traditional export crops (e.g., vanilla and coffee) was quite important in both regions of Uganda. Cash crop diversification was also important in western Kenya and in the Cajamarca region of Peru. Off-farm strategies have included local petty trade, small businesses, and most important, casual or temporary employment within the informal sector in a city. Diversification of income sources was related to 70 percent of all escapes observed in communities of Rajasthan, India, 78 percent of those observed in communities of Western Kenya, 69 percent in Peru, and 54 percent in Uganda.

-- Table 3 about here --

Government and private sector jobs constituted the second most significant pathway out of poverty. This pathway was taken up by 15 percent of households escaping poverty in communities of Uganda and a smaller proportion of escaping households in communities of Peru.

In general, growth of private sector employment has not been the principal or even a very prominent reason for escaping poverty. Even in Gujarat, India, where economic growth rates have averaged eight to nine percent over many years, only about one-third of those who escaped from poverty could do so on account of acquiring a regular job in the private sector.

Another sobering lesson from these studies is that both government and non-governmental assistance and programs are not contributing substantially to households' movements out of poverty. In all cases, less than 10 percent of escaping households' pathways included any component of assistance from government or NGO programs. While such programs may have helped make the conditions of poverty more tolerable, few among them have actively assisted escapes out of poverty. Not targeting context-specific reasons for escape is an important reason for this unfortunate (and avoidable) result.

Irrigation and land improvement have been important reasons for escape in several other cases. Over one-quarter of all escaping households in communities studied within each of the three Indian states benefited from large-scale irrigation schemes or from small-scale irrigation activities on their lands.

One encouraging finding is that most children are going to school, many more than did a generation ago. Yet, education has hardly always amounted to an escape out of poverty. Information and connections matter in addition to education, and the lucky few who have found jobs have been greatly assisted by having a helpful contact in some city, usually an uncle or a cousin who was already employed in some formal or informal

sector position. Education is often emphasized by static studies as a reliable pathway out of poverty, but a more dynamic analysis of reasons shows that education combined with social networks is more often associated with actual escapes.

(c) Inter-region and intra-region differences

Several examples from these studies show that even within the same country and region, significantly different reasons for escape/descent are in operation. While diversification of income sources has been the most important reason associated with escaping poverty in all regions studied, different sets of activities have been relatively more important in different regions. In villages of Rajasthan, India, for example, some people escaping poverty have taken up additional activities within their village, including rearing goats, making charcoal, and hiring out for labor in mining, transportation and agricultural activities. But many more villagers have sought new sources of livelihood in cities.

Diversification of income sources has involved a different set of activities in villages of Andhra Pradesh, India, and different activities have been taken up in different parts of this state. Broadly, two types of activities are involved. First, some households have set up tiny businesses of their own, or as in the case of Rajasthan, they have sent one of their members to work in the informal sector in some city. These types of activities have been more frequent in villages of Nalgonda and Khammam districts. Other households have diversified into non-traditional crops, while still holding on to a mainly agricultural lifestyle. The second type of diversification (within agriculture) has been more important in villages of East Godavari district. In villages of Gujarat, India diversification has involved a proportionately larger component of income from dairy activities. Different types of support will need to be targeted, thus, in order to promote escape through diversification in different regions of India.¹¹

A second example concerns irrigation. Irrigation failure is an important reason associated with large numbers of descent in villages of Andhra Pradesh, but the effects of this reason vary considerably across different parts of this state. In villages of Nalgonda district, irrigation failure was much more frequently a reason for descent than in villages of the other two districts, Khammam and East Godavari, indicating that the same reason can have significantly different effects even within the same state.

Similarly, in both regions, Puno and Cajamarca, which we studied in Peru, social and customary expenses on marriages and funerals are important for descent. However, while marriage expenses were associated with 32 percent of all descents in communities of Cajamarca, they were involved with only 19 percent of descents observed in Puno communities. Funeral expenses were associated with 17 percent of descents in Cajamarca communities, but such expenses were much less significant for descent in the Puno region.

