

# Research → Policy

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Innovations for Poverty Action

M.I.T. JPAL Poverty Action Lab

GRADE-Peru

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Evaluación de Políticas, Programas y Proyectos de  
Desarrollo

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# Presentation Outline

## Part I: Evaluation

- Why do an impact evaluation?
- What is an “impact” evaluation?
  - Impact evaluation versus monitoring
- What makes an impact evaluation good?
  - Inside the box: the market perspective

## Part II: Design

- Inside the box: the human perspective

## Part III: Lessons going forward

# Why Evaluate?

- Three reasons stand out:

- 1.To motivate those with money to give or invest more**
- 2.To know where to spend limited resources
- 3.To know how to improve programs

# Child in a Lake: Singer Analogy



# Child in a Lake: Singer Analogy

- Utilitarian
- Would you save a child drowning in a lake if it would cost you \$100 in ruined clothing or a missed appointment?
  - Most say yes
- Would you send \$100 right now to an NGO in a poor country to save a child?
  - Many say no.
  - Who really knows if my \$100 can save a child? Maybe it will just get wasted.
  - This is a common excuse for *inaction*.
- **Evaluation rebuts this.**

# Why Evaluate?

(moving forward, not looking backward)

- Tradeoffs
- Design

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# What is an “Impact Evaluation”

- What does it mean to do an “impact” evaluation?
- Should answer the following question:

How did the lives of the participants in my program change compared to how their lives would have changed had my program not existed?



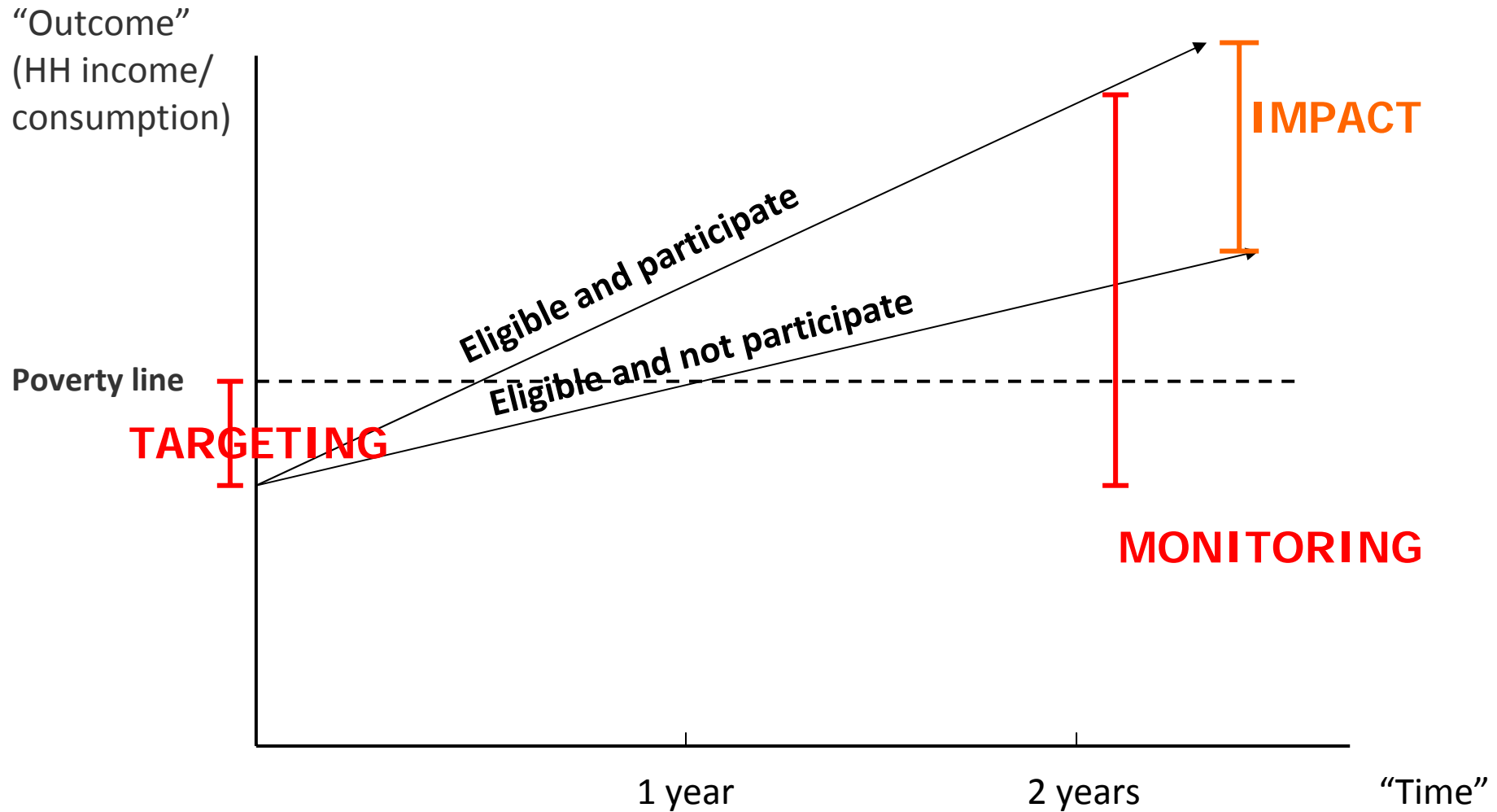
# Impact versus Monitoring versus Targeting

- Three similar terms with very different meanings.
- **Impact:**
  - How are my clients' lives different *as a result of* my program being in existence?
- **Monitoring:**
  - How are my clients' lives different *after* participating in my program
  - What services did my client actually receive and use? (“process” evaluation)
- **Targeting:**
  - How poor are the people that participate in my program?

