

Authors

Dean Karlan
Northwestern University

Bram Thuysbaert
Dutch Development Bank

Targeting ultra-poor households in Honduras and Peru

Dean Karlan
Bram Thuysbaert*

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Abstract

For policy purposes, it is important to understand the relative efficacy of various methods to target the poor. Recently, participatory methods have received particular attention. We examine the effectiveness of a hybrid two-step process that combines a participatory wealth ranking and a verification household survey, relative to two proxy means tests (the Progress out of Poverty Index and a housing index), in Honduras and Peru. The methods we examine perform similarly by various metrics. They all identify most accurately the poorest and the wealthiest households but perform with mixed results among households in the middle of the distribution. Ultimately, given similar performance, the analysis suggests that costs should be the driving consideration in choosing across methods.

JEL: O51; O12; O30

Keywords: poverty targeting; participatory wealth rankings; proxy means tests

* Contact information: Dean Karlan (dean.karlan@yale.edu; Yale University, Innovations for Poverty Action, and the M.I.T. Jameel Poverty Action Lab) and Bram Thuysbaert (bram.thuysbaert@yale.edu; Yale University, Ghent University, and Innovations for Poverty Action). We thank Ford Foundation for funding; PLAN International, PLAN-Honduras, ODEF Social, PLAN-Peru and Asociación Arariwa for collaboration on the underlying implementation; and, CGAP for collaboration on the overall initiative. Authors retained full intellectual freedom throughout the study. We thank Jennifer Severini, Adam Kermis Betty, Caton Brewster, Maria Dolores Sanchez Lisse, Juan Manuel Hernández-Agüero, Edgar Salgado, Yann Guy, Andrew Hill, Marie Decland, Nathanael Goldberg, for project management, field support and data analysis support. All errors and opinions are those of the authors.

Targeting Ultra-Poor Households in Honduras and Peru

For policy purposes, it is important to understand the relative efficacy of various methods to target the poor. Recently, participatory methods have received particular attention. We examine the effectiveness of a hybrid two-step process that combines a participatory wealth ranking and a verification household survey, relative to two proxy means tests (the Progress out of Poverty Index and a housing index), in Honduras and Peru. The methods we examine perform similarly by various metrics. They all identify most accurately the poorest and the wealthiest households but perform with mixed results among households in the middle of the distribution. Ultimately, given similar performance, the analysis suggests that costs should be the driving consideration in choosing across methods.

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