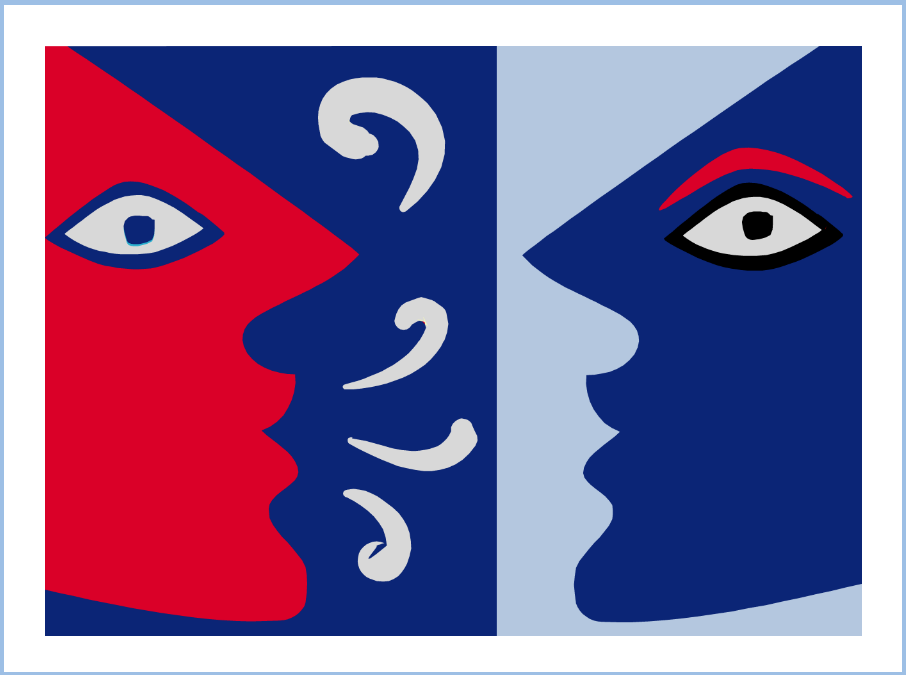
POVERTY ASSESSMENT TOOLS

AN ONLINE SPEAKER'S CORNER DISCUSSION LED BY THIERRY VAN BASTELAER AND HOSTED BY MICROLINKS.ORG



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WELCOME

Post By Thierry van Bastelaer

Hello Speaker's Corner Participants,

Welcome to "Poverty Assessment Tools", a three day e-conference event. I'm your host, Thierry van Bastelaer, the director of the Enterprise Development Group at the IRIS Center at the University of Maryland.

Before we kick off the discussion with the first day's question, I'd like to provide some background for the event.

Microenterprise development programs have been among the most promising forms of donor-sponsored poverty reduction programs in recent years, and they have improved the lives of millions of poor people. The United States Congress, through the Microenterprise Results and Accountability Act of 2004 and earlier legislation, is committed to furthering the use of microenterprise programs to affect the lives of the very poor across the developing world. The legislation defines the very poor as those living on less than $1 a day—in Purchasing Power Parity terms—or those living in the bottom 50% below their country's poverty line.

In order to ensure that USAID microenterprise funds reach this population, Congress required that the Agency start reporting on the poverty level of their microenterprise clients. The lack of widely applicable, low-cost tools for poverty assessment makes it difficult for USAID to determine whether it is meeting these mandated targets. Therefore, the legislation also requires USAID to develop and certify at least two tools for assessing the poverty level of its microenterprise beneficiaries.

Since 2003, USAID has been working with the IRIS Center to develop and certify simple, cost-effective, and easy-to-use tools. Starting in Fiscal Year 2007, practitioners receiving USAID funding for their microenterprise programs will be required to use these tools to report to the Microenterprise Office on the proportion of their clients who are very poor. The development of the tools has been widely publicized in the microenterprise community, and many practitioners have contributed their experience, advice, feedback and, in many cases, the lessons from their own poverty assessment activities.

The USAID/IRIS tools are nearing completion, and they and other practitioner-developed tools will soon undergo USAID's certification process. This therefore seems an appropriate time to discuss the concept of measuring poverty, review the progress in the development of the tools, explore how they can be useful to practitioners beyond the mandate of the legislation, and discuss the specifics of the implementation of tools in the field.

This is the purpose of the Speaker's Corner that will run through Thursday. All are invited to contribute to the discussion with their comments, experiences, and questions.

DAY ONE: MEASURING POVERTY – WHAT WORKS AND WHAT DOESN'T?

Post By: Thierry van Bastelaer

What is the participants' experience with measuring poverty? What makes a "good tool"? What types of approaches (absolute/relative, monetary/non monetary,...) have they found most effective and useful? Have they developed/used new promising indicators? What internal or external factors facilitated the implementation of these tools?

RE: DAY ONE: MEASURING POVERTY WHAT WORKS AND WHAT DOESN'T?

Post By: Marceline Obuya

Poverty is a condition of unacceptable deprivation. The unacceptable deprivation varies from country to country, from province to province. What is considered an indication of poverty in one region is and may be different in another. They are key things that need to be considered in measuring poverty. One important aspect that needs to be considered is to understand or know what the locals consider an indication of poverty. Our K-Rep experience from the USAID/IRIS poverty tool test suggests that you may not be able to use a standardized tool to assess poverty; some variables will definitely need to be adjusted to suit the local context of a given area and such adaptation may include the socio-economic activities, cultural issue, the season that the poverty is being measured among others. These are some of the important factors that need to be considered before poverty is measured. K-Rep tested the client intake tool in three provinces i.e. the coastal, western and eastern and each of these provinces/regions there were unique lessons learnt hence the tool was adapted accordingly. An example of such adaptation was on the indicator on food that seems to gauge whether a family is poor or not. In one region i.e. eastern, meat was considered as food for the rich while in another region they considered chapatti as food for the rich and yet at the coastal region they considered pilau.

Some of the indicators were considered to be very sensitive than others and this we noted that had a lot to do with the region that the indicator was being tested. For example in the Western and the Coastal provinces, the issue of death featured as the most sensitive variable while in the Eastern it was not a sensitive issue. In these regions the HIV/AID pandemic is very prevalent.

In order to for a tool to be considered good, then the objective of the tool need to be clearly spelled out. To this regard, the meaning of each of the indicators must have the same meaning and should be understood by the researchers who need to collect the data. Otherwise, we may have distortion in gauging poverty if a common understanding is not reached. Hence there should be a bench make to indicator whether one is poor or not based on the indicators that are used. Secondly, the tool needs to be low-cost so that the implementing institution does not have to stretch their budget in order to use. Our experience suggests that if the initial cost of training is met, then it would be easy for any development institution to implement the poverty assessment indicators as part of their day to day operation.

K-Rep was testing the client intake methodology which is designed to incorporate the poverty indicators in the organizational client intake form. The benefit of this methodology is that it saves on time and cost and it is integrated into the organization's activities. The type of clients that were being interviewed were new clients who are joining the program, first borrowers and repeat borrowers. The interviews were conducted as and when the clients came to join the program or when their cheques were being disbursed. However, with the client intake methodology, the quality control may be compromised especially when the field staffs are let to administer the tool. The pressure to complete the tool may override the important role that the tool is supposed to be achieved. This can be remedied by instilling a sense of responsibility to the staff by demonstrating how poverty assessment contributes to their day to day lives. One shortcoming of this method is that if it is implemented at the organization group meeting hall, you cannot authentic the responses from the clients as some indicators of poverty are best observed than asked.

Some of the internal factors that can facilitate the implementation of the tool are the buy-in of the organization's management and staff. Measuring poverty should be among the important objective of development organization and more specifically the microfinance institutions. Rather than giving credit and having them pay back, they should also be interested in knowing what percentage of their clients falls under the "very poor category. If the management and staff buy-in the process then the issue of quality control may not arise. The implementing organization should also have capacity within it to be able to implement poverty assessment so that it does not seem to be foreign ideology but rather as part of the organizational objective. Some external factors that facilitate the implementation of these tools include the season in which poverty is being measured, for example in the festival seasons, one may get wrong indications as to whether one is poor or not as almost all families try to have some type of foods to be cooked. If there is has been drought, then most families may seem to be poor while this may not be the case. The political situation is also a very important external factor; we had to halt the data collection at some point in time as Kenyans were voting on the referendum. As a result the political atmosphere is charged, hence, we could not continue as responses were biased.

Thus the poverty assessment is an important aspect for any development institution, as it helps an organization to realize whether they have achieved the organization's objective especially if it was on poverty eradication. How can you measure poverty if you do not even know what constitutes poverty in your country/region/organization.

RE: DAY ONE: MEASURING POVERTY WHAT WORKS AND WHAT DOESN'T?
Post By: Thierry van Bastelaer

Thank you, Marceline, for sharing your experience with testing the USAID/IRIS tools for practicality in Kenya. You make a number of very important points.

