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REACHING THE RURAL POOR:

IFAD POLICY ON TARGETING

Note to Executive Board Directors

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RECOMMENDATION FOR APPROVAL

It is recommended that the Executive Board consider and approve the proposed IFAD Policy on Targeting as presented in this document.

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EXECUTIVE SUMMARY

1.   There has been a great transformation in development aid in the past two decades. Country leadership and ownership, collective pursuit of the Millennium Development Goals (MDGs), the emergence of national poverty strategies and the coordination and harmonization agenda all have the potential to be powerful factors in accelerating rural poverty reduction. The challenge is to ensure that they reflect the concrete and particular constraints and opportunities of poor people themselves. IFAD must better position itself within this development context by making a clear statement about its focus and comparative advantage in targeting. The present policy on targeting is a step in this direction.

2.   The purpose of the policy is to: (a) provide a clear definition of IFAD's target group and establish a shared conceptual understanding of targeting; (b) outline the general principles that will guide IFAD in identifying and reaching the target group, and the methods and means that it will use to this end; and (c) provide an overview of how targeting will be addressed in the context of IFAD's operational instruments. The policy also provides the framework for the subsequent development of operational guidelines.

3.   IFAD's mandate defines its "target group" as rural people living in poverty and food insecurity in developing countries. Within this broad group, IFAD strives to proactively reach the extremely poor people, as defined by MDG 1, who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities. The people IFAD works with cannot be defined a priori in geographical or occupational terms, or even in terms of specific income thresholds.

4.   In any given context, IFAD – together with its partners – will identify target groups through a gender-sensitive poverty and livelihood analysis using available data, filling information gaps as needed and always incorporating the views of poor women and men, expressed directly or through their organizations. As guiding principles, in all operational situations IFAD will: focus on rural people who live in poverty and food insecurity and are able to take advantage of the opportunities to be offered; expand outreach to proactively include those who have fewer assets and opportunities (in particular, marginalized groups such as minorities and indigenous peoples); have a special focus on women within all identified target groups, for reasons of equity, effectiveness and impact; recognize that relative wealth or poverty can change rapidly; identify and work with like-minded partners at all levels; pilot and share learning on effective approaches to targeting hard-to-reach groups; and build innovative and complementary partnerships with actors that can reach target groups that IFAD cannot reach with the instruments at its disposal.

5.   In cases when better-off people need to be included – because of economic and market interdependencies, or to avoid conflict, or to engage them as leaders and innovators – the rationale will be provided, and the risk of excessive benefit capture will be carefully monitored.

6.   For each development activity that IFAD engages in, a diagnostic framework will be established to guide the design and implementation of the most appropriate targeting strategy and to ensure the relevance of the activity to the identified target groups. Such a framework will include, among others, the following steps: analyse rural poverty and the livelihoods of rural poor people, identifying obstacles to and opportunities for poverty reduction; investigate the policy and institutional environment – particularly as it impacts on these factors and on the intended target groups; map the activities and contributions of other development partners; and identify appropriate enabling institutional mechanisms and targeting measures that would overcome these obstacles.

7.   For all operations that form part of its country programme, IFAD will build on the diagnostic framework to design and implement a targeting strategy that is realistic, monitorable and developed in consultation with partners. The strategy will be context-specific and flexible, while maintaining the

goal of benefiting the identified target groups. The targeting strategy will include either all or some of the following measures and methods, depending on the situation: geographic targeting, enabling measures, empowerment and capacity-building measures, self-targeting measures and direct targeting.

8. IFAD will ensure effective targeting in the operational instruments of its country programmes and will monitor targeting performance. These instruments include: performance-based allocation system, regional strategies, country strategic opportunities programmes (COSOPs) institution-building and partnership, sector-wide programmes, area-based projects, policy dialogue and policy development, innovation and knowledge management, and pro-poor research.

9. As a policy principle, IFAD, together with government and other partners, will ensure that outputs, outcomes and emerging impact are regularly monitored to ensure that they reach the identified target groups and are of continuous relevance to them, and that benefit leakage is contained. Targeting effectiveness will also be assessed by all evaluation exercises, including mid-term reviews and mid-term evaluations. Supervision and implementation findings will be reported regularly, including through the Results and Impact Management System (RIMS) and annual programme performance reports. This policy principle will inform IFAD's COSOPs, the new country programme approach and the terms of reference of the country programme management teams.

10. This policy paper is the result of an extensive and reiterative process of reflection and elaboration, with wide participation within IFAD. The process began with a policy forum on targeting in May 2005, followed by the work of a cross-departmental policy reference group, joint authorship by the Technical Advisory and Policy Divisions, and a management review at the Operational Strategy and Policy Guidance Committee. In June 2006, the paper was discussed at the informal seminar of the Executive Board to give Board Directors a space to bring their perspectives into this document.

REACHING THE RURAL POOR:

IFAD POLICY ON TARGETING

I. INTRODUCTION

1.   IFAD's role is to reduce rural poverty and increase food production and food security in developing countries. IFAD is committed to providing appropriate and focussed support for enhancing the productive potential of the poor so that they can help themselves to overcome poverty. What distinguishes this role from that of other organizations is the Fund's exclusive focus on rural poor people and their largely agriculture-based livelihoods. IFAD's special targeting efforts are based on the recognition that rural poverty reduction and food security will not happen simply as a result of macroeconomic or sectoral growth, although growth is necessary.

