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Investing in rural people

An update on the methodology for estimating the number of people moved out of poverty and preparatory work for the impact assessment exercise during IFAD10

Note to Executive Board representatives

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For: Information

An update on the methodology for estimating the number of people moved out of poverty and preparatory work for the impact assessment exercise during IFAD10

1. This information note has been prepared in response to document GC38/L.4/Rev.1 – Report of the Consultation on the Tenth Replenishment of IFAD's Resources – Annex I, IFAD10 Commitment Matrix, Area of reform: Results Measurement System for IFAD10 (p. 29). The document states that IFAD will "Update the Executive Board both on the specifics of the methodology to estimate the number of people moved out of poverty and on the precise number of impact evaluations to be conducted under IFAD10."
2. IFAD has committed itself to demonstrating that 80 million beneficiaries have been moved out of poverty and that 90 million beneficiaries have been reached by IFAD-supported projects over the period from 2010 to 2015. Instrumental in measuring poverty reduction impact and, more broadly, the Fund's development effectiveness, the IFAD9 impact assessment initiative – a broad research effort encompassing a wide range of impact evaluation methodologies – was launched at the beginning of 2013 with the objective of delivering evidence-based results by the end of 2015 (EB 2012/107/INF.7).
3. The impact assessment cluster, a specialized unit within the Strategy and Knowledge Department (SKD), has been put in place to design, supervise and implement the overall initiative, which foresees five ex ante evaluations with experimental methods (randomized controlled trials [RCTs]) and 24 ex post evaluations with quasi-experimental designs and primary data collection – selected across country programmes – for the purpose of understanding causality chains and theories of change and for knowledge management.
4. While RCTs have the ability to measure how projects enhance smallholders' agricultural productivity through innovative solutions to agricultural development, the ex post evaluations will answer the overarching question of measuring poverty dynamics and economic mobility. To this end, measurement of poverty and economic mobility dynamics will be conducted through asset-based indicators. While a sensitivity analysis to diverse poverty lines will be performed, the results based on two main relative poverty lines will be presented (the 40th and 60th relative poverty lines, as suggested by the relevant literature, which has employed asset-based indicators for cross-country and intertemporal poverty comparisons).
5. The ex post evaluations are fully funded by IFAD and conducted in partnership with a varied set of research centres. The centres were chosen for their comparative advantage, that is, prior experience in conducting impact evaluations in diverse regions, as well as previous work with IFAD-supported projects. Some of these centres have been long-term IFAD partners: the International Food Policy Research Institute; Centre for Development Innovation, Wageningen University and Research Centre; and Royal Tropical Institute. In addition, IFAD has also engaged with other centres specialized in undertaking rigorous impact assessments, with the objective of fostering new partnerships, such as the Agency for Technical Cooperation and Development, De La Salle University, Partnership for Economic Policy and the international consulting group ICF Macro, Inc. The data and preliminary results of the 24 ex post evaluations will be delivered to IFAD by May 2015.
6. The results of the ex post evaluations will be summarized in a document to be presented to the Executive Board in December 2015. Due to their long-term nature, the RCTs will not be summarized at that time. Through the IFAD9 impact assessment initiative, and particularly the results of the ex post evaluations, an

improved understanding will be gained of the effectiveness of IFAD interventions in lifting poor rural households above a defined poverty line, and other intended and unintended impacts that have affected the lives of direct and indirect beneficiaries. To improve the quality and strategic value of future evaluations, the report to the Executive Board will also include recommendations on the requirements for future studies aiming to measure the impact of IFAD-supported projects.

7. The impact assessment cluster has produced a paper describing the methodology to be used for this exercise, that is, the range of econometric techniques identified to broaden the evidence base for the estimation of poverty dynamics and economic mobility. It also illustrates measurement challenges, as well as the aggregation and projection methodology that will be the basis for computing the aggregate impact of the Fund on poverty reduction.
8. Specifically, with a view to producing comparable poverty and economic mobility estimates for all countries in the sample of ex post evaluations, the impact assessment cluster has devised a methodology for estimating poverty dynamics in the absence of money-metric indicators (i.e. income and expenditure data), panel data and comparison groups. In general terms, an asset index serves as a proxy for poverty, and is computed using multiple-correspondence analysis. Synthetic panels, and specifically the non-parametric bounding approach, will be used to overcome the lack of panel data. Difference in difference estimators and propensity-score matching techniques are then employed to compute poverty impact on a project-by-project basis. Bounded estimates of poverty dynamics and economic mobility (movements in and out of poverty, upward and downward asset-based mobility and poverty persistence) will then be calculated based on the 40th and 60th percentile relative poverty lines. To aggregate the results from the different types of evaluations – while attempting to control for the various sources of bias, the degree of rigour (i.e. the external and internal validity of the individual study), and the extent of measurement error – a methodological approach known as meta-analysis is being used. Meta-analysis is an established statistical technique that allows a quantitative summary of indicators reported in similar empirical studies.
9. The methodology summarized above has been internally reviewed and is expected to undergo an external peer review, to be completed by the end of April 2015. In addition, a workshop is foreseen in June 2015, in which the methodology and some interim results arising from ex post evaluations will be presented.
10. For the next round of impact assessments, to be conducted during the IFAD10 replenishment period, three broad methodological approaches are being considered: (i) ex ante impact assessments: RCTs; (ii) ex post impact assessments: theory-based impact evaluations with quasi-experimental designs and expansive data collection; and (iii) in-house impact assessments: e.g. econometric analyses conducted with existing surveys. A better data infrastructure is currently being built to enable rigorous impact assessments during IFAD10 through revision of the Results and Impact Management System (RIMS) Guidelines. A precise number of evaluations, proposed projects and methods will be presented in the synthesis report of the IFAD9 impact assessment initiative.