First, your discussion of regional differences in the relevance of specific indicators provides a confirmation of IRIS's finding that international--or in some cases, country-level--tools are not accurate enough to help USAID meet the mandate from Congress (interested readers can read more about the IRIS tests on this issue at http://www.microlinks.org/ev_en.php?ID=12357_201&ID2=DO_TOPIC). So while USAID is committed in developing tools for most countries where it has microenterprise programs, it is keenly aware that geopolitical borders do not necessarily reflect the actual distribution of poverty.

Second, you correctly point out the importance of clear understanding of the meaning and purpose of the indicators in the tools. This will be particularly important when tools need to be adapted to local conditions. Let me give me an example. The ownership of a vacuum cleaner was found in some countries to be a strong indicator of non-poverty. If this item is not used at all in the country for which the tool is adapted, it needs to be replaced by another one, and hence understanding the purpose of the question is critical to maintain its accuracy (in this specific case, the question probes the ownership of luxury household items, rather than the respondent's usual method to clean the house).

Finally, you describe the advantages and disadvantages of the intake methodology for collecting responses from clients. Under this method, clients are walked through the survey instrument when they come to the branch office to receive their first loan or business service. The timing of this visit varies, of course, but the critical importance is that the data is collected after the respondent has been accepted as member. This eliminates--in part, but not completely—strategic responses from clients who want to appear poorer than they actually are.

Even if this element is more or less successfully addressed, other practitioners have mentioned to us that meeting clients at the branch office rather than at their households removes the ability for the interviewer to observe the client's living conditions and to use these observations to answer poverty questions without having to ask them. For example, the size of a house was a strong predictor of extreme in 9 of the 12 countries for which IRIS is developing tools. Observing this variable directly would help ensure that the response is not affected by any strategic considerations by the client. Of course, household surveys are a lot more expensive and time-consuming than meeting clients as they visit the branch office. This is another area on which I would welcome practitioner feedback.

Thanks again.

RE: DAY ONE: MEASURING POVERTY – WHAT WORKS AND WHAT DOESN'T?
Post By: Colleen Green

I'm interested in hearing about the experience of organizations with one (or more) of the poverty tools that do NOT do financial services. Is there one tool that works best for non-financial service providers (also taking into account regional differences)?

RE: DAY ONE: MEASURING POVERTY – WHAT WORKS AND WHAT DOESN'T?
Post By: Megan Gash

Hi Ms. Green,

I am a consultant for the IRIS center and have been organizing feedback from the grantees which carried out the practicality testing in the PAT project. I have read all of the reports and spoken with several grantees personally about their experiences. I also conducted a practicality test for the PAT project in Tanzania, and can say I have "first-hand" experience in testing the tools.

In regards to which tool, as in which specific set of questions, works best for non-financial service providers, the answer is that country-specific tools work best. Both financial and non-financial service providers claimed that the most important factor in creating the tools is that the questions were pertinent to the country-context of the respondents. As long as that requirement was met, the type of respondent had no relevance on the specific poverty indicators asked.

In regards to which methodology--household survey, client intake or ongoing monitoring--the best method depends upon the preference of the organization. We saw one business service provider use the ongoing monitoring method and not encounter any problems with it. The organization added its own questions at the end of the IRIS survey question form, and was able to keep the total length of the interview short as well as avoid having to make a trip separate from their regular data collection duties to collect poverty assessment information. The ongoing monitoring methodology fit in well with their established procedures. However, if a BDS or some other non-financial service provider did not already have a data collection method in place, then it could chose to use the household survey or client intake methodologies. Based on feedback from multiple participants in the study, the client intake method is the easiest method because interviews are conducted in the office when the client (who is already accepted into the program) comes to visit, for official or unofficial reasons. The client intake method can take longer overall than the other two methods because only new clients (yet again, that have already been accepted to the program) can participate.

Essentially, we found no difference between the preferred methodologies of financial and non-financial service providers.

Thank you for your question.

RE: DAY ONE: MEASURING POVERTY – WHAT WORKS AND WHAT DOESN'T?
Post By: Laura Foose

The Poverty Outreach Working Group (POWG) at the SEEP Network would agree with many of the points that Marceline Obuya made. Above all, TRAINING is essential within the organization so that the people conducting the interview or helping with the intake form, etc, are sensitized how to ask the questions. The staff should also understand and 'buy in' to why it is important to conduct the poverty assessment tool - that it is an opportunity to learn more about their clients. If it is conducted with a negative attitude or seen as a nuisance, it is unlikely to be a "good tool."

The participatory wealth ranking (a relative tool) is liked by many practitioners who use it because it gives the clients the opportunity to define what poverty means in their environment. We have talked to IRIS about using this methodology of PWR to adapt the country tools to the local context. I am wondering what the current thinking is on this.

The POWG is currently conducting a survey asking about absolute poverty assessment measurements that practitioners have used and have found practical. Food security and shelter have come up often as practical elements that they use to determine poverty level of clients -- and home assessments seem to be common to verify the information. Most of the respondents to our survey thus far are not affected by the US legislation and already do this poverty assessment as a normal course of business because it is seen as a helpful tool to carry out their work.

RE: DAY ONE: MEASURING POVERTY – WHAT WORKS AND WHAT DOESN'T?

Post By: Thierry van Bastelaer

On the Poverty Wealth Ranking (PWR) that Laura correctly identifies as one of the most popular relative poverty tools:

IRIS took advantage of its collection of poverty data from 800 households in Bangladesh to determine PWR's accuracy in predicting a household's poverty status. Households belonging to 19 hamlets in eight villages in four districts were ranked by three reference groups each. After the PWR was carried out in each of the eight villages, 40 randomly selected households were asked to complete a full benchmark questionnaire. This allowed us to calculate-for each of the 320 households-daily per-capita expenditure. On the basis of this information, the 320 households were categorized as either "very poor" or "not very-poor".

The main conclusion of the exercise was that PWR is a fairly accurate targeting tool to reach the poorest, but only when used in hamlets or villages, and not for larger geographic areas such as districts or the nation. The research team also found that, when comparing PWR with other tools at the national level, the PWR tool clearly outperforms the loan size tool.

Please see Section 5.2 (pp. 39 - 51) of http://www.povertytools.org/Project_Documents/Bangladesh%20Accuracy%20Report%20Final.pdf for a detailed description of this analysis.

RE: DAY ONE: MEASURING POVERTY - WHAT WORKS AND WHAT DOESN'T?

Post By: Thierry van Bastelaer

Thanks for your posting, Laura, and in particular for sharing preliminary results from the survey of POWG members. Your last point about integrating poverty assessment tools in daily operations is critical if the measurement effort is going to be successful beyond the need to meet the Congressional Mandate. This is in fact the topic of tomorrow's discussion, and I look forward to many more useful postings.

RE: DAY ONE: MEASURING POVERTY - WHAT WORKS AND WHAT DOESN'T?

Post By: Jason Wolfe

Specifically for my non-microfinance colleagues out there, presumably you are already conducting some sort of impact monitoring or assessment exercises to ascertain the impact of your work on the economic status of your target beneficiaries (e.g., employment generation, income increases).

In the course of this process, do you measure annual income levels or poverty levels of individuals or households? If so, how? If not, why not?

Thanks in advance for your input...and thanks very much to Thierry for moderating.

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Marceline Obuya

Measuring income is one of the challenges that K-Rep faces, more often the information provided by the clients on the income may not be accurate, but nonetheless, we do measure the incomes levels of the household. In it we consider the amount of income that a household earns per month, as the income levels are more often pegged on the seasonality, if it is in agriculture then measuring income becomes even more complicated because of the weather pattern do change. We also consider any change of main income earning occupation as this is a good indication of whether the change has improved the level household income or not. An increase in the household asset can be viewed as an increase in the household income, when the household have no other alternative then they can sell the asset to get some income. Lastly, we are interested in knowing how the clients would describe their household livelihood, if they describe in terms of "much better", "better", "bad", worse off and "no change" then depending the responses they give, we ask them to justify, more often you find that they will tell you that household income has gone done, or the family expenditure has increased and so on.

I hope this answers your questions.

Thank you.

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Tony Pryor

Thierry: Great to have this discussion! I have a couple of additional questions, not being that familiar with the specific tool developed by your team:

1) Seasonality. How do these tools reflect seasonal variations? "Poverty" can fluctuate in a short term sense as flows of revenue, availability of nearby resources fluctuate seasonally; how do such tools address this? (And is this variation in fact very significant?)

2) Relative poverty. There are aspects of poverty that are absolute, but I assume that many elements of what makes someone poor are relative to a specific cultural and economic environment in which they reside (in other words, can someone be "poor" in one place and not poor if living somewhere else. Is poverty a question of facts, a question of perceptions, or a question of potential (or lack thereof)?

And does the concept of "poverty" make more sense nationally, or within a smaller region? And in that sense, does "poverty" mean the same thing for a rural area as it does for an urban area?

3) Direct and indirect impacts. When measuring the impacts of microenterprise interventions on the poor, whatever term is used to define poverty, it sounds as if in most instances you are measuring income/security gains of the micro-entrepreneur. But how are broader, more systemic gains identified? I assume that the goal of MED programs is to have a strategic and not a tactical impact (i.e. affect a thousand microenterprises, not one at a time). But if a large number of enterprises are affected, isn't it possible to define the impact on the poverty of the **customer** of that microenterprise, not just the person running the enterprise or taking out the loan.