The Complexity of Poverty

2.   Poverty is not just a condition of low income. It is a condition of vulnerability, exclusion and powerlessness. It is the erosion of people's capability to be free from fear and hunger and to have their voices heard. Poverty reduction is about enabling poor women and men to transform their lives and livelihoods, and supporting governments and civil society in creating and maintaining the conditions that allow them to do so.[1]

3.   Globalization is bringing new and urgent challenges to poor people. Opportunities are being created for some, but others face new vulnerabilities and risks of exclusion. For instance, trade liberalization may benefit some farmers, while disadvantaging many others. Efforts to achieve poverty reduction targets, including those set by the Millennium Development Goals (MDGs), should not obscure persisting and even deepening poverty and inequality among and within countries, regardless of the rate of overall economic growth at the national and international levels.

4.   Against this reality, it is imperative to appreciate the complexities, diversities and dynamics of poverty, and the wide range of factors that affect the capability of individuals to pursue their own objectives or to participate in collective action. These factors may relate to asset inequalities and to unequal relations that preclude options and freedom of choice. A proper understanding of the distribution of assets and capabilities among poor women and men, the processes of change that affect them, the mechanisms of exclusion and discrimination that penalize them, and the relationship of all these processes to poverty is central to the design and implementation of effective poverty reduction strategies.

The Evolving Development Context

5.   The past decade has witnessed a transformation in development assistance. An unprecedented consensus has been reached on development objectives, and a commitment made to pursuing these objectives more effectively. Various factors have driven this transformation, but foremost among these is the commitment of the world's governments to work towards achieving the MDGs. In addition, the harmonization, alignment and results agenda called for by the 2005 Paris Declaration on Aid Effectiveness is reforming the way that the international development community works, converging its efforts on country capacity and ownership as prerequisites for sustained poverty reduction and development.

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[1]   Strategic Framework for IFAD 2002-2006, page 4.

6. To achieve the MDG goal of halving the proportion of people living in hunger and extreme poverty by 2015, more resources and new aid instruments are required. But these are not enough. Significantly improved targeting of resources, policies and actions is essential. This is especially the case for the three quarters of the world's extremely poor and food-insecure people who live in rural areas, most of whom make their living from agriculture, principally as small-scale farmers and entrepreneurs, and as landless workers.

7. Unfortunately, official development assistance to agricultural development remains low.[2] Similarly, national poverty reduction strategies, which now provide a common framework for all development partners, do not adequately address the role of agriculture and rural development. They neglect even more seriously the role of smallholder agriculture and the economies of rural poor people. These areas do not, as yet, feature strongly in either government or donor efforts to improve development effectiveness and assistance harmonization mechanisms.

IFAD in the Evolving Development Context

8. Country leadership and ownership, collective pursuit of the MDGs, the emergence of national poverty reduction strategies and the coordination and harmonization agenda all have the potential to be powerful factors in accelerating rural poverty reduction. The challenge is to ensure that they reflect the concrete and particular constraints and opportunities faced by poor people themselves. It is also to vigorously promote targeted rural poverty reduction strategies in the context of national policy, budgeting and programming processes to improve the livelihoods of rural poor people and, in turn, enhance their contribution to overall poverty reduction. IFAD must contribute to responses that are commensurate to this challenge.

9. IFAD operates within the framework and in support of national policies and through national structures of government, civil society and the private sector. The issue is not only how IFAD can influence what national policy targets – but also how it can contribute to building national capacities and multistakeholder partnerships that underpin effective targeting within national development processes, first and foremost the poverty reduction strategy papers.

10. Increasingly IFAD will seek to enhance the effectiveness and direct impact of its activities by refining the targeting of its resources and country programmes. Furthermore, it will use the knowledge derived from its operations more rigorously and systematically to help governments target national policies, investments and instruments – not just to deliver benefits, but also to create a more enabling environment, one in which poor people can generate their own responses to poverty through institutional and economic empowerment. The present policy on targeting is a step in this direction and will be followed by operational guidelines.

11. More specifically, the purpose of the policy is to: (a) provide a clear definition of IFAD's target group and establish a shared conceptual understanding of targeting; (b) outline the general principles that will guide IFAD in identifying and reaching its target group, and the methods and means that it will use to this end; and (c) provide an overview of how targeting will be addressed in the context of the Fund's operational instruments. The policy also provides the framework for the subsequent development of operational guidelines.

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[2] The imperative of redressing this situation was specifically acknowledged in the final communiqué of the 2005 World Summit, which stated: "We reaffirm that food security and rural and agricultural development must be adequately and urgently addressed…. We deem it necessary to increase productive investment in rural and agricultural development to achieve food security."

II. IFAD's TARGET GROUP AND TARGETING APPROACH

General Premises

12.   In the context of the overall development environment, IFAD's commitment to targeting is based on the following general premises:

- More national and international resources, used effectively, and policy support must be dedicated to rural and agricultural development, with a focus on smallholder agriculture and the livelihoods of rural poor people.

- Local and national governments and their development partners must focus more on how to enable rural poor people – especially disadvantaged or excluded groups – to improve their livelihoods and prospects for development.

- The empowerment of poor people is paramount for sustainable poverty reduction and development. Empowerment is first and foremost economic, aimed at increased production and income. It is also social and political – aimed at increased organizational capacity, knowledge and influence.

- National ownership is critical for positive impact and sustainability of development activities. The degree to which governments, donors, poor people themselves and their organizations share a commitment to reducing rural poverty strongly determines the extent to which these priorities are put into practice.

- Aid effectiveness and donor harmonization and alignment imply a progressive shift from stand-alone projects to larger national programmes with multiple partners.

IFAD's Target Group

13.   IFAD's mandate defines its "target group" as rural people living in poverty and experiencing food insecurity in developing countries. Within this broad group, IFAD proactively strives to reach extremely poor people (as defined by MDG 1) who have the potential to take advantage of improved access to assets and opportunities for agricultural production and rural income-generating activities.