In Uganda, similarly, average trends for all 36 villages studied conceal the very substantial differences that exist from village to village. Overall, poverty has fallen from 45 percent to 35 percent, but in as many as 16 of the 36 villages that we studied net poverty increased over the 25-year period. Factors of escape and descent were studied across two separate Ugandan regions, Central and Western, and also for two separate time periods, a first period (1980-1994) and a second period (1994-2004). None of three factors – ill health, healthcare expenses, and death of major income earner – was significant for descent in Western villages during the first period, and only one of these

factors, healthcare expenses, was significant in Central villages. During the second period, however, all three factors were significantly implicated in descents observed in both regions of this country. Thus, descents have accelerated during the more recent period. Evidence from other countries also shows how healthcare has increased in importance as a reason for descent into poverty.¹²

The impacts of other factors have also varied across both time and space. Land division played a key role for descent in communities of the Western region in both time periods, but it was not significant for communities of Central region in either time period. Land exhaustion became significant in the Western region during the second time period, but it was not an issue in the Central region in either time period.

These variations have important consequences for targeting policy. To the extent that the reasons for escape or descent are similar across an entire state or region, policies can be devised that have a larger geographic scope. To the extent, however, that reasons for escape and descent vary locally, more regionally variegated policies will be required.

Administrative costs already beleaguer agencies attempting to target beneficiaries more accurately. It is not clear whether targeting reasons before targeting beneficiaries will add significantly to these costs, but it will certainly be much more rewarding in terms of ultimate results. Attention to context-specific reasons is critically important for poverty reduction.

Rather than thinking in terms of a purely centralized or a purely decentralized response, a more polycentric response will be more effective. Depending upon the nature of the reason and the required response, a combination of centralized and decentralized responses will be required, as discussed below.

5. TARGETING REASONS BEFORE PEOPLE

Targeting in its present guise can provide a false sense of accomplishment for policy makers. While the identification of the poor is and should continue to be an important tool, there is a danger that it will be seen as the end rather than the means of poverty reduction. The risk is that once the poor are targeted and the benefits delivered, then the objectives of the program will be considered achieved. Unless this process results in sustainable reductions in poverty rather than temporary alleviation of hardships, it cannot be considered a success.

Targeted programs have commonly suffered from two failings. While the *first* failing of most targeted programs is that they do not help households and individuals deflect or avert poverty in the first place, coming into effect only after a fall has been suffered; the *second* failing of targeted programs is that they do not usually identify, far less target, the reasons for escape.¹³

“The poor” is a static concept, but poverty is inherently dynamic. Thinking in terms of flows – out of poverty but also into poverty – is much more productive for reducing poverty faster. Since one cannot really predict who will be poor at some future time – but can with much greater certainty identify the reasons that lead people into poverty – it makes much greater sense to target reasons before targeting people.

Targeting reasons before people is also a better strategy for promoting more escapes out of poverty. Improved yields from agriculture, jobs in the informal sector, and full-time and protected jobs in the private or public sectors – these have been the most

significant pathways out of poverty. As revealed by the set of studies examined above, more than 90 percent of households that have come out of poverty have followed one or more of these three important pathways. They have been assisted by inputs such as education together with information about opportunities (in the case of diversification and jobs) and by irrigation and information (about varieties and market conditions) in the case of agricultural improvements.

Practically speaking, relatively few among these inputs – those that target reasons associated with escape – can be provided selectively to any targeted subset of beneficiaries while excluding others interested in obtaining them. Admission to public schools cannot feasibly be denied to any child who is interested to learn. Information about jobs and opportunities cannot be passed selectively into the ears of some more deserving beneficiaries (though affirmative action policies can help). Irrigation schemes cannot simply bypass the fields of less poor farmers; it is neither administratively practical, nor politically feasible, nor even patently fair.

Targeting reasons before people is more effective, therefore, both for preventing descents and for promoting escapes. In order for poverty to be reduced in half by the year 2015, as promised in the Millennium Development Goals, such a revised targeting strategy will have to be adopted. Governments and other agencies will have to move away from being seen to be doing important things to actually doing things that make a real difference in practice.¹⁴

Reasons for escape and reasons for descent change over time and across regions. Policies must stay current with these changes in order to remain relevant and be effective. Reasons associated with escape and descent will need to be studied more regularly on a decentralized and localized basis.

Hope lies in the fact that a number of new methodologies have been pioneered in recent years, which enable decentralized analysis and programming to become more effective. After examining the lacunae associated with present-day methods of targeting, Besley and Kanbur (1993: 10) claim that “what is needed is detailed country-specific analyses for developing countries. In the past such analysis may have been thought to be problematic given the lack of adequate micro data. But recent advances in micro level data collection make this excuse less plausible.”

6. THE STAGES-OF-PROGRESS METHODOLOGY

One such advance is represented by the Stages-of-Progress methodology, which has been used successfully in eight different countries by researchers, and is presently being utilized by different NGOs and governments. In addition to examining the status and various characteristics of different households, this methodology also enables an examination of the processes that accompany households’ escape or descent. Positive reasons – those which help pull households upward – can be identified along with negative reasons, which push households downward. Policies and programs can be formulated to address both sets of reasons as they operate within any specific region or group of communities.