Many thanks!

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Thierry van Bastelaer

Tony,

Thanks for your note and, as should be expected, very astute questions.

1. How do these tools reflect seasonal variations? At this point they don't. There is no technical reason why this can't be done, but in order to be able to cover four seasons in a country, you'd need to collect randomly selected household data in that country at three months' interval, identify the most powerful indicators and their weights for each seasonal data set, and combine this information into four tools, one for each season. (You'd also need to do this every few years in order to make sure the tools don't lose their accuracy as economic conditions in the country change). As I mentioned earlier as follow up to Marceline's excellent posting, available resources only allowed us to develop tools at the country level, thereby glossing over regional differences as well as seasonality.

2. Relative and absolute poverty. This is a very large topic. I believe that most colleagues who have ever observed poverty would concur with your statement. Clearly, if one cannot feed one's children, this is an absolute measure of deprivation. But beyond that, I think all of us would agree that perception and potential are equally important elements of what poverty is. The literature on happiness looks specifically at the perception of poverty--or the comparison with one's personal definition of poverty--and how it compares with others' actual poverty. This literature shows that, say, Russian miners may be much more dissatisfied with their economic situation than African farmers, although their income--even in Purchasing Power Parity terms--is much higher.

As you know, the Microenterprise Results and Accountability Act (http://www.povertytools.org/Project_Documents/HR%203818%20RDS.pdf) defines poverty in absolute terms only clients are "very poor" if they live on less than $1 a day-in Purchasing Power Parity terms-or live in the bottom 50% below their country's poverty line.) So while all of us are aware of the importance of the relative dimensions of poverty, this project was not the opportunity to operationalize ways to capture it.

See 1 above for a response to your question about poverty measurement at the national level.

3. Direct and indirect impacts. Again, the answer to this question comes in part from the legislation, which focuses on the recipients of USAID microenterprise programs. Some of these are indeed ultimate customers (in particular when loans are used for consumption rather than investment purposes); in many cases (such as capital loans and business development services), the recipient may not be the ultimate beneficiary.

Note that there is no reason why the tools that USAID will certify cannot be used for the purpose you mention here. Indeed, the tools can be used by anybody who wants to assess the percentage of very poor households in any group (note: NOT individual poverty). These households can be recipients of health, education, training programs,.... There is nothing in the tools that is specific to the microenterprise sector or, within that sector, to a particular level in the value chain.

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Tony Pryor

Thierry: Thanks a lot! Great answers. And now let me make matters worse by asking another set of questions, which you may or may not want to answer right now, but which came to me after reading that excellent New Yorker article.

Putting aside the specific thing that Congress wants to know, which rightly drives the tools you are discussing now, in an "ideal world" wouldn't you want to get some way of measuring the relative degree of resiliency/resistance to risk of whatever social framework an individual relies on? (Sort of a purchasing power parity idea, but more like poverty inducing parity - the use of the Economist's slightly flip but accurate Big Mac indicator concept, but in reverse?). Gets a bit to the article's idea that poverty in Manhattan and poverty in rural South Dakota can't be measured the same way, in part because BOTH sides of the income/expense equation are different.

But I was also thinking of all of the complexities that aid/constrain someone's ability in the developing world to react - social links and social barriers, existence of vibrant extended family networks, and the breakdown of such networks through AIDS, civil strife, a tsunami, etc.. And most important of all, the impact of remittances -urban to rural within countries and even more so between countries and regions.

I remember my shock in reviewing household surveys in western Sudan in 1985 to see families ostensibly on the edge in terms of "income" being able to survive by focusing on risk spreading (not necessarily increasing their net income, but ensuring that the collapse of any one "value chain" wouldn't be fatal, since their household income came from a largish number of terribly sub-optimized but robust chains).

Most interesting though was the impact of the hidden but real flow of funds back from relatives in the Gulf. How the heck does one factor these survival solutions into poverty measures?

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Thierry van Bastelaer

For an excellent discussion of the merits of relative poverty, you may want to read the following article from the New Yorker: http://www.newyorker.com/fact/content/articles/060403fa_fact.

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Olaf Kula

Thierry,

Thank you for hosting this. I bow to those who are tackling the difficult challenge of measuring poverty. I have felt that it is always easier to create wealth than it is to measure it. I think most tax collecting agencies would agree, When I first read the New Yorker article I was struck that the initial focus of Orshansky's work looked at a measure for purchasing power, or at least the purchasing power necessary to adequately meet household nutritional needs.

I would be very interested in any work done to measure poverty by consumption patterns. I hear anecdotally of figures on what male and female household members do with discretionary income, e.g. purchase beer or health services, but have seen very little empirical work on this.

Would it not be fair to assume that households who spend over 2/3 of income on food are poor? We could further refine by measuring what foods they purchase. The absence of proteins in their purchases would reflect, as I think Orshansky argues, deeper poverty.

The attractiveness of consumption as an inverse proxy for poverty is that it provides a basis for measuring marginal and temporal change in poverty as consumption patterns change.

I apologize if this is already widely done because I confess that I sit far on the margins of the measurement debate. My reason for asking about consumption and marginal consumption indicators is that these could be a powerful tool in the development of services for the poor.

At what point as household income rises out of a destitute category do households begin to spend on health services? What kind of services to they demand? At what point will households spend money on school fees? At what point will they send daughters to school?

If I am way off base excuse an outsiders ignorance, conversely if anyone has good empirical information on how the poor consume, I would be very interested in it.

Thank you

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?

Post By: Kate Arbid

Hi Jason and all –

I'd like to share our experience testing the tool as a non-microfinance organization. Prior to implementing the poverty assessment tool test, EnterpriseWorks practiced on-going and annual project impact monitoring using a tool called the Impact Tracking System (ITS). The ITS uses annual impact surveys to measure various indicators including changes in income, changes in productivity, numbers of beneficiaries, and private sector participation (sustainability). Costs associated with the ITS are included in the project budget and all monitoring and evaluation activities are included in an annual project workplan in order to avoid having to 'go back' and find information after the fact for reporting purposes. The poverty assessment tool can be easily appended to the economic impact survey questionnaire, thus lowering the cost of implementing the tool. Developing a sample was also relatively easy due to the fact that as part of ITS monitoring activities, field staff keep records of the participants directly benefiting from project interventions (technology consumers, artisans, etc).

I'd be happy to answer more specific questions about the ITS and how it can be used in conjunction with the poverty assessment tool.

More information about the ITS can be found on the EW website (www.enterpriseworks.org).

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?
Post By: Hugh Allen

Hello everyone,

I am quite mystified at the $1 a day standard. Apart from the fact that it's arbitrary and very hard accurately to measure, it has very little to do with a livelihood. In a rural area much of what people need to survive they produce for themselves and it has no cash cost. Their livelihoods may be secure, but they have less than a dollar a day. By contrast, a Jua Kali worker in a Nairobi slum may earn $5 a day and struggle hard to survive. Surely it's better to measure livelihood indicators such as adequacy and variety of nutrition, access to shelter, access to education and health services, capacity to save and social capital: the basic factors that constitute a decent life. These things will vary a great deal from place to place but are easier to measure and have real meaning.

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?
Post By: Tony Pryor

Very thoughtful. Using proxies as ways to approximate complex concepts and trends makes a lot of sense.

Olaf gets at the key issue with looking at poverty 'head on' - the slippery nature of an otherwise straightforward term - income - when applied to people surviving in the informal sector and through barter, extended family support and remittances. Even if it were easy to get income data from people on the margins, these other types of support processes are not so readily integrated into an overall income calculation.

Certainly people have been working to do this, helping to generate a healthy growth of PhD theses, but it lends a degree of complexity to what otherwise would be a powerfully clear proxy that field practitioners could use.

Using consumption quality as well as quantity is very attractive although I would assume it gets trickier in rural areas. Anyone from IFPRI or a similar group out there?

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?
Post By: Thierry van Bastelaer

Thank you to Olaf and Tony for their thoughtful questions. I find Olaf's argument in favor of looking at consumption patterns very appealing, but I am personally not aware on research on this topic. I hope that somebody out there can address this issue more knowledgeably than I can.

Underlying both posts is the very real concern about measuring income, which as Olaf points out is too variable and delinked from informal activities to serve a reliable proxy. I can't talk for other groups which are developing tools, but this concern led the IRIS team to decide early on to focus on expenditures as our poverty indicator.

RE: DAY ONE: WHAT WORKS AND WHAT DOESN'T?
Post By: Thierry van Bastelaer

Hugh,

I believe your question may be best answered by the groups which worked with Congress on this legislation. I suspect that the fact that the First UN Millennium Development Goal specifically defines extreme poverty as "living on less than a dollar a day" served as a reference in Congress' thinking.