14.   IFAD's target groups should be defined in each country according to a stakeholder process adhering to the framework and guidelines identified below and reinforcing IFAD's comparative advantage. Because of the varying conditions of the poor, the people IFAD would work with cannot be defined a priori in geographical or occupational terms, or even in terms of specific income thresholds. The MDG threshold for extreme poverty of USD 1 a day, for example, may be a relevant indicator in much of Africa and parts of Asia, but it is less relevant in most of Latin America, the Middle East, North Africa and Central and Eastern Europe. In addition, in the poorest countries, the national poverty line is typically even below the MDG indicator. In some countries, IFAD will work with the poorest and most vulnerable rural people; in others, the poorest may be beyond the reach of the instruments that IFAD has at its disposal and more appropriately targeted for emergency or humanitarian support by other agencies with a comparative advantage in this area. In some countries, pockets of poverty – often geographically or ethnically determined – may still exist within rural economies in which poverty has been largely overcome; in others, poverty will be the condition of the majority of people in the rural areas. In some countries, poor people live principally in marginal, low-potential areas; in others, they are mostly in medium- to high-potential areas.

15.   In addition, in developing countries, large segments of the rural population are highly vulnerable to risks and external shocks, ranging from the illness of a household member or death of a

wage-earner to natural disasters. In this regard, IFAD will work to support not only people who are chronically poor, but also those at risk of becoming poor because of vulnerability to such risks and external shocks.

The world of rural poor people

Rural poor people are not a single, homogenous group in any part of the world. Usually they are independent producers and wage workers whose livelihoods principally depend on agriculture and agriculture-related activities. "They are [smallholder] farmers, herders, small entrepreneurs, fishers and landless agricultural labourers. They are members of indigenous groups, minorities and scheduled castes. They are those with the least land and water, and with the least control over the assets they do have. They typically have little access to formal financial institutions for capital of any sort. They often have very little access to modern technology and very little preparation for the development and management of modern forms of association. More often than not, they are women, and, as such, have special difficulties in accessing key development resources, services and opportunities.

Frequently the rural poor are socially excluded, isolated and marginalized groups on whom those responsible for the development of modern institutions and services have all too often turned their backs. Their lives are characterized by vulnerability and insecurity, which make it difficult for them to take risks that could lead them out of poverty." (Rural Poverty Reduction: IFAD's Role and Focus, June 2005, page 2.)

Targeting IFAD's Support: An Inclusive Approach

16.   Capacity-building and empowerment are the cornerstones of IFAD's approach to targeting. The focus is on enabling the active and informed inclusion of people who are often excluded, or who exclude themselves, from development processes. In line with the Strategic Framework for IFAD 2002-2006, the Fund works with its partners to create conditions that enable rural poor people – and women and men equitably – to claim their rights; access resources, technology and needed services; and expand their influence over public policy and institutions to shift "the rules of the game" in their favour.

17.   IFAD's mode of operation strives to be demand-driven, consultative and participatory. Identifying the issues confronting rural poor people and the solutions specific to them requires an in-depth understanding of a number of areas and their interactions: poor **people** and their livelihoods; their specific **problems** in terms of lack of access to key resources and relations that would enable them to increase their production, income and food security; the **processes** that generate their poverty (including social exclusion mechanisms or external shocks); and the **policy** framework that consolidates their situation. Understanding the above and developing effective and relevant responses requires the inclusive and informed **participation** of rural poor people and their organizations, not as objects of diagnosis and analysis but as active contributors. In other words, targeting requires listening to poor people and collaborating to generate solutions to their problems.

18.   In this context, an important contribution of IFAD lies in opening spaces for participation, dialogue and negotiation through which rural poor people can identify, understand and influence the factors relevant to their situation – and put in motion answers that are or can be within their powers. IFAD will systematically seek to create such spaces, first and foremost in the programmes it supports. It will work with partners to structure spaces and regular mechanisms for broad consultation and dialogue with organizations of rural poor people; and build the capacity of those organizations to engage with, and influence, the democratic processes that determine policies and set priorities for poverty reduction and development.

19.   Partnership is another cornerstone of the Fund's targeting approach. IFAD will work closely with partners to develop a shared understanding of the causal factors of poverty and exclusion that need to be addressed, and build country capacity to implement targeted development action. Partners include governments and specific government agencies, other donors, cooperating institutions, NGOs, farmers' and rural people's organizations, community-based organizations and, especially for sustainability purposes, the private sector. IFAD will strengthen and expand its collaboration with institutions and organizations that have demonstrated their commitment to community-driven development and livelihood-based and gender-sensitive poverty reduction. It will seek out like-minded partners to create opportunities for organizations of rural poor people to voice their needs and influence programmes and policies. In developing its targeting strategies in any given situation, IFAD will reinforce its collaboration with other Rome-based agencies – specifically the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) – and draw on the various tools they have developed to measure vulnerability, poverty and food insecurity.

20.   Governments may sometimes have reasonable concerns about the efficiency and efficacy, at least in the short and medium term, of investing in the more disadvantaged areas and people, through often lengthy participatory and demand-driven approaches. Where such concerns exist, IFAD will adopt a gradual approach, piloting innovative targeting strategies and targeted action. It will use the lessons learned from these piloting endeavours to illustrate the benefits of investing directly in poor people. And it will demonstrate how targeted approaches actually have a long-term and sustainable impact on poverty and contribute to economic growth and social and political stability. In addition, IFAD will seek areas of complementarity with actors (such as those supporting social protection programmes) that can reach categories of poor people that IFAD cannot reach with the instruments it has.

