

# Developing Poverty Assessment Tools

Accelerated Microenterprise Advancement Project  
Enabling Environment Component (AMAP/EE)  
USAID

The IRIS Center and its AMAP/EE Consortium  
University of Maryland



October 24, 2003



# Overview of Presentation



- ❑ Background on IRIS
- ❑ Core Team and Advisory Panel
- ❑ Approach
- ❑ Methodological Issues
- ❑ Next Steps
- ❑ Communications
- ❑ Questions and Answers

# IRIS Background



- ❑ Started in 1990, based at the University of Maryland, College Park.
- ❑ Based on belief that quality of institutions—enabling environment—is major determinant of economic growth and poverty reduction.
- ❑ Works to improve conditions for private sector growth and quality of governance and accountability systems.
- ❑ EE work takes time to develop → direct programs for support to MSMEs; IRIS not ME practitioner per se.

# IRIS and Poverty Assessment Project



- ❑ USAID: IRIS chosen because of proposed methodology and impartiality provided by University-based organization.
- ❑ Measurement experience: governance, social capital, health, education, microfinance,...
- ❑ Will rely on practitioners to add to our grounding in ME.
- ❑ Provide to USAID tools that are useful, methodologically sound, cost-effective, fully informed by developments in ME, and developed with maximum practitioner buy-in.

# The Core Team



- ❑ **Omar Azfar** – IRIS Project Director
- ❑ **Manfred Zeller** – Methodology and testing
- ❑ **Linda Mayoux** – Gender and social analysis
- ❑ **Kate Druschel and Lauren Hendricks** – Administration and communications
- ❑ **Thierry van Bastelaer** – AMAP Project Director

# Advisory Panel



- ❑ Role: help collect, interpret and offer informed perspectives on practitioner input.
- ❑ Members chosen because of expertise in developing poverty assessment tools, methodology, knowledge of ME programs, training.
- ❑ At present, includes S. Charitonenko, A. Deolalikar, C. Garber, C. Grootaert, D. Hulme, M. Madajewicz, J. Morduch, two SEEP-nominated members.

# Methodology: Identifying the Very Poor

- ❑ Very poor defined as:
  - living on less than \$1/day or
  - in the bottom 50% below poverty line
- ❑ Identifying the very poor on either of these metrics is a very difficult task. Very poor households have non-standard sources of income and living standards must be measured using expenditure data.
- ❑ Expenditure surveys are too costly and time-consuming to conduct on all beneficiaries, hence short-cut tools should be developed.

# Methodology: Overview

- ❑ Approach: implement expenditure surveys (e.g. consumption module of LSMS) and shortcut tools on same households.
- ❑ Test several tools, including some developed by practitioners.
- ❑ Examine how well a tool predicts whether someone is very poor as defined by the legislation, and as measured by the expenditure survey.
- ❑ Collect information on the money and time costs of survey, and ease of use of the tools.
- ❑ Provide recommendations to USAID, which will certify tools on basis of criteria.

# Our Task



Test existing (and possibly new or modified) poverty assessment tools

- ❑ quantify accuracy of the tool (compared to the benchmark) in different contexts
- ❑ quantify trade-offs between accuracy and cost, time, ease of implementation.

# What do we mean by accuracy?

	Practitioners' Tool	
Benchmark	% poor	% non-poor
% poor	30	10
% non-poor	10	50

→ 80 % correctly predicted by the tool

# How do we test for accuracy?

Expenditures (Benchmark) =  $f(X)$

X can be:

1. Index of practitioners' tool to be tested
2. Individual variables used in practitioners' tools
3. Any modification of the above, either
  - a) By estimating the weights constituting the index
  - b) dropping or adding variables which could serve as poverty indicators, or
  - c) doing a) and b) in combination

→ Increase in accuracy? At what cost? → Calibration of the tool against benchmark