DAY TWO: UTILITY BEYOND COMPLIANCE

DAY ONE CONCLUSION: THIERRY VAN BASTELAER

Hello Speaker's Corner Participants,

Thank you to all participants who contributed their thoughts, questions and experience in yesterday's discussion. We heard from Marceline Obuya, who shared her experience with testing in several regions of Kenya the draft tools that IRIS developed for USAID. She identified a number of important features of successful tools, such as regional calibration, careful adaptation of questions, and preferred time and location of implementation. In response to Tony's questions I elaborated on the limitations of the IRIS tools in terms of regional and seasonal variations, spent a few short lines on a discussion of relative poverty, and whether tools are measuring poverty of direct or indirect beneficiaries of microenterprise programs.

Jason and Colleen were interested in the use of tools by providers of non-financial services. In response, Megan indicated that the two Enterprise Development firms that took part in the practicality testing of the tools for USAID did not indicate preferences in terms of methodology that differ from those of financial providers. I hope that today's discussion will provide more answers to this very important question.

Now to begin day two!

DAY TWO: UTILITY BEYOND COMPIANCE

Post by: Thierry van Bastelaer

Welcome to Day 2 of the e-conference!

The Topic of Day 2 of the Speaker's Corner is "Utility beyond Compliance". In today's discussion we hope to explore ways to increase the likelihood that poverty tools can provide information that helps practitioners do more than report to USAID on client poverty. Given the investment that tool implementation will require, it is important that the information they provide be useful for programmatic purposes.

So, let's start up the discussion: What kind of information will the tools provide? What will they not provide? What are the potential uses for product development and delivery? How have participants used the information they generated for this purpose?

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Ricky Mugabi

Dear Fellow participants,

Just joined the discussion and trying to read some background info before I can make any useful contributions or ask questions. I hope I'm not late joining in day 2.

Thanks

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Nigel Biggar

This is a good discussion and an excellent series of questions. The poverty tools the microfinance industry develops will be more relevant for organizations if the data they generate can be used for management purposes. I can relate some of the experience that Grameen Foundation's partners have with the tools that they are using (the Progress out of Poverty Index- PPI).

By way of quick background, the PPI is a composite of easy-to-collect, country-specific, non-financial indicators, such as family size, the number of children attending school, the type of housing, and what the family typically eats. For each country, indicators are drawn from that country's national household survey (e.g. Mexico's ENIGH database, Pakistan's Integrated Household Survey, the Philippines' Annual Poverty Indicator Survey).

The PPI thus provides an accurate assessment of the poverty likelihood of a household, as the PPI results are objectively linked to national poverty lines through the national household survey. PPI data can also be used to track change in poverty status of clients over time. We are seeing that MFIs are using poverty data to segment their portfolios to understand trends in performance. Examples of the types of analysis we are seeing include tracking poverty rates:

• Among incoming clients
• Among exiting clients
• According to loan size
• According to income generating activity
• According to the type of community where the borrower lives (rural vs urban)

Some partners are linking the PPI to incentive systems, so that they can ensure that they reward field staff for recruiting clients with the poverty profile that the MFIs wish to attract.

This information enables MFIs understand the extent to which they are achieving their mission and also improve their products and services to meet the needs of their clients (performance management).

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post by: Thierry van Bastelaer

Hello E-Conference Participants,

I'd like to push the discussion towards the issue of what the tools can and cannot do, and to ask what you think are the best uses of the tools beyond reporting to Congress. As a background, some more details about the USAID Poverty Tools Project.

From the beginning of the USAID Poverty Tools project in 2003, IRIS focused its attention on tools that would assess poverty incidence among groups of clients, rather than individuals. The fact that the legislation referred to the aggregate number of clients who are very poor, combined with the conceptual difficulty of correctly estimating the distribution of errors on individual assessments, led to that choice. This means that the USAID/IRIS tools are not designed to be used for individual client assessment or targeting. Practitioners who wish to use them for these purposes should be ready to accept very high levels of inaccuracy in the results.

This is one of the reasons why the process of data collection and analysis designed by IRIS for USAID does not allow the interviewer or data entry clerk to have access to individual assessments. When data entry is complete for all sampled clients, the software computes a number which represents the proportion of these clients who are very poor--as defined by the legislation. This number can be reported as is to MRR.

(Readers interested in the technical aspects behind this issue can read the FAQ page of the USAID/IRIS project web site (http://www.povertytools.org/faq.htm), and in particular http://www.povertytools.org/faq.htm#FAQ1/12. Other teams that are developing absolute poverty tools, such as Grameen Foundation USA--thanks Nigel for your posting--may have chosen a different approach to this issue, and I hope they will share it with participants to the Speaker's Corner.)

The implications of these choices for today's discussion are thus: if tools can not reliably be used for individual assessment and targeting, how can they nonetheless be used by practitioners for product design and implementation? I welcome participants who are already using poverty assessment tools as an integral part of their programs to share their ideas, opinions, and experiences with others on this Speaker's Corner.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post by: Jan Maes

Dear Thierry and Nigel,

Correct me if I am wrong, but I suspect that GF-USA's PPI is just as inaccurate to predict individual poverty levels as the IRIS tools would be. Therefore, I am interested to know how many clients approximately one needs to survey to obtain a reasonably accurate estimate of the aggregate (average) poverty level of the client population of interest? If practitioners can have a fairly accurate idea of the extent by which people "cross the poverty line" this way, they can at the very least come up with a success rate of lifting the very poor out of poverty, compare success rates among different target populations/regions, and perhaps even compare success rates among different MFIs within the same area. And while it might be impossible to prove attribution of such impact to one's approach, these data could still be useful feedback to improve/develop products/services over time, especially if complemented by other (especially market) research findings.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Evelyn Stark

I'll leave it to the stats folks to really work out the number of clients in a sample, but go back to what a couple of you are saying about the individual. Poverty is extremely complex as Marceline notes. A goal of many is to determine if we can assist people to move out of poverty, and some people want/expect these tools to help them measure that. That will be very difficult to do for a variety of reasons. One of the main reasons that that is so difficult is because many poor people are NOT poor all the time, but rather go up and down - and sometimes quite far up and quite far down.

Measuring poverty is a point in time measurement, and using the tool to see if people "cross the poverty line" would provide some false positive examples... and some false negative examples. At a World Bank conference on poverty that I attended recently, they talked about measuring people's poverty status frequently over many years. I can't recall if clients had to be consistently "non-poor" for six years in a row, or for a certain number of consecutive years for them to determine that the intervention (and broader economic, social, health, etc. growth and development) had moved people out of poverty. This really does seem to lead to the emphasis that some folks are putting on facilitating asset accumulation and protection which means we should see some new and interesting products and services, partnerships and linkages in the future of microenterprise and microfinance!

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Anthony Leegwater

Jan,

The determination of the appropriate sample size can be a very technical exercise, with the size of the client population being an important determinant. The primary issue is to ensure that the sample is large enough (and diverse enough) to be truly representative of the underlying client population. Certainly, the larger the sample size, the more accurate the poverty estimates will be (errors in predicting very poor households can be offset by errors in predicting not very-poor households).

The sample size we recommended to USAID for testing the tools--and also for their implementation--was a minimum of 200 households for each microenterprise practitioner. Again, the more the merrier.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Rekha Reddy

Hi all,

In response to the first question about how poverty information can be used, a few ideas based upon the results ACCION has seen after its poverty studies:

1) Critical knowledge about market served

In each case where ACCION has carried out poverty studies, the studies themselves have had an immediate impact on the thinking of senior management about their clients. In some cases, the studies inspired discussions about the markets currently being served, whether the institution was fulfilling its mission and brainstorming sessions about ways to reach different types of clients. Institutions have also been able to measure how outreach to the poor differed across different geographic regions and product types.

2) Information to inform product development

Institutions who have had poverty studies conducted have used them in conjunction with a strategy to move further downmarket. Three institutions who are members of the ACCION Network who have had poverty studies have developed specific products designed to reach downmarket. These products differ in nature, but generally involve lower loan amounts and guarantee structures designed to facilitate access to credit.

3) Reporting to management and key stakeholders

Some institutions were particularly interested in incorporating information on outreach to poor clients into its reporting system. Some institutions send regular reports on outreach to poor clients to their Board of Directors. One institution incorporated the percentage of poor clients as a goal in its strategic plan.

4) Improvements in data collection procedures

This is not applicable to the IRIS tools, but has been a big impact on ACCION partners who have researched poverty outreach, as ACCION measures poverty using data collected through the credit evaluation process. The institutions ACCION works with have made changes in their operations in the years following their poverty assessments. For example, one institution used information on the comparisons between household survey data and loan evaluation data to guide their loan officers in gathering better data for the credit evaluation. Before the poverty study, credit evaluations gathered income and expenditure data for the potential client for a particular month and often did not pick up important expenses that are paid annually, such as school fees and rent. Now loan officers are instructed to look beyond daily expenses and seek information on these less frequent categories of expense. If expenses are below a certain percentage of income on the credit evaluation, the loan evaluation is flagged for further investigation.

Hope this helps contribute the discussion on collecting poverty information that is useful for institutions in furthering their goals.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Olaf Kula

Rekha, Thierry, and Tony

Perhaps I should have waited until today to participate because it is the question of the utility beyond compliance that I find potentially interesting---if consumption of goods and services could be used as a wealth/ poverty proxy.