21.   Because IFAD does not engage in humanitarian, relief or welfare programmes, "targeting" – for the Fund – goes beyond the conventional application by outsiders of "eligibility criteria" governing who should or should not benefit. For IFAD, "targeting" refers to a set of purposefully designed, demand-driven and mutually agreed upon actions and measures that ensure, or at least significantly increase the likelihood, that specific groups of people will take advantage of a development initiative. At the same time, these actions and measures aim at preventing disproportionate benefit capture by other groups.

III. GUIDING PRINCIPLES FOR IDENTIFYING AND REACHING THE TARGET GROUP

22.   In any given context, IFAD will, together with its partners, identify the target groups through a gender-sensitive poverty and livelihood analysis using available data, filling information gaps as needed, and always incorporating the views of poor women and men and their organizations. As guiding principles, IFAD will, in all operational situations:

- focus on rural people who are living in poverty and experiencing food insecurity, and who are able to take advantage of the opportunities to be offered (sometimes referred to as "the productive poor" or "active poor");

- expand outreach to proactively include those who have fewer assets and opportunities, in particular extremely poor people as referred to in MDG 1;

- include marginalized groups, such as minorities and indigenous peoples, and address their specific needs;

- address gender differences and have a special focus on women within all identified target groups – for reasons of equity, effectiveness and impact – with particular attention to women heads of household, who are often especially disadvantaged;

- recognize that relative wealth or poverty can change rapidly due to external shocks and that this vulnerability needs to be addressed;

- clearly identify at the programme or project design stage who the intended target groups are and why, and consistently apply these categories, during implementation, in monitoring and evaluation (internal and external) of targeting performance. There will be cases when better-off people may need to be included – because of economic and market interdependencies, to avoid conflict, or to engage them as leaders and innovators. In such cases, the rationale and justification should be provided, and risks of excessive benefit capture carefully monitored;

- identify and work with like-minded partners at local, country, regional and international levels to develop a shared understanding of both the dynamics of rural poverty in different contexts and successful targeted approaches;

- pilot and share learning on successful approaches to targeting hard-to-reach groups; and

- build innovative and complementary partnerships with actors that can reach target groups that IFAD cannot reach with the instruments at its disposal. (Collaboration with the Belgian Survival Fund and with WFP are cases in point.)

IV. METHODS AND MEASURES FOR REACHING TARGET GROUPS

The Diagnostic Framework

23.   In defining its own targeting in each country, IFAD considers four questions: Who are the rural people on whom IFAD should focus its limited resources? What are the specific dynamics of their poverty and their development initiatives? What are the most relevant and enabling measures for these initiatives to succeed in line with their originators' aspirations and possibilities? What can IFAD do to enable poor people to influence and shape their livelihood environment? Answers to these questions are always specific to the country and programme contexts and should always be reached in consultation with partners, first and foremost the government and the organizations of the rural poor. A diagnostic framework will be established to guide the design and implementation of the most appropriate targeting strategy, and to ensure that development activities are relevant to the identified target groups. Such a framework will include, among others, the following steps:

- analyse rural poverty and the livelihoods of rural poor people. Such analysis will identify obstacles to and opportunities for poverty reduction – processes of exclusion, vulnerability or disempowerment (economic, socio-cultural, legal, political);

- investigate the policy and institutional environment – particularly as it impacts on these factors and on the intended target groups;

- map the activities and contributions of other development partners – government, civil society and donors;

- identify appropriate enabling institutional mechanisms and targeting measures that would overcome these obstacles – specifying the linkage to the potential target groups; and

- promote an emphasis on rural poor people's agricultural and linked non-agricultural activities (small farms and rural employment) within national development strategies.

Development and Implementation of a Targeting Strategy

24.   For all operations that form part of its country programme, IFAD will build on the diagnostic framework to design and implement a targeting strategy developed in consultation with partners that is realistic and can be monitored. The strategy will be context-specific and flexible, while maintaining the goal of assisting the identified target groups in improving their livelihoods. It will be clearly articulated, identifying roles and responsibilities for targeting, and will build on and add value to existing systems and procedures, including those for monitoring. Instruments for monitoring targeting performance will form an integral part of any targeting strategy. Poverty is dynamic: people can move in and out of poverty, and those who are particularly disadvantaged are often less visible and may be missed in initial analyses. Therefore, poverty assessments will be repeated during the life of a project or programme so that necessary targeting adjustments can be made. The strategy will regularly include or support public information and communication to reach those who have less access to information.

25.   The targeting strategy will involve either all or some of the following measures and methods. Depending on the situation, some will be more relevant than others.[3] The annex to this paper provides a summary of relevant IFAD experience.

26.   **Geographic targeting.** In programmes that are not national in coverage, focusing on geographic areas with high concentrations of poor people or with high poverty rates is an effective targeting instrument. In these cases, IFAD uses national poverty lines and data on food insecurity and malnutrition – including data generated by FAO and WFP – combined with other human development data, to identify disadvantaged areas. Since these data are generally not available below a relatively high level of aggregation (for example, below the district level), IFAD develops, together with local stakeholders, additional criteria to identify and engage communities within these areas. Better-off communities may be included if their economic and market linkages with poorer communities are required to achieve an impact on poverty reduction. The Fund will also make use of available poverty, food insecurity and vulnerability mapping data generated by FAO and WFP. During implementation, decisions have to be made on where to focus activities within a project area. Objective criteria are needed to guide these decisions and to prevent them from becoming an arbitrary or politically driven process.