The steps involved in implementing the Stages-of-Progress methodology are presented briefly at Annex 1. This methodology cannot be categorized as either qualitative or quantitative; it includes elements of both approaches. As such, it captures

many of the advantages of quantitative approaches, e.g., the ability to aggregate numerical information. However, it is not based on a statistical sampling frame and thus cannot be said to be representative of the entire country studied. Poverty researchers have characterized the two traditions along five different dimensions (in brackets I indicate where Stages-of-Progress falls within each criterion):

- 1) Type of information on population: non-numerical to numerical (both, with a lot of effort put into quantifying some of the qualitative information)
- 2) Type of population coverage: specific to general (specific, with site selection not based on a statistical frame, but based strategically on criteria to allow some extrapolation of results)
- 3) Type of population involvement: active to passive (both)
- 4) Type of inference methodology: inductive to deductive (both)
- 5) Type of disciplinary framework: broad social sciences to neo-classical economics (broad social sciences)

The methodology is recall-based, and recall can be quite imperfect for an earlier period, so several precautions have been built in, mainly as a result of experience. To begin with, the methodology retraces *large* steps that are better remembered compared to finer distinctions. Each movement upward along the Stages of Progress represents a significant improvement in material and social status. People remember, for instance, whether their household possessed a motorcycle or a radio set at the time when Kenyatta passed away; they can recall clearly whether they lived in a mud or a brick house while growing up, and whether they could afford to send their children to school.

By seeking recall data in terms of these clear, conspicuous and sizeable referents, the Stages-of-Progress method adds some reliability to recall. Members of particular households remember quite well where they were located along this clearly understood hierarchy of stages, and these recollections are verified by others who have lived together with them for long periods of time.

One of the risks associated with subjective inquiries – which arises when people think back to some mythical golden age: “everything was better in the past” – gets limited because communities think in terms of distinct stages (and not in terms of better or worse). These stages are visible to all in the community, so community members are able to say which households are at each stage, both now and in the previous time periods chosen.

Triangulation of all data collected helps to further verify recall. Information about each household is obtained separately at both the community and the household level. Discrepancies, when found, bring forth repeat interviews; community groups and the household verify each others’ account. Corroboration with more “objective” evidence was found by comparing stages with asset holdings for households. I found, for instance, that households’ ownership of assets of different kinds was closely correlated with the particular Stage ascertained for them. This correspondence existed not just for the present time but also for previous periods for which objective data on assets had been collected independently in the past (Krishna 2006b).

A detailed training manual for the Stages-of-Progress methodology can be downloaded from www.pubpol.duke.krishna. Government agencies, NGOs, and

community groups can all utilize this robust but easy-to-use methodology for ascertaining important reasons. Some other innovative low-cost measurement methods have also been developed in recent years.

Combining these methods judiciously will enhance our capacity to identify and target the reasons for escaping poverty and falling into poverty, respectively. Regularly employed, these methods will help us stay abreast of changing circumstances, identifying and fashioning appropriate responses to reasons as these change over space and time. Progress in poverty reduction will be better as a result.

Table 1: The Dynamic Nature of Poverty: Some Illustrations

(1) Country/ Region	(2) Study	(3) Period	(4) Sample (households)	(5) Percentage Escaped Poverty	(6) Percentage Fell Into Poverty
Bangladesh	Sen (2003)	1987-2000	379	26	18
Egypt	Haddad and Ahmed (2003)	1997-1999	347	6	14
India (Rural)	Bhide and Mehta (2004)	1970-1982	3,139	23	13
India (Rajasthan)	Krishna (2004)	1976-2001	6,374	11	8
Kenya (Western)	Krishna et al. (2004)	1978-2003	1,706	18	19
South Africa	Carter and May (2001)	1993-1998	1,171	10	25
Uganda	Deininger and Okidi (2003)	1992-2000	1,300	29	12

Table 2. Principal Reasons for Descent into Poverty
(% of descending households)

Reasons	Rajasthan, India n=364	Gujarat, India n=189	Western Kenya n=172	Andhra, India n=335	Uganda: Central & Western n=202	Peru: Puno & Cajamarca n=252
Poor health and health-related expenses	60	88	74	74	71	67
Marriage/dowry/new household-related expenses	31	68		69	18	29
Funeral-related expenses	34	49	64	28	15	11
High interest private debt	72	52		60		
Drought/ irrigation failure/crop disease	18			44	19	11
Unproductive land/land exhaustion			38		8	