I am thinking of ITC, and the E-Choupals and how many service providers are targeting the rural poor with internet marketing of health, education, and business services as well as consumer goods. C.K. Prahalad's notion of the bottom of the pyramid also argues that poverty, even extreme poverty does not mean that the poor are not consumers. Poverty may even make them more discerning consumers if they had choices. Anecdotally the poor spend a high percentage of their liquid assets on health services---but which ones, for which members of the household, and under which conditions.

Not all who market services to the poor are benevolent in their motives, but knowledge of how the poor consume could be a powerful development and economic growth tool.

Thanks

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Marceline Obuya

K-Rep has not only been able to determine the poverty levels of its clients, but is now going further to use the information generated during the USAID/IRIS tools test to develop products that were not existing on its product line. One such example is to design a product that facilities asset ownership by its clients.

Poverty Assessment Tools do not measure the complex nature of poverty, or the multiple nature of poverty neither does it measure the relative poverty but the tools can be used by Micro Enterprise Practitioners (MEPs) to determine the proportion of their clients that fall above or below the legislative poverty line. It further measures the impact or movement of out poverty for individual clients. The tools provides information on the living situation of clients and this includes

* the demographic information of clients
* Household indicators
* Asset-based indicators

Under the household indicators, the tool seek to generate information regarding the living situation of clients, information such as type of cooking fuel used by the household, main source of lighting, type of toilet facility, main source of drinking water for the household, type of exterior walls used; type of flooring and roofing material. The asset indicator is a significant poverty pointer to poverty levels. However the tool does provide information and particularly in the intake methodology that we tested the following information:

* Number of children that have dropped out of school due to lack of money;
* Size of land which a household lives on/own;
* The type of fence that has been used in the homestead;
* Type of the crops planted on the land
* Whether a homestead has granary/ means of storing grain
* Amount of money accessed from the program,
* No of livestock in the homestead;
* Does the family owns a radio or TV;
* Type of household furniture;
* Family size;
* Type of house;
* Does the family own a pair of shoes;
* Occupation of household members
* Whether a member of the household belongs to a merry-go-round;
* Climatic condition of a given area;

The potential for these tools is that it will help MEP to know whether the products they offering their target clients meets their needs and if not, then the information generated would help to redesign the product and eventually this may lead to the change of delivery mechanism. Other than reporting to USAID's the proportion of K-Rep's clients that fall under the "very poor" category, K-Rep is now embarking on developing new products within the Financial Services Associations (FSA) which not only meets the different categories but also new clients that featured as needed during the research process. One such example was when we sought to know the highest level of education achieved by any member of the household; we noted that when such a question was asked, the respondents would quickly point the reasons for drop out especially if the highest level in that particular household is primary education. K-Rep can then design a product to provide secondary education fees to cater for such clients.

Thank you.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Megan Gash

Marceline,

I want to say thank you for sharing with us the other uses K-Rep has found for the poverty assessment data you collected. Theoretically, we all know that more can be done with the data than to simply measure poverty, but it is encouraging to see a real-world scenario where the findings lead to a new product design. Good luck with the secondary education fees product and please let us know in the future how it works out.

Megan

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Megan Gash

On the same note, thanks to Rekha as well!

Megan

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Mark Schreiner

I'd like to contribute to the discussion of some topics brought up by Thierry van Bastelaer, Jan Maes, Anthony Leegwater, and Evelyn Stark.

As background, I've worked with Grameen Foundation U.S.A. to construct and test poverty scorecards (Progress out of Poverty Indices) for Bangladesh, Haiti, India, Mexico, Pakistan, and the Philippines (http://www.microfinance.com/#Poverty_Scoring). I've also worked in the field of credit scoring, something that is in almost all ways analogous to the poverty scoring being discussed here. (Credit scoring estimates the probability of default, while poverty scoring estimates the probability of being poor.) The field of credit scoring has a wealth of lessons to offer. Even poverty scoring itself is not a new idea, and a great deal can be brought to bear from the literature on what for some reason has been called "proxy means testing".

1. Thierry wrote: "IRIS focused its attention on tools that would assess poverty incidence among groups of clients, rather than individuals. The fact that the legislation referred to the aggregate number of clients who are very poor, combined with the conceptual difficulty of correctly estimating the distribution of errors on individual assessments, led to that choice. This means that the USAID/IRIS tools are not designed to be used for individual client assessment or targeting. Practitioners who wish to use them for these purposes should be ready to accept very high levels of inaccuracy in the results."

To estimate the overall poverty rate for a group of people, both IRIS and GFUSA first estimate the poverty status of the individuals in the group; estimating a group's poverty rates requires estimating individuals' poverty statuses.

There are straightforward ways to estimate the accuracy (that is, distribution of errors) of these individual assessments. (All the papers on the web page above do this in one way or another.) A given error rate may be seen as high or low, depending on the purpose for which the estimates are to be used and the precision required by the user. If the expected error are documented, then the user can decide whether accuracy is sufficient.

It is possible in principle to get accurate poverty rates for groups but inaccurate poverty rates for individuals, but in general, good accuracy for one is accompanied by good accuracy for the other. When the poor are a small share of the population, errors will be greater when identifying the poor than when identifying the non-poor (in credit scoring, this is known as "unbalanced population proportions"). This issue is even stronger in credit scoring because the share of defaulters is rarely greater than 2 or 3 percent. IRIS has explored several sophisticated econometric techniques that mitigate this issue.

Some of the historical literature on "proxy means tests" also states that poverty scoring should not be used to target individuals. I am not sure what to make of this, perhaps the authors believed their scorecards to be extremely inaccurate (although they rarely report accuracy measures). The current generation of poverty scorecards from both GFUSA and IRIS, however, are generally simpler and more accurate than most of those in the literature. In any case, the government of several countries (often with the support of the World Bank) already use poverty scorecards to target social programs. Two references include:

Castañeda, Tarsicio. (2005) "Targeting Social Spending to the Poor with Proxy-Means Testing: Colombia's SISBEN System" Social Protection Discussion Paper No. 0529, Washington, D.C.: World Bank, http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/0529.pdf

Grosh, Margaret; and Judy L. Baker. (1995) "Proxy Means Tests for Targeting Social Programs: Simulations and Speculation", LSMS Working Paper No. 118, Washington, D.C.: World Bank.

Finally, it is worth noting that private lenders all over the world use credit scoring every day to do what amounts to individual targeting (and predicting default is much more difficult than predicting poverty status). With billions of dollars at stake, they have rendered their judgment on the ability of scoring to target individuals.

2. Jan asked about the sample sizes required to get accurate estimates of overall poverty rates. Anthony replied that determining sample size was a very technical issue, that the size of the population is an important determinant, and that the primary issue is ensuring that the sample is truly representative of the population. IRIS recommended to USAID a minimum sample of 200 (independent of the size of the population), noting that more would of course be better.

Questions about the adequacy of sample sizes are common in scoring. Ideally, the accuracy of the overall poverty rate would be expressed in terms of a confidence interval, for example, "We are 90-percent confident that the true overall poverty rate is within +/- 2 percentage points of the estimated poverty rate." Thus, to determine sample size, the user needs to make two choices, first how much certainty is required (the "90-percent confident" part), and second the acceptable range around the true value (the "+/- 2 percentage points" part).

How do we know whether 200 cases is enough? If we wanted to be 90-percent confident that the true value was within 2 percentage points on either side of our estimate, how big would the sample have to be, say, for India or for Jamaica? Does it vary a lot with the size of the population?

While there are no non-technical ways to answer these questions, there are still answers. In the case of GFUSA's 10-indicator All-India scorecard, an out-of-time, out-of-sample bootstrap test with 10,000 replicates shows that a sample of 200 provides:

a. Given 90-percent confidence, an interval of +/- 4.7 percentage point's
b. Given an interval of +/- 2 percentage points, a confidence level of 48 percent

In this specific case (and answers to the sample-size question will always be specific to a scorecard and a country), a sample of 200 is probably not sufficient.

A sample of 1,000 provides:

a. Given 90-percent confidence, an interval of +/- 2.1 percentage point's
b. Given an interval of +/- 2 percentage points, a confidence level of 89 percent

Finally, a sample of 32,669 provides:

a. Given 90-percent confidence, an interval of +/- 0.37 percentage point's
b. Given an interval of +/- 2 percentage points, a confidence level of ??? percent

3. Jan notes that some people would like to use poverty scoring to measure not only changes in poverty over time but also impact on poverty. For example, if, in a given group of 100 people, 50 percent are poor today but, after one year, only 45% of this same group is poor, then it can be said that 5% (5 in 100, or 5 out of the 50 people who started out poor) crossed the poverty line in the year.

Jan writes: "If practitioners can have a fairly accurate idea of the extent by which people 'cross the poverty line' this way, they can at the very least come up with a success rate of lifting the very poor out of poverty . . . And while it might be impossible to prove attribution of such impact to one's approach, these data could still be useful feedback to improve/develop products/services over time."

A danger with poverty scoring (as Jan points out) is that measures of change will somehow be transformed and then reported as measures of impact. Of course, poverty scoring has no way of assigning causality. If 5% of a microlender's clients cross the poverty line in a year, it does not necessarily mean that being a microcredit client caused the improvement.