# Two Main Data Sources

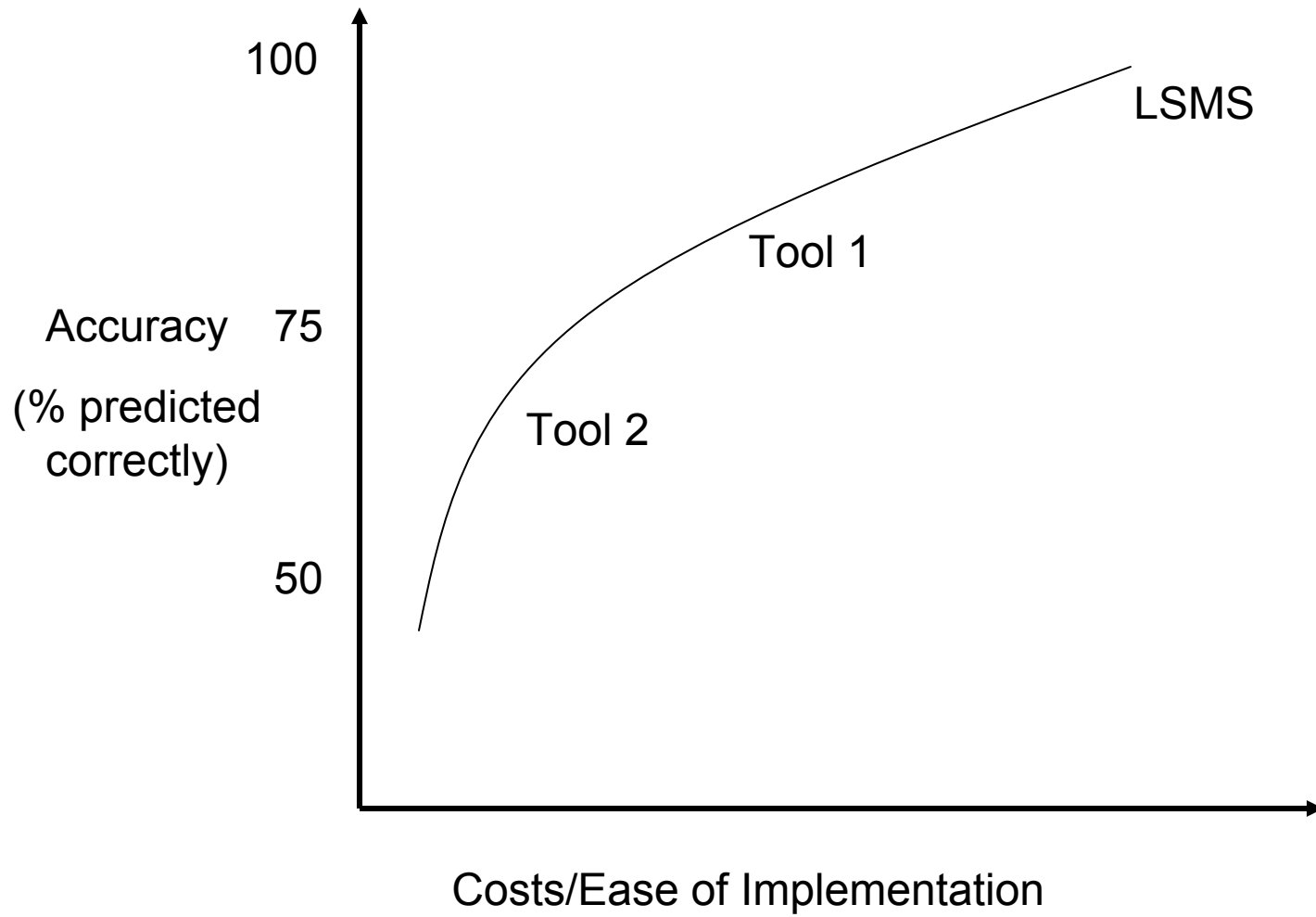
**Approach 1:** Use nationally representative data sets

- LSMS, SDA-PS, IS (all World Bank supported), or any other national household income/expenditure
- Limitation: Not many proxy variables used by practitioners
- Strength: Identify useful indicators within/across countries, by region, by levels of relative poverty.

**Approach 2:** Conduct surveys in four countries that:

- collect data on the benchmark (LSMS methodology)
- collect data reflecting the variables contained in the practitioners tools to be tested.

# Trade-off Between Accuracy and Costs/Ease of Implementation



# Next Steps



Two rounds of testing to meet October 2004 deadline

## **Solicit Tools and Certification Criteria**

- November 15th deadline for submission of tools
- Receive input and hold workshop on criteria for certification
- Design and refine instruments for selected tools

## **Select Grantees for Field Tests**

- In cooperation with AMAP Support Services
- More information within the next few weeks

# Next Steps (cont.)



## Conduct Field Tests

- Field training
- In-country debrief with practitioners

## Recommend Tools

- Analyze data
- Develop guidelines for use
- Assist in training of users

# Communications: Goal



- ❑ Provide full transparency about approach and results
- ❑ Gather information from practitioners and researchers
- ❑ Give equal and impartial access/attention to all stakeholders.

# Communications: Tools



## Project Listserv

- ❑ [Povertytools@listserv.umd.edu](mailto:Povertytools@listserv.umd.edu)
- ❑ Operational
- ❑ Moderated discussions with bounded timelines
- ❑ Discussion summaries
- ❑ Archived messages

# Communications: Tools (cont.)

## Project Website

- <http://www.povertytools.org>
- Online in about 2 weeks
- Tool submission for field testing
- Draft documents, Listserv summaries
- Project updates
- Links, contact information,...

**Workshops, videoconferences, meetings...**



**Questions?**