27.   **Enabling measures.** These include measures to create and sustain a policy and operational environment favourable to poverty targeting, such as inclusive policy dialogue, awareness-raising and capacity-building. Targeting strategies in IFAD-supported operations are country-implemented and owned and as such they have to be fully supported by the borrowing countries. The overarching condition for reaching and benefiting the poor is the existence on the part of stakeholders of a common vision of and commitment to the identified poverty reduction goals and approaches. Stakeholders include, first and foremost, governments and specific government agencies and then other donors, cooperating institutions, NGOs, farmers' and rural people's organizations, community-based organizations and the private sector. Working for this common vision and commitment among partners is a fundamental feature of IFAD's engagement in the harmonization and alignment process, the goal being to change the way policies and institutions support poor people.

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[3]   The targeting methods described draw on lessons derived from IFAD's long-standing experience with field projects, and also on its more recent experience with sector-wide programmes and poverty reduction strategy papers. They also draw on the Fund's well-established experience in gender mainstreaming and the recent study undertaken as part of the IFAD Initiative for Mainstreaming Innovation entitled: "Innovative Approaches to Targeting in Demand-driven Projects". Finally they are informed by the debate on targeting methods in the development literature, and by the relevant experience of other international financial institutions and major bilateral donors.

28.   **Empowerment and capacity-building measures.** Focused capacity- and confidence-building measures will be applied to empower and encourage the more active participation and inclusion in planning and decision-making of people who traditionally have less voice and power. They serve to check the ability of the "elite" to exert control over resources. At a national level, fostering interactions between poor people and decision-makers or service providers is necessary to support pro-poor institutional transformation. IFAD will work with like-minded partners to create opportunities for organizations of rural poor people to voice their needs and influence programmes and policies. Appropriate information and communication activities are key to levelling the playing field and facilitating the participation of poor people. Attention must also be paid to procedures for accessing services and resources, the modalities of decision-making, and the beneficiary contribution requirements that may exclude some categories of poor people.

29.   **Self-targeting measures.** Success depends primarily on whether development activities have been designed with the poor themselves, around their needs and livelihood constraints, and are perceived by them as relevant and affordable. Self-targeting is achieved by providing services that respond specifically to the priorities, assets and labour capacity of the identified target group, while being of less interest to the better-off.

30.   **Direct targeting.** When services are to be channelled to specific individuals or households, eligibility criteria have to be used. IFAD's experience and that of others shows that, in these cases, community-based targeting approaches are the best option, where eligibility criteria are identified and applied by the community. Survey-based means testing (for example, on income or consumption, or ownership of assets) can be costly and often presents numerous methodological problems. Local poverty definitions and criteria may be more appropriate and can more accurately capture non-income dimensions of poverty and vulnerability. In general, the social acceptability of the method needs to be assessed case by case. Care must be taken to avoid risks of conflict and division within the community as well as creating stigma.

V. TARGETING IN IFAD'S OPERATIONAL INSTRUMENTS

31.   IFAD will ensure effective targeting in the operational instruments of its country programmes and will monitor targeting performance. It will also consider the costs associated with developing and implementing effective targeting.

Operational Instruments

32.   **Performance-based allocation system (PBAS).** The current PBAS already includes a number of indicators focusing on the ability of rural poor people to access assets, markets and services. Subject to availability of reliable and comparable data, future reiterations of the system may enhance the poverty dimension of its formulae for needs assessments and for institutional, sectoral and project performance assessments. This is turn may lead to enhanced capacity for more effective targeting

33.   **Regional strategies.** IFAD's regional strategies will continue to outline the unique characteristics and the main drivers of overall rural poverty in a region, specifying who the rural poor people are, where they live, the specific obstacles they face in overcoming poverty, and the extent to which these factors differ across a particular region. They will articulate the lessons learned by IFAD in supporting rural poor people and the main opportunities to reduce rural poverty. They will also identify the principal areas of activity and partnerships, including an identification of the main target group or groups and regional targeting strategies. The regional strategies will provide an overall orientation within which country-specific targeting approaches will be developed.

34.   **Country strategic opportunities programmes (COSOPs).** Based on a process of dialogue and negotiation with governments, other donors and civil society, particularly rural people's organizations, IFAD's COSOPs will: analyse the national and rural poverty situation; examine government poverty reduction policies and institutional capacity; suggest where IFAD activities should operate; identify specific groups of rural poor people to focus on and key pro-poor partnerships; and describe the targeting methods that will be applied. A key section of each COSOP will deal precisely with target group identification, priority issues and potential development responses.

35.   **Institution-building and partnership.** Targeting implies selecting institutional partners that are committed to rural poor people and capable of listening to them and helping them overcome the obstacles they face. Targeting also implies creating capacity to provide services (such as financial service institutions) that meet target groups' needs. First among these institutions are the membership-based organizations of the poor. IFAD will also identify, and seek to bring about change in, any institutional processes or practices that effectively exclude the rural poor (such as collateral requirements, excessive legal documentation, discrimination against women and complicated procedures).

36.   **Sector-wide programmes.** In line with its policy, IFAD will seek to ensure that sector-wide programmes work for rural poor people, by raising awareness of, and promoting reform to address, the issues of rural poor people. It will forge partnerships with producers' organizations to strengthen their capacity to analyse and articulate their key requirements for sector change, influence decisions and participate in monitoring results. It will also seek to strengthen their capacity to exercise control over service providers.

37.   **Area-based projects.** In area-based projects, geographic targeting will be used in the first instance to select communities or clusters of communities. Social or community-based targeting will often follow to permit the design of a comprehensive targeting strategy and the establishment of a mechanism to monitor targeting performance.