Table 3. Principal Reasons for Escaping Poverty
(% of escaping households)

Reasons	Rajasthan, India n=499	Gujarat, India n=285	Western Kenya n=172	Andhra, India n=348	Uganda: Central & Western n=398	Peru: Puno & Cajamarca n=324
Diversification of income	70	35	78	51	54	69
Private sector employment	7	32	61	7	9	19
Public sector employment	11	39	13	11	6	10
Government assistance/NGO scheme	8	6		7		4
Irrigation	27	29		25		

Annex 1: A Brief Description of the Stages of Progress Methodology (for more details see www.pubpol.duke.edu/krishna)

1. Assemble a diverse and representative community group:

It is important in each community one studies to speak collectively with members representing different segments and different social groups. Particular care is taken to ensure that all members of the village community, particularly poorer and lower status ones, are represented at these meetings. It is important to have in attendance older members from each community segment, who can speak knowledgeably about households' situations in the past.

2. Present clearly the objectives of the exercise:

It is very important to clarify at the outset that there are no benefits to be had (or any losses to be incurred) from speaking freely and frankly before the assembled gathering.

3. Define collectively what it means for a household to be regarded as poor:

Community groups delineate the culturally relevant stages of progress that poor households typically followed on their ways out of poverty, and they designate the particular stage at which households are no longer poor as locally understood. We ask the assembled villagers led by elders from different social groups: "What does a household in your community typically do when it climbs out gradually from a state of acute poverty?" "Which expenditures are the very first ones to be made? Which ones follow immediately after? As more money flows in, what does this household do in the second stage, in the third stage, and so on?"

It is very interesting that the stages reported by different communities were very similar. Within each country study conducted, almost the same stages were reported separately by diverse communities. Particularly the lower-level stages, when households are still desperately poor or just about coming out of dire poverty, there were absolutely no differences in the sequence narrated in different villages in each country study. Villagers' strategies for overcoming poverty are closely related to the achievement of these milestones. And they work hard to achieve at least this bare minimum stage of existence for their households.

Well-defined and clearly understood criteria for classifying households as poor or non-poor are derived in this manner. Based on these well-understood criteria it is possible to classify which households are poor at the present time and which households were poor in a previous period, 10 years or 15 years ago.

4. Treating households of today as the unit of analysis, ask about household members' poverty status today and in the earlier period:

Continuing to work with the community assembly, all households in the community unit (village or township) are listed. Referring continuously to the shared understanding of poverty developed in Step 3, each household's status is delineated for the present time and separately for the earlier period. Ranking each household's progress in terms of the successive stages of progress helps verify who was indeed poor in each period. It also helps assess relatively how poor they were in each period. Community groups have generally provided this information with very little hesitation or disagreement.

5. Refer to a well-known signifying event to demarcate the previous period:

Merely saying "10 years ago" or "15 years ago" is not clear enough, and it is possible that people might refer to different times while speaking of households' situations in the previous period. A commonly remembered signifying event is required, for instance, in India while considering the

previous period 25 years ago, reference was made to the national emergency of 1975-77, which is clearly remembered by all older villagers. In Kenya, the investigating team referred to the time of President Jomo Kenyatta's death (in 1978), which villagers here remember quite vividly.

6. Categorize households:

After ascertaining their poverty status for the present time and for the previous period, each household is assigned to one of four separate categories:

Category A.	Poor then and poor now	<i>(Remained poor);</i>
Category B.	Poor then but not poor now	<i>(Escaped poverty);</i>
Category C.	Not poor then but poor now	<i>(Became poor);</i> and
Category D.	Not poor then and not poor now	<i>(Remained not poor)</i>

7. Ascertain reasons for change (or stability) for a random sample of households:

The facilitating team then chooses a random sample of households from each of these four categories and queries the assembled community group as to the circumstances within which these households moved or stayed the same. A comparative perspective is adopted, and accounts are queried for underlying and actionable reasons. These event histories are obtained independently for each selected household, and these accounts are crosschecked with individual households.

8. Follow up with household-level interviews to verify and go deeper into reasons for change (or stability) for this random sample of households:

Additional information for all households within the random sample drawn above is obtained by interviewing individual members of those households. The goal here is to delve in more detail into the reasons behind each such household's movement or stability and to cross-check the information provided by the community group. Ideally, several people from a household are interviewed separately and concurrently. At least two adults are interviewed from each household.