Information about changes in client poverty over time can be useful for product development only if management correctly believes--in the absence of formal quantitative proof--that a large part of the change is due to program participation. (Otherwise, the changes wouldn't have management implications.) Of course, managers need not limit themselves to quantitative proof, and they may very well have qualitative evidence or other good reasons to believe that program participation is causing a large part of the observed changes in poverty. But it is important that quantitative measures of change in poverty not be morphed into claims of quantitative evidence of impact.

4. Evelyn says that peoples' moving in and out of poverty makes measuring change more difficult if the goal is to measure permanent (or at least enduring) progress out of poverty. As Evelyn points out, measuring progress toward this goal would require that poverty scorecards estimate poverty status for individuals at several points during a period of time.

Another possible goal is to measure the change in total person-years above the poverty line. For example, suppose that poverty scoring indicates that 5 people progress over the poverty line in Year 1 but that 3 of the 5 regress back into poverty in Year 2. In the two-year period, there were 7 more person-years above the poverty line then if there had been no progress nor regress at all. Poverty scoring will correctly measure this, even though there was some "churning" around the poverty line and even if only estimates of overall poverty rates are considered.

Of course, 5 persons' leaving poverty for 1 year and then returning is not the same in terms of development as 1 person's leaving poverty and staying out for 5 years--in the enduring case, the person will presumably have strengthened his or her situation and become less and less likely to regress, whereas the people who exit just for a year probably remain vulnerable to further downturns.

This discussion of technical aspects is important, but in conclusion I would like to emphasize that the common wisdom in the field of credit scoring is that the greatest challenge is not statistical or technical ("accuracy") but rather human and organizational ("practicality"). The most accurate scorecard in the world is not helpful if no one uses it. Most reasonable poverty scorecards with suitable sample sizes, even with just a few simple indicators and simple formulae, are probably going to be accurate enough for "government work"--we're not plotting the trajectory of a rocket heading for the moon, and decisions by donors and managers probably usually don't require accuracy better than +/- 2 or 3 percentage points, nor do they require 90-percent confidence.

Practicality has two dimensions. The first is simplicity (ease of use), and the second is acceptance by the organization.

Simplicity keeps costs low. The GFUSA scorecards do this by using 5-15 (usually 10) categorical indicators that are easy to verify in the field (for example, "Do you own a television?" rather than "What is the total value of your assets?", or "Does anyone in the household have leather shoes?" rather than "How much did the household spend in the past 12 months on clothing and footwear?", or "What is the roof made out of?" rather than "On a scale of 0 to 10, how poor is your household compared to others?"). Also, all scorecard points are either zero or positive integers, and the sum of the points ranges from 0 (most likely poor) to 100 (least likely poor). The scorecard fits on one side of a piece of paper, and scores can be computed by field agents by hand in real time.

Gaining acceptance of poverty scoring is easier if things are simple so that costs are low and the people in the organization do not see scoring as an "extra" burden. But gaining acceptance also means helping users see that the scorecard is valid for its stated purpose. Allowing users to see the indicators and their weights helps them to accept the scorecard--they are less likely to trust a mysterious, off-limits formula. (In any case, users will soon figure out the points for each indicator.) Transparency promotes acceptance, although it may increase the training and monitoring required to control misuse (but this would likely be even greater if the scorecard were a magic box). Transparency also encourages users to participate. For example, GFUSA has been very willing to add or delete some indicators as its affiliates see appropriate. Due to a concept known in credit scoring as the "flat max", changing a few indicators does not accuracy much, but of course making adjustments based on user feedback goes a long way toward securing the organization's acceptance and buy-in.

Finally, beyond the work of GFUSA and IRIS, I would recommend the following documents as excellent examples of simple poverty scorecards:

Ahmed, Akhter U.; and Howarth E. Bouis. (2002) "Weighing What's Practical: Proxy Means Tests for Targeting Food Subsidies in Egypt", Food Consumption and Nutrition Division Discussion Paper No. 132, Washington, D.C.: International Food Policy Research Institute, http://www.ifpri.org/divs/fcnd/dp/papers/fcndp132.pdf

Baulch, Bob. (2003) "Poverty Monitoring and Targeting Using ROC Curves: Examples from Vietnam", IDS Working Paper No. 161, http://www.ids.ac.uk/ids/bookshop/wp/wp161.pdf (IRIS graciously brought this paper to my attention.)

Cortez, Rafeal; Mahmud, Farial; Rabbani, Ghulam; Hossain, Najmul; Faiz, Naushad; Huq, Nazmul; Sultana, Sharmin; and Tarana Tasnim. (2005) "Targeting Resources for the Poor in Bangladesh", Bangladesh Development Studies Paper No. 5, Washington, D.C.: World Bank, http://siteresources.worldbank.org/BANGLADESHEXTN/Resources/FINAL-printversion_Paper-5.pdf

Grootaert, Christiaan; and Jeanine Braithwaite. (1998) "Poverty Correlates and Indicator-Based Targeting in Eastern Europe and the Former Soviet Union", World Bank Policy Research Working Paper No. 1942, Washington, D.C., http://www.worldbank.org/html/dec/Publications/Workpapers/WPS1900series/wps1942/wps1942.pdf

Setel, Philip; Abeyasekera, Savitri; Ward, Patrick; Hemed, Yusuf; Whiting, David; Mswia, Robert; Antoninis, Manos; and Henry Kitange. (2003) "Development, Validation, and Performance of a Rapid Consumption Expenditure Proxy for Measuring Income Poverty in Tanzania: Experience from AMMP Demographic Surviellance Sites", http://www.rdg.ac.uk/ssc/publications/Inc_PovProx.pdf

Some digging on the web may produce poverty scorecards for a number of countries not yet covered by IRIS or GFUSA.

Kind regards

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Kate Arbid

We included some questions to assess the success of technology marketing, although we could have also included questions usually used in our economic impact surveys. The surveys we conduct are confidential, so that the poverty tool questionnaire can be implemented during the same interview using the same methodology.

We wonder if even a small percentage of our beneficiaries would fall into the very poor category. Because we work with entrepreneurs rather than microfinance clients, we assume that they already have some working capital to operate and are generating some income. Once the poverty assessment tool is implemented, we'll know the percentage and this will help us to modify our strategy, if necessary, in order to reach out to more of the very poor. Unfortunately, the tool will not help us to identify which type of beneficiary already falls into the very poor category.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Thierry van Bastelaer

Thanks to Mark for his detailed and instructive posting, as well as the useful references he provided. I would rather not to engage in complex methodological discussions in this forum, but I would like to follow up on three of his points because they potentially have practical implications for practitioners. Please accept my apologies in advance if I am not successful at translating technical issues in reasonably understandable terms.

1. Poverty incidence affects the accuracy of tools.

I am grateful to Mark for pointing out that the accuracy of any tool will be lower in countries and regions with lower poverty incidence. The IRIS tests showed, for example, that very similar tools exhibited lower accuracy in Kazakhstan (where extreme poverty incidence was 4.5% at data collection time) than in Bangladesh (where incidence was 31%). Interested readers may want to look at the accuracy results for 12 countries at http://www.povertytools.org/Project_Documents/Accuracy%20Results%20for%2012%20Countries.pdf. The reason for this observation is simple: the less frequent an event (be it poverty, a health outcome, an opinion,...), the more challenging it is to identify or predict it accurately. So practitioners working in relatively less poor countries should not be surprised-or ask for a refund-if the poverty tools they use in these countries produce lower levels of accuracy.

2. Individual accuracy and collective accuracy

Within a specific country or region, IRIS results suggest that it is possible for a specific tool to be very inaccurate in assessing the poverty of individual clients, while at the same time providing very accurate measurements of the proportion of very poor households in a sufficiently large group of clients. To illustrate this point, let me take an extreme hypothetical example.

Imagine that a poverty assessment tool is applied in a group of 100 persons, 50 of which are very poor, and 50 of which are not. Assume also that the tool in question has been designed so that it balances prediction errors (this is the approach-along with an emphasis on correctly predicting very poor households-selected by IRIS for the tools it developed for USAID). In simpler terms, this means that, for every very poor client incorrectly classified by the tool as not very-poor, there is one not very-poor client incorrectly classified as very poor. If this is the case, the tool could incorrectly classify EVERY client, and still produce a perfectly correct proportion of very-poor clients (50%). This would, of course, have disastrous consequences for individual classification-or targeting-and for meeting clients' actual needs.

This is not to say, of course, that all tools that are inaccurate in individual assessments will necessarily be accurate in collective assessments, or vice-versa, but merely that practitioners need to take the time to confirm with tool developers that the instruments they use are appropriate for their own purpose, be it individual or collective poverty assessment.