38.   **Policy dialogue and policy development**. IFAD will seek to make a more systematic and coordinated use of the experience and lessons learned from its projects and programmes to promote inclusion of rural poverty and smallholder agricultural development into the international development agenda and in national development priorities, and to foster policy processes that address the needs of rural poor people. Furthermore, it will use evidence from its operations to ensure that pro-poor policies are translated into necessary changes at the institutional and programme development levels, and to create opportunities for poor people and their organizations to make their voices heard and to influence policy. More importantly, IFAD will support the direct involvement of poor people and their organizations in the formulation and implementation of national policies and strategies that have an impact on their livelihoods. The systematic participation of smallholder farmers' and rural people's organizations in designing, managing, monitoring, supervising and evaluating IFAD-supported operations will be considered as a stepping stone for their broader involvement in national policy decision-making processes.

39.   **Innovation and knowledge management.** Raising development effectiveness in rural poverty reduction requires innovation tailored to particular country and local realities. IFAD will scout for new solutions to old and new challenges faced by poor people in rural areas and promote tested solutions, especially the innovations of poor people themselves. All projects and programmes will seek to innovate, and all will have built-in learning mechanisms allowing lessons learned to feed into national policy and programme processes, with the qualification that successes to be replicated and scaled up must be linked to national priorities and capacities.

40.   **Pro-poor research.** In the context of grant-financed research and in line with its grant financing policy, IFAD will continue to target by supporting demand-responsive, pro-poor and gender-sensitive research, which is carried out jointly with rural poor smallholders and ideally builds on their traditional knowledge and capacity for innovation. Research will focus on: selection of crops, commodities or farming systems that are relevant to the livelihoods of rural poor people; promotion of areas of synergy between scientific and local knowledge, with an emphasis on the innovations of rural poor people and the development of socially acceptable technologies or cropping systems; and promotion of knowledge exchange between institutions and farmers, and among farmers.

Supervision, Implementation Support and Monitoring

41.   Any targeting strategy requires regular and continuous monitoring. Even when, at the design stage, targeting is in line with the economic, socio-cultural and political realities of rural poor people, and the obstacles and opportunities they face, vigilance is critical throughout implementation to ensure there is capacity for, and commitment to, targeting, and that all efforts are made to prevent capture of resources, services and benefits by people outside the target groups and to their detriment. Vigilance is also critical to adjust targeting to evolving and dynamic changes in the rural poverty and development context of any given country programme and in light of innovations emerging from IFAD operations or from other public and private actors.

42.   Supervision and implementation support will explicitly assess the appropriateness of IFAD's targeting strategy and its effective execution on the ground, making necessary adjustments to increase outreach and gender equity, contain benefit leakage and prevent elite capture. As a policy principle, IFAD, together with the government concerned and other partners, will ensure that outputs, outcomes and emerging impact are regularly monitored to make certain that they reach the identified target groups and are of continuous relevance to them. Targeting effectiveness will also be assessed by all evaluation exercises, including mid-term reviews and mid-term evaluations.

43.   Findings of supervision and implementation exercises will be reported regularly, and as a matter of course, through the Results and Impact Management System and the annual programme performance reports. This policy principle will inform IFAD's COSOPs, the new country programme approach and the terms of reference of the country programme management teams. It will also be incorporated in the revision of IFAD's policy on supervision. To the extent possible, the policy on targeting will be retrofitted into ongoing projects and programmes. Quality enhancement and assurance processes will guide and assess alignment of operations with this targeting policy.

44.   When problems are identified – particularly those of excessive benefit leakage or capture by the non-poor and/or failure to serve the intended target group – IFAD, together with the government concerned and other partners, will take timely corrective action. Alternatively, it will renegotiate the conditions of engagement with its partners. If this is not achieved in a reasonable period of time, IFAD must suspend or close the operation in question, an eventuality that needs to be communicated to the borrowing government at the design stage of each project or programme.

45.   In addition, assisted by the new country programme approach, and the engagement of in-country teams, IFAD will build its capacity to discuss with government the targeting of national policies and development actions. This could also be undertaken as part of the PBAS consultations.

Cost Implications

46.   A well-designed and -implemented targeting strategy, based on the expressed needs of the intended target group, can reduce transaction costs and increase effectiveness, impact and sustainability. IFAD's approach to targeting requires investing strongly in information and communication, building the confidence and capacities of rural poor people and their organizations, and creating spaces for them to articulate demand. These activities are neither new nor specific to targeting, but are an integral part of IFAD's overall approach to poverty reduction.

47.   However, the implementation of the targeting policy will have some incremental cost implications, principally in the form of investment in: (a) more rigorous diagnosis and analysis of the poverty situation and the institutional and policy framework of any given country; and (b) monitoring of targeting performance. It will also require allocation of resources to capacity-building of IFAD staff and IFAD partners for the development of a shared understanding on targeting and the development of communication tools for the dissemination of the policy and the lessons learned from its implementation. Finally, more resources might be needed for the establishment of new partnerships to increase outreach. In designing all its targeted activities, IFAD will consider the associated costs and their trade-offs.

IFAD'S EXPERIENCE AND LESSONS LEARNED ON TARGETING[1]

1.   Together with its partners, IFAD has learned a great deal from its projects and programmes on how to identify and reach its target groups. Significant lessons have also been drawn from the Fund's long-standing experience in gender mainstreaming, which combines multiple targeting measures ranging from affirmative action to capacity-building and empowerment.[2] In addition, a recent field-based study undertaken as part of the IFAD Initiative for Mainstreaming Innovation has yielded important insights on effective ways to ensure benefits to poor people and minimize benefit capture by the non-poor in demand-driven projects and programmes.