Multiple sources of information are thus consulted for ascertaining reasons associated with the trajectories of each selected household. It takes a team of six to eight individuals about three days on average to complete these inquiries in one rural community (of about 150-200 households). Village youth who have about eight years of education have worked as investigators in these teams. I trained with each of these teams for four to six weeks at the start of each project.

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NOTES

¹ While some reasons for vulnerability have been addressed, especially in recent years, there has been no comprehensive approach addressing reasons associated with mobility in both directions.

² In addition, there is also a group of the chronic or persistent poor, as described by Hulme and Shepherd (2003).

³ “Examples of self-targeted programs include public works programs that pay less than minimum wage and [provide] price subsidies for basic staple items that are consumed more by the poor (e.g., coarser varieties of rice or wheat)” (IADB 2001: 22).

⁴ In some cases, as discussed later, self-targeted food aid and employment programs have enabled families to maintain or raise nutrition levels, thereby helping slow the rate of descents into poverty.

⁵ A compilation of the recent experience of various bilateral and multilateral donor agencies concludes that “identification and targeting of the poor by donors is often broad-brush with a tendency to treat target populations as homogeneous socio-economic groupings” (OECD 1999: xiii).

⁶ Because targeting in both its name and form treats beneficiaries as passive objects rather than active participants and shapers of the development processes (Sen 1995), poor people can quite often be stigmatized as a result of targeting criteria. Stigmatization may deter many eligible people from seeking the help that is offered (Blessings 2005; D’Exelle and Herdt 2005; Kabeer 2002). Alternately, perverse incentive effects can counteract the program’s objectives, as when income ceilings for subsidies reduce the motivation for households to generate (or reveal) additional incomes.

⁷ Other studies not reported here – undertaken in countries as far apart as Chile, Cote d’Ivoire, Egypt, Ethiopia, India, Kenya, Madagascar, Nicaragua, Peru, South Africa and Uganda – demonstrate similarly how large numbers falling into poverty result in reviving and restocking the numbers of the poor.

⁸ Carter and Barrett (2006) make the distinction between asset-building and asset-protection strategies, which parallels in some ways to the distinction made below between strategies to promote escapes and strategies to prevent descents into poverty.

⁹ There might have been a few more households that hid this information successfully from us, but I doubt that there are very many households of this type. In community groups especially, villagers were hardly shy in talking about another person’s slothfulness or penchant for drink, and gently probed, household members also came forth to speak frankly about these aspects.

¹⁰ A very large part of debt incurred by poor families in India and elsewhere arises on account of large healthcare expenses (Dilip and Duggal 2002). In rural Vietnam, 60 percent of poor households were found to be in debt, and more than one-third of these households cited medical expenses as the main reason for indebtedness (Ensor and San 1996).

¹¹ The nature of diversification strategies that help for escaping poverty varies across contexts, thus assistance in each particular context has to be targeted toward particular *kinds* of diversification (and not diversification in general).

¹² A recent survey of health expenditures in a cross-section of countries concludes that “Rises in out-of-pocket costs for public and private healthcare services are driving many families into poverty, and increasing the poverty of those who are already poor. The magnitude of this situation – known as “the medical poverty trap” – has been shown by national household surveys and participatory poverty alleviation studies” (Whitehead, Dahlgren and Evans 2001: 833).

¹³ A comprehensive evaluation concluded that while “far more agencies than in the past demonstrate an awareness of the dynamics of poverty... there is some confusion within agencies concerning the causes and effects of poverty. In part, this is due to the complexity of the phenomenon but it also results from a lack of conceptual clarity...[which] might be redressed by a greater focus on the processes of poverty, whereby cause and effect are examined simultaneously” (OECD 1999: xii).

¹⁴ It is interesting to observe that while the usual targeted poverty programs have neglected to address these reasons, other programs have addressed them better, even though many among them are not commonly regarded as “poverty” programs. Programs that fund public vaccination campaigns and provide improved health and nutrition – on a universal or targeted basis – help prevent descents into poverty, and to that extent these programs have important impacts on poverty (creation) in addition to their immediate purpose. Early childhood nutrition and health programs are particularly important in terms of their poverty effects

(Strauss and Thomas 1998; World Bank 2006b). Food aid can also have similar effects in terms of reducing the extent of poverty creation. Especially when food aid results in better nutrition outcomes for families, it can act as an effective safety net against descent (Barrett and Maxwell 2005; Quisumbing 2003).