3. Practicality is critical

Again, Mark is exactly right in pointing out that the most accurate poverty tool is useless if nobody chooses to use it. Given the mandate of the legislation, unfortunately, practitioners who receive USAID microenterprise funding won't have the choice to use a tool or not; all will be required to use a USAID-certified tool to report on the (aggregate) poverty level of their clients. This reality makes it even more important to develop tools that are as easy to use, and as inexpensive as possible in terms of practitioners' time and money, and is the reason why IRIS split the tool development process in two phases: accuracy and practicality. We have now received practicality reports for the 15 practitioner organizations that tested the draft tools in the field, and on the basis of that information, we are removing from the tools the indicators that were shown to be impractical, too sensitive, or too complicated, and running the regression that will yield adjusted weights for the remaining indicators. At the end of this process, we will have tools that are both accurate and as practical as possible, although we will only know how well we succeeded when practitioners start working with the tools after October.

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Brian Beard

Hello everyone,

I am a member of the IRIS team working on the development and testing of the poverty assessment tools, and I would like to respond to a recent comment that the tool "will not help us to identify which type of beneficiary already falls into the very poor category."

It is correct that the poverty calculation step in the data processing only gives you the overall percentage of 'very poor' clients in the sample being examined. However, one can also use the existing dataset to compare categories of clients/beneficiaries. The beginning of a survey tool includes (or easily can include, if it does not already) demographic information such as gender, branch or region, type of service received, type of business, etc. Using any one of these demographic variables, one can select only a particular subgroup of those interviewed (such as those beneficiaries receiving a particular type of training, or in a specific geographic region), and then run the poverty calculation to see what percentage of those in that subgroup are considered 'very poor'. In this way, it would be possible to determine whether a program's 'very poor' clients are more likely to be found in one subgroup or another. Of course, as with the poverty estimation for the entire sample, the size of the subgroup being examined is a major factor in how accurate the poverty estimation might be for that subgroup (the "level of confidence"). If an organization is interested in comparing the incidence of extreme poverty among various subgroups of their beneficiaries, they should make sure that their sample size is large enough so that the poverty estimations for each subgroup yield a sufficient level of confidence.

Brian Beard

RE: DAY TWO: UTILITY BEYOND COMPLIANCE

Post By: Mark Schreiner

A small correction to my previous post:

"Finally, a sample of 32,669 provides:

a. Given 90-percent confidence, an interval of +/- 0.37 percentage points
b. Given an interval of +/- 2 percentage points, a confidence level of ??? percent"

should be

Finally, a sample of 32,669 provides:

a. Given 90-percent confidence, an interval of +/- 0.37 percentage points
b. Given an interval of +/- 2 percentage points, a confidence level of 99.99 percent"

DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESMENT TOOLS?

DAY TWO CONCLUSION: THIERRY VAN BASTELAER

Hello Speaker's Corner Participants,

Thank you to all who contributed their thoughts, questions and experience in yesterday's discussion. Since we know from years of communication with other practitioners that Utility beyond Compliance is one of the central concerns about the poverty assessment legislation, I invite other participants to share their views or experience on this topic until the end of the Speaker's Corner this afternoon.

Now, however, we are ready to begin Day 3, about the all-important issue of tool implementation.

DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Thierry van Bastelaer

Welcome to Day 3 of the e-conference!

The Topic of Day 3 of the Speaker's Corner is "October 06 is Fast Approaching: How do We Implement Poverty Assessment Tools?". In today's discussion we hope to answer practitioner questions about how the tools will be implemented, hear from those who are already implementing tools as part of their programs, and identify issues that still need resolving for the tools to be implemented successfully starting in October. As background, here is a description of what the USAID/IRIS tools look like.

Tools are more than a series of questions to be asked of microenterprise clients. In addition to the questions (the survey instrument), the tools include recommendations for sampling, data collection and analysis. The survey instrument is composed of a set of 15-25 questions, the answers to which are entered into a computer template provided by IRIS. When all clients' responses are entered, the software automatically computes the percentage of clients that are "very poor" (defined either as those living less than $1 a day—in Purchasing Power Parity terms—or those living in the bottom 50% below their country's poverty line.) Practitioners will report these percentages to MRR.

At this point, tools are expected to be available for 12 to 20 countries by October 06. The actual number will depend on how many tools USAID's Microenterprise Office will certify over the next few months. USAID is planning to support the development of more country-specific tools so that all countries where the Agency funds microenterprise programs will eventually have a tool, starting with countries with the largest microenterprise portfolios.

Please see http://www.microlinks.org/ev_en.php?ID=12380_201&ID2=DO_TOPIC for an indication of what the USAID/IRIS tools may look like. The nature and order of questions will be different in the final tools, but the type of indicators is likely to remain the same.

So, let's start up the discussion: What questions do practitioners have about the mechanics of implementing the tools? How do BDS programs intend to identify clients for sampling? Will practitioners prefer to outsource the assessment to local survey firms of use their own staff? What obstacles or facilitating factors do practitioners expect to encounter as they start reporting on the poverty level of their clients?

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Laura Foose

Hi Thierry,

The Poverty Outreach Working group has been interested in whether or not there will be training provided - in person or by video, etc – to practitioners before using the tools. There was not a definitive answer before --- maybe there has been more thinking on this?

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Laura Foose

Another question from the POWG is what practitioner tools are being considered for certification?

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Evelyn Stark

Hi Laura and POWG-ers asking about which tools are being considered. None have entered a formal certification process though we expect such a process to be announced shortly. We are aware of only two organizations who have been pursuing extensive poverty tool research. If they - or you - would like to identify themselves, that's great.

As for training, there has always been an assumption that USAID will be funding training for tools that it develops. Practically and financially speaking, it would be difficult to train on all tools though we are considering many options to ensure that strong practical training goes forward. While we all know that poverty tools development is very difficult ... those tools that are certified will have to be fairly easy to use - it is our hope that the costs of training will be contained. Any certified tool will be required to have a comprehensive training manual. Of course, some people will still require additional assistance beyond what a manual can offer. We are planning budgets now so funds are not in place - however, we are planning to fund training of trainers, and some direct training in each region we work in. We are also planning (based on funds available) to have a "helpdesk" in order to provide specific assistance on these tools. As anyone who has ever called our MRR helpdesk knows, the folks that work on these helpdesks are generally successful in assisting organizations to complete the MRR and we hope the same will be true of the poverty tools.

I have been asked if USAID will fund training for non USAID-funded programs. On a general basis, that answer will be no. There are simply not enough funds available to do so. However, the TOT is intended to provide for professionals able to train others in the use of these tools and it is our hope that all tools certified will be public and available for general use.

I have also been asked if all programs will be required to use these tools. For example, if a start up organization has 100 clients, how could they meet the sampling ideal of 200 clients? If they are getting a small grant and they are a small organization, how will they find the resources to do this measurement? If they are operating in a dangerous area, will they have to use it? If they are a non-microenterprise specific program (i.e., a multisectoral project), with only a small portion in microenterprise, do they have to use it? All of these questions have been raised and are being considered amongst all stakeholders. As soon as agreements are reached, answers have been found, etc, we'll put out as much guidance as possible. I think all of us are thinking that this is an iterative process and that the early stages of implementation will tell us a lot about what to expect in terms of using these tools.

In addition to all of this, we are also looking at how USAID will audit the results of the poverty tools. While they are going to be easy to use, results can be intentionally and unintentionally altered (for "better" or "worse"). In the near future we will be preparing this and identifying funds to make this happen.

As always, USAID has maintained a very open-door policy on the poverty tools and we encourage questions, comments and thoughts. Please feel free to direct them to me, Stacey Young and Scott Kleinberg who lead this effort for our office, to any of the other members of our office and the IRIS team.

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Laura Foose

Thierry,

This is a broader discussion and perhaps something that can't be answered until a bit later but other issues that have come up are as follows:

1. Will USAID have an audit process to spot check whether the tools are being used correctly and answers are being reported honestly?

2. In future proposals to USAID, will practitioners be able to budget item the cost of conducting these poverty assessments in the future? For instance, will it be allowed to include a budget item in proposals to cover the cost of hiring a local survey firm to carry out the assessment if an organization chooses to outsource?

These questions might be answered better if we understand what is considered an "allowable expense" in the 50% congressional requirement. To my knowledge, there is no clarification at this point for what is considered 50% of total resources spent by USAID on very poor people. Is this only program money? or can this include poverty assessment, research, policy, training, etc. I don't believe USAID has guidance on this point from Congress either.

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Evelyn Stark

Laura,

Great questions. See my last post in re: audit. And the other questions I asked. I think we all have to realize that this is an ongoing process and that that each step we take results in a series of other issues to be addressed. As we go along, we'll have to keep on answering them. I look forward to everyone continuing to raise these questions and concerns so that we can address them and so that we can continue to debate poverty tools, social performance, measurement, management, etc all in order to ensure that the largest numbers of very poor, poor and low income people are able to gain access to sustainable financial and business markets.

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Marceline Obuya

Hello

Some quick questions that I would like to ask

1. There was concern during the research process that kept cropping up; who meets the initial cost of training that is if it will be provided to practitioners.

2. What happens if an institution realizes that only 1% or less of their services reaches the very poor will USAID stops funding to such an institution?

3. How does USAID intent to authentic that results being reported by implementing institutions that they are accurate and honest? Will there be some spot check of some sort by USAID?