2.   IFAD's learning on targeting also draws on the debate on targeting methods in the development literature, and on the experience of other international financial institutions (IFIs) and major bilaterals with which IFAD shares a multidimensional definition of poverty. This definition encompasses both income and non-income features; recognition of the need for poverty and livelihoods analysis as a foundation for effective targeting; and emphasis on community-led approaches. Specific to IFAD, among other IFIs, is the importance it places on capacity-building and empowerment of those who tend to be excluded or who exclude themselves; and the special attention it pays to gender differences and women's empowerment. Key lessons learned, which have informed this policy paper on targeting, are summarized below.

Whom do IFAD-supported projects and programmes reach?

3.   In participatory wealth-ranking exercises, rural people tend to distinguish the "poor" from the "very poor", and "less poor" (or "better-off"). The composition of these categories and the dividing lines between them evolve as people's situations change. IFAD-supported projects and programmes are effective in reaching the "poor". However, reaching and benefiting the people described as "very poor" is challenging. Among the "very poor" are people who are excluded or exclude themselves for a number of deeply entrenched social and historical reasons that are difficult to remove in the lifespan of a project or programme and often require major social change. Also included are people who need both economic empowerment – which IFAD typically supports – and social protection measures – which are not within the Fund's mandate – to lift themselves out of poverty. The "very poor" also include people who either temporarily or permanently can only be helped through social protection measures or emergency aid. In IFAD's experience, outreach to the people who are at the lowest rung of the poverty ladder can be improved by establishing partnerships with agencies and organizations that have complementary mandates to that of IFAD, such as WFP for food aid and NGOs that have experience in both social and productive domains. IFAD also works to strengthen (and always to avoid undermining) traditional solidarity mechanisms. It also targets income-generation activities to individuals with dependents in difficult circumstances (such as family members affected by HIV/AIDS).

4.   On the other hand, exclusion of the "better-off" or "less poor" is not always advisable. Economic and market interdependencies between the better-off and the poor may require working with different categories in order to bring benefits (such as employment) to the poor themselves. Furthermore, the less poor can be innovators and drivers to the benefit of poverty reduction efforts. Sometimes, exclusion of the non-poor can cause conflict within a community, which can be

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[1]   This annex summarizes key findings on targeting from IFAD evaluation reports, the 2004 IFAD Initiative for Mainstreaming Innovation (IMI) pilot-phase study on targeting under demand-driven approaches, and a review of development literature and other donors' experience with targeting undertaken as part of the ongoing IMI main phase activity "Mainstreaming IFAD's new targeting framework in the project cycle".

[2]   These measures are described in Mainstreaming a Gender Perspective in IFAD's Operations – Plan of Action 2003-2006.

counterproductive in relation to the intended targeting goals. In all cases, careful monitoring is needed to check for excessive benefit leakage and prevent benefit capture by the better-off. Ultimately what counts is the affirmation by poor people – by women and men equally – that the distribution of benefits and opportunities has been fair.

How do IFAD-supported projects and programmes reach and benefit the target groups?

5.   In reaching its target groups, IFAD has learned a number of important lessons:

6.   **Understanding poverty processes and livelihood systems – and their gender dimensions – is the foundation for effective targeting.** The analysis should capture the diversity of the livelihood systems of poor people, and the causal factors and processes through which people move in and out of poverty. The analysis is more significant when it listens to poor people themselves and incorporates their perceptions of poverty and vulnerability. This assessment is necessary for a first identification of the target groups and, above all, of the activities and services that will be most relevant to different categories of people.

7.   **Geographic targeting, where relevant, is an effective way of reaching areas with high concentrations of poor people.** National poverty lines and data on food insecurity and malnutrition, combined with other human development data (or other poverty mapping tools such as vulnerability analysis and mapping) are used to identify disadvantaged areas. Since these data are generally only available for broad administrative units (for example, the district), specific criteria need to be developed in consultation with local stakeholders to select villages and communities within a district. Such objective criteria are needed to prevent selection from becoming an arbitrary or politically driven process. Geographic targeting is more effective in societies that are more homogeneous. However, even in societies that appear to be homogeneous, it is always necessary to do social targeting within communities.

8.   **Activities and services must be self-targeted to the poor**. Success in targeting depends largely on whether, at the outset, the project, programme, or initiative is crafted around the assets, livelihood constraints, productive potential, development opportunities and priorities and aspirations of poor people. Only in this way will activities and services supported be relevant to the identified target groups and within their means. A project has a better poverty focus when the mix of benefits offered and transaction costs involved are attractive to the poor but not to the better-off, and when they take into account people's availability in terms of time, labour and capital. Conversely, it is necessary to pay attention to factors that may inadvertently exclude certain groups of people, such as requests for contributions or attendance at meetings, which may not be feasible in terms of cost or time for the poor, especially women.

9.   **Inclusive and empowering methods work best.** To ensure that benefits reach the identified target groups, the methods that work best are those that enable people who tend to be excluded, and have less voice and power, to participate in development initiatives, claim benefits and services, and influence policies and resource allocation. This implies specifically targeting information and communication to those who are generally less informed; focusing skills and management training on these groups; raising awareness and building confidence; ensuring transparency and involvement of project participants in decision-making on resource allocation (particularly in the case of development funds); and, above all, strengthening the organizations of the rural poor (community-based organizations and producers' organizations) and increasing their social and gender representation.

10.   **Direct targeting measures such as means-based eligibility criteria and poverty lines should be applied with community participation.** In IFAD's experience, as in that of other donors, surveys to assess income or consumption or households' asset base – as used by some social protection programmes – are generally not cost-effective for the type of operations IFAD supports. They also have several methodological shortcomings and often cause conflict. More appropriate are community-based targeting methods in which eligibility criteria are developed and applied with community participation, through a process which is transparent and based on clear rules.

