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?

<table>
<thead>
<tr>
<th>Benchmark</th>
<th>% poor</th>
<th>% non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>% non-poor</td>
<td>10</td>
<td>50</td>
</tr>
</tbody>
</table>

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

Accuracy (% predicted correctly)

Costs/Ease of Implementation

Tool 1

Tool 2

LSMS
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
- Operational
- Moderated discussions with bounded timelines
- Discussion summaries
- Archived messages
Communications: Tools (cont.)

Project Website
- [http://www.povertytools.org](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?