Thanks

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Thierry van Bastelaer

Marceline,

I believe that Evelyn addressed your questions 1 and 3 in her earlier posting, but let us know if you have follow up questions.

I can't speak for USAID on your question 2, but see http://www.povertytools.org/faq.htm#FAQ4/2
for an answer to this and related questions. In a nutshell, the answer to your question has been that the legislation requires that the USAID microenterprise portfolio as a whole, not individual partner institutions or field programs, meet the 50 percent benchmark. Thus, it is expected that this portfolio will include organizations with a range of client poverty levels, both above and below the 50 percent mark. USAID colleagues may want to correct or add to this answer.

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Evelyn Stark

Marceline,

Excellent thoughts.

Training will be provided - but certainly not to every organization which will have to implement the poverty tools. We are hoping (funding permitted) to provide training directly and on a TOT basis on a regional basis. While USAID will pay for some of the training, it's simply not possible to provide training to every recipient of USAID funds (see the MRR annual Report for a list of all recipients and you'll get an even better idea why!). My earlier posting goes into this more.

If an institution realizes that only 1% of its INCOMING clients meet the legislative definition of very poor, USAID will not necessarily stop funding. USAID has to have 50% of its funds reaching very poor people. So, if you have 1%, someone else might have 100% of their funds dedicated towards the very poor. We all know that diversity is extremely important in order to build inclusive financial systems and to build markets and value chains that include and enhance the poor's access to markets over the long term.

And yes, we will be auditing results. We believe that Boards and Managers should be auditing their staff's poverty results and the entire process.

Faulty data entry can also throw off results. This reminds me of a very important paradox we should be looking at. Nigel stated the other day that staff should be incentivised to reach very poor clients. IF the same staff who will receive the incentive are the staff who are issuing the survey, the results stand a much higher potential (if not probability) to be mis-stated to increased the incentive. In poverty measurement circles, this kind of bias is frowned upon heavily. In social performance management, it would not be seen as a bias at all, but rather an incentive. I think that any organization who wishes to be accurate and provide incentives to staff who go down-market will have to institute a particularly strong system to minimize bias, and provide for frequent auditing of results with dis-incentives for falsifying results.

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Colleen Green

Evelyn and Thierry,

You noted earlier that the certification process will be announced shortly and that you know of two organizations planning to pursuing poverty research (and thereby presumably tool certification). Based on the discussion of the past few days, these two tools will NOT have global applicability (and I suppose there is a chance that they may not be certified, but for argument's sake, let's assume they are). How then will other organizations meet the October deadline to begin using these tools?

Also, Thierry you mentioned in your email earlier today that USAID will support the development of new country-specific tools, starting with the countries with the largest microenterprise portfolios. Does this mean that the requirement will come into effect in individual countries only where a tool exists and that the old method (the loan size proxy) will be used until a tool is developed?

Finally, I understand that you have done 15 practicality tests with different practitioner organizations. Have the tools been tested in conjunction with projects that support several microenterprise support organization in a given country including ones linked to international microenterprise development networks AND local ME organizations that are unlinked? Similarly, have the tools been tested with organizations that do not work exclusively with microenterprises and the poor, such as banks (but also a whole variety of private sector players that are involved in BDS projects)?

Thanks in advance, and forgive me if I have missed something in today's discussion and am therefore repetitive.

RE: DAY THREE: HOW DO WE IMPLEMENT POVERTY ASSESSMENT TOOLS?

Post By: Getaneh Gobezie

Dear participants,

I thank you all for such interesting discussion.

I have done my M.Sc thesis on the ''Measurement of Poverty'' (Addis Ababa University 1999). Then, I have tried to review as much literature as possible, but the issues of measuring poverty has been very controversial for academics, and I can find few advice. IFPRI has been the major source, any way. I have joined the microfinance industry since then, and I am happy that the issue has come up more strongly for 'practitioners' also. Yes, for donors, governments, NGOs, and also MFIs whose 'vision' is poverty alleviation, and 'giving priority to the poorest', making sure that the resources are really reaching the targeted population should be a fundamental task. I would like to point out two issues.

First, the issue of RELATIVE and ABSOLUTE poverty. For very poor countries like Ethiopia and others particularly in Africa and Asia, the most important one for the majority of its people would be escaping ABSOLUTE poverty. And I think, there are well developed 'indicators' developed over years to indicate weather the target household is in that category. Because this requires some data pointing out if the household is meeting the 'Basic Needs' that are critical for mere survival. These, often, are self-revealing – and objective! The health sector and those in the 'relief industry' know best tools. When it comes to the RELATIVE poverty, more problematic issues emerge, including points raised earlier about the Russian mine worker versus African farmer. This one is more related to the philosophy of 'happiness', and there are a lot of literature on this. This one is more 'SUBJECTIVE'. Indeed (borrowing perhaps from William Shakespeare) some would like to argue that 'Poverty, like beauty, is in the eyes of the beholder'. The discussion on this would take much more time.

So, may be the discussion (including future research on microenterprise/microfinance) should pay more attention for ABSOUTE poverty. If we are focused on meeting the objectives laid out in Millennium Development Goals (MDGs), this makes more sense. Moreover, whatever method we may suggest has to be 'implementable' by microfinance/microenterprise 'practitioners' working, particularly, in poorer areas, with little human resource and capacity. Sophisticated methods may be attractive, but cannot be practically used. What is important is (as Mark Schrinner pointed out earlier) simple, but reasonable indicator of the poverty situation of recipient household.

Latter on I would try to compile some paragraphs on how the Ethiopian microfinance sector is carrying out targeting of poor households for microfinance services.

DAY THREE: POVERTY ASSESSMENT TOOLS CONCLUSION

Post By: Thierry van Bastelaer

Hello Speaker's Corner Participants,

Thank you to all contributors to the Speaker's Corner on poverty assessment. We are in particular grateful to our colleagues in the field for sharing their experiences and questions.

Mark provided useful technical details about the accuracy of the tools as well as the even more important practicality.

Brian suggested how demographic information included in surveys could be used to learn about poverty incidence within subsamples such as gender and type of business.

Rekha and Nigel contributed very useful information about the way that their organizations are already measuring the poverty level of their clients, and what they have learned that could be useful to organizations that are about to start down the same path.

Olaf suggested promising avenues to measure poverty using consumption patterns, and both he and I remain interested in any literature or field experience in this area.

Colleen and Jason oriented the discussion toward the specifics of non-financial services providers, an area that has received relatively less attention than financial services in relation to poverty measurement.

Kate obliged by providing very much needed information about how Enterprise Development groups already use poverty data to affect their products.

In her several postings, Marceline provided a vivid picture of how K-REP confronted regional differences in the characteristic of poverty, and of how the information they have collected as part of the testing of the USAID/IRIS tools has already been useful for product design and implementation.

Hugh asked for the origin of the use of the $1/day benchmark, and we will share the answer to that question once we receive it from the groups that worked with Congress on the legislation.

Tony raised a number of fascinating issues about predictive power of consumption, resilience, the role of social networks which I feel I did not adequately or fully addressed, so I am sure he will appreciate follow-up exchanges with participants.

Megan summarized some of the salient features from the practicality tests of the USAID/IRIS draft tools, in particular about how non-financial and financial providers didn't appear to face different issues in choosing survey methodologies.

Laura played her role of POWG Convenor perfectly by relating some of the questions that are on Working Group members. In response, Evelyn clarified a number of issues related to the implementation of the tools, training costs, audits, and what the 50% requirement really means.

Discussions were also held about various central topics such as sampling and sample size (thank you Jan and Anthony), relative and absolute poverty, seasonality, what tools look like, the difference between individual and collective accuracy, the importance of PPP in computing poverty lines.

We are very grateful to Katherine Curtis and Eric Stephan at IRG for running the event.

Since messages posted to the listserv over the last three days were viewed more than 600 times, I think it is fair to say that the event contributed to a broader and better understanding of poverty assessment and the implementation of the congressional mandate.

Now on to the next steps. USAID is working on developing the criteria it will use to certify the tools, and on the modality for their implementation. IRIS will soon provide USAID with tools that are applicable in twelve countries. We will also continue to support this effort, and to assist practitioners as they start implementing the tools. So continue to visit www.povertytools.org for the latest updates on the project; join the listserv at www.povertytools.org/listserv/list.htm, and keep sending us your ideas and feedback. We have gotten so far only because of everybody's collaboration in this process, and if this spirit lives on over the next months and years, we can only be hopeful about the success of poverty measurement and, more broadly, the future of microenterprise development.

Thanks all.

RE: DAY THREE: POVERTY ASSESSMENT TOOLS CONCLUSION

Post By: Tony Pryor

And of course, it's the prime mover of all of this discussion, our host
Thierry van Bastelaer, who deserves a round of applause. An excellent job chairing this discussion! And I have to say, what a great summary - probably the best we've EVER had by a host. Again, many thanks to one and all! And it's not done! If you want to continue any aspects of the discussion we can certainly accommodate a continued community involvement. And I think all of us would benefit from a reprise on the subject sometime in 2007, just to give us a status report.

Many thanks, one and all!

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