11.   **An enabling condition must prevail: a shared vision and commitment to targeting among stakeholders**. At both project and programme levels, the overarching condition for reaching and benefiting the poor is the existence among stakeholders of a common vision of and commitment to the identified poverty reduction and targeting goals. Key stakeholders include the borrower, IFAD, other donors, implementing agencies, partner NGOs, local leaders, communities themselves and, very importantly, the private sector. Working for this common vision and commitment among partners is a cornerstone of IFAD's engagement in the harmonization and alignment context, whose goal is to positively change the way policies and institutions deliver services to and support poor people.

MONITORING IMPLEMENTATION AND RESULTS OF IFAD'S POLICY ON TARGETING

1.   According to the policy, targeting will be addressed as a cross-cutting concern in all IFAD operations, and at all moments of the project and country programme cycle. Attention to targeting will therefore be mainstreamed within related monitoring instruments, processes and key performance indicators. This will be done on three levels: corporate, country programme and project. It will imply adjusting existing instruments and ensuring that others currently being developed effectively monitor targeting performance. Country programme and project-level information will be aggregated through the annual portfolio review process and presented in the annual portfolio performance report.

A. AT THE CORPORATE LEVEL

2.   Two principal goal-level indicators will be used to measure improved performance in targeting:

- percentage of project mid-term review and completion reports reporting on targeting performance documenting assessment of effective targeting; and
- percentage of impact assessment surveys – conducted as part of project monitoring and evaluation (M&E) systems and reported through IFAD's Results and Impact Management System (RIMS) – indicating improvement in asset index and chronic child malnutrition among intended target groups.

These will be included in IFAD's corporate results framework and reported accordingly.

B. AT THE COUNTRY PROGRAMME LEVEL

3.   All results-based COSOPs are required to define target groups and the targeting strategy in line with the targeting policy. Furthermore, COSOPs are required to be based on a process of dialogue and negotiation with in-country stakeholders, in particular with rural peoples' organizations. Compliance with this policy will be monitored by the secretariat of the Operational Strategy and Policy Guidance Committee (OSC) and by the Policy Division through the OSC issues papers. The Policy Division will aggregate COSOP policy compliance notes on an annual basis. The primary instrument (and first level of aggregation) for reporting on indicator 1.3 and on targeting performance in general will be the annual country review envisaged by the new results-based COSOP.

C. AT THE PROJECT LEVEL

4.   With regard to **design**, compliance with the targeting policy – in terms of target group identification and project targeting strategies and M&E provisions – will be assessed at the final design stage on the basis of a checklist that will be developed and introduced by April 2007. The checklist will be applied as part of the quality-at-entry process. Results therefrom will be aggregated and reported in the annual portfolio performance report. The gender dimension of targeting will continue to be assessed via the existing checklist on prerequisites of gender-sensitive design, also applied at the final design stage.

With regard to **implementation**, the targeting policy refers to **monitoring of targeting at the project level**. Various initiatives are ongoing to improve project/programme M&E systems and will give due attention to gender-sensitive and participatory monitoring of targeting performance. The operational guidelines on targeting, to be issued by the end of 2007, will provide additional guidance on monitoring and evaluating targeting at the project level, including a methodology for assessment of targeting performance in mid-term reviews and project completion reports through a checklist and a composite scoring system and guidelines to improve the capacity of M&E systems to report on RIMS indicators. These guidelines will be widely disseminated to project staff, cooperating institutions and consultants.

IFAD POLICY ON TARGETING – RESULTS FRAMEWORK

Goal	Key Performance Indicators	Expected Results
Improved performance in reaching intended target groups with relevant and effective investments and services	1. Percentage of project mid-term reviews and project completion reports reporting on targeting performance that document assessments of **effective targeting**	70% in 2010[f]
	2. Percentage of impact assessment surveys – conducted by project M&E systems and reported in the RIMS – indicating improvement in asset index and chronic child malnutrition **among intended target groups**	70% in 2010
Outcome		
1. Improved targeting of IFAD country programmes	1.1. Percentage of new results-based COSOPs including targeting strategy in line with the policy and target groups key file (source: OSC issues papers)	100% from 2007
	1.2. Percentage of new project design documents containing (a) gender-sensitive poverty analysis defining target groups and (b) a targeting strategy in line with the policy (source: project status report based on targeting checklist applied in quality-at-entry process) [g]	90% in 2009
	1.3. Percentage of project mid-term reviews and project completion reports reporting on targeting performance (source: annual country review and PPR)[h]	80% in 2009
2. Learning on effective targeting approaches disseminated	2.1. Operational guidelines on targeting, including lessons learned and learning notes posted on IFAD website and updated regularly (source: Communications Division)	Guidelines posted by December 2007
3. Rural people's organizations representative of IFAD target groups participate in and influence the design of country programmes and corresponding targeting strategy	3.1. Percentage of COSOP processes including formal national-level dialogue and negotiation with rural people's organizations (source: OSC issues papers)	80% in 2009

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[f] Benchmarks in 2006 will be established through an internal assessment based on document reviews and interviews with country programme managers (to be completed by the end of 2006) and will be reported as part of monitoring of the strategic framework.

[g] Compliance in design will be measured via a checklist based on the targeting policy, to be adopted by April 2007.

[h] A checklist and a composite scoring system to report on targeting performance will be developed as part of the operational guidelines, and will be applied in mid-term reviews and project completion reports starting in 2008. Criteria will include, among others, measures to limit benefit capture by the non-poor and gender equity.