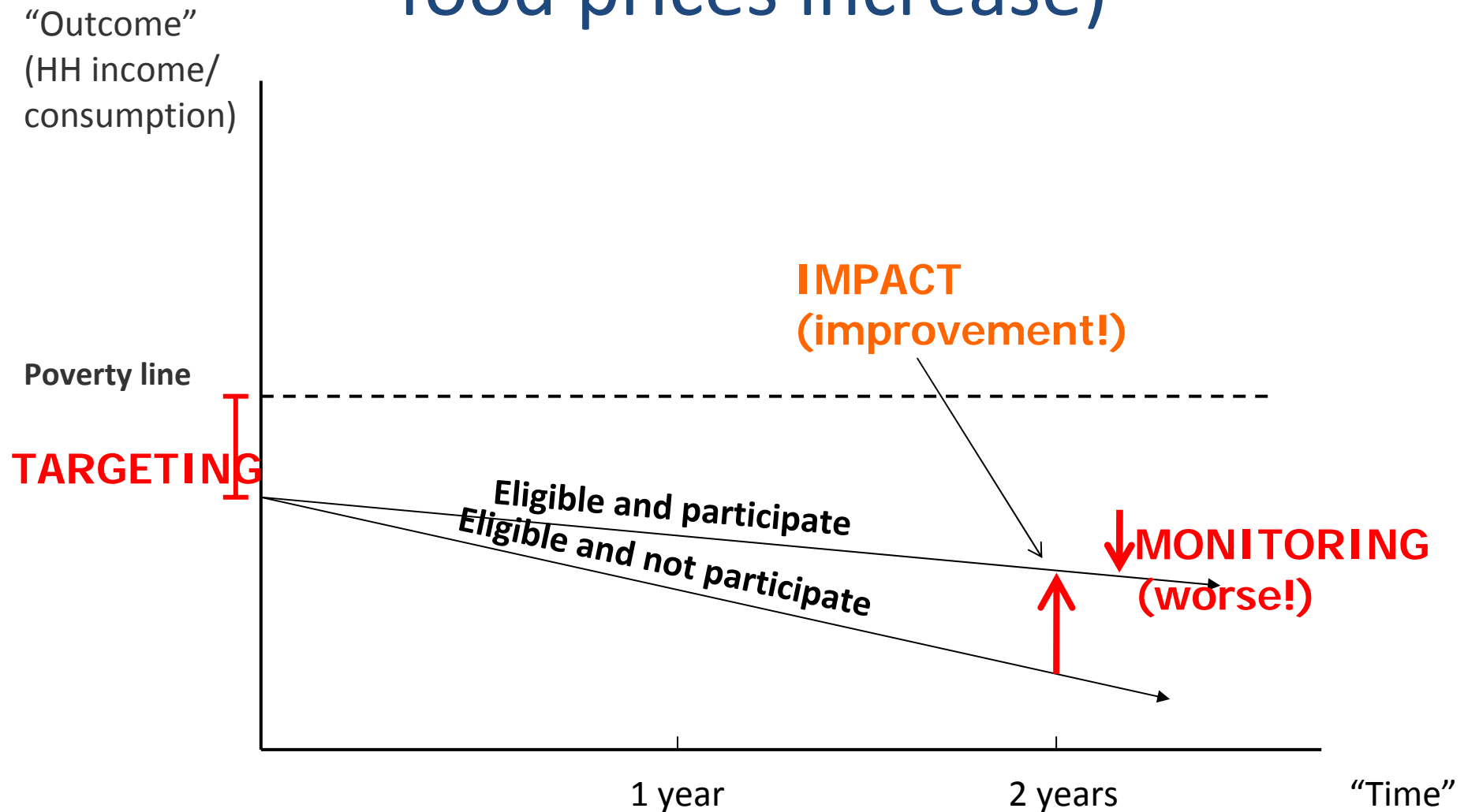
# What may influence outcomes?

- Natural cycles of poverty
  - Movement in and out of poverty is common
- Entrepreneurial spirit
  - Hard to tell in advance
- Good or bad economic times (e.g., food prices)
- For TUP: By design, we are meeting people at their worst.

# “Good” Macroeconomic Times



# “Bad” Macroeconomic Times (e.g., food prices increase)



# What Makes an Evaluation Good?

- Internal validity
  - Causal
  - Randomized evaluations

# What Makes an Evaluation Good?

- External validity
  - Theory
    - Inside the box: the market perspective
      - What was the market failure?
      - Did the intervention solve the market failure?
      - What was the welfare gain?
  - Context
  - Relevant policy, relevant sample frame

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# Design and Nudges

- People are complicated
- Nudges matter
  - No escape
- Three examples:
  - One “economic”: fungibility of money
  - Two psychology: time inconsistency and attention

# New Study:

## In Depth Loan Use Analysis

- Joint with Adam Osman and Jonathan Zinman
- Working with 3 banks in different geographic areas of the Philippines
  - First Macro Bank (same as prior study)
  - First Valley Bank
  - FICO

# Loan Use Study: 6 Steps

- To the Bank on the Application:
  - What did they tell the bank on the application?
- To the Bank at 1st Repayment
  - What did they tell the bank after they got the loan?
- To an Independent Surveyor, Direct Elicitation
  - 2 Weeks Later
  - Surveyors not known to have any affiliation with bank
- To an Independent Surveyor, Indirect Elicitation
  - Employs “List Randomization” to allow respondent to reveal answers to questions they don’t want to admit openly
- To an Independent Surveyor, Measuring Actual Expenditures
  - Takes into account fungibility of money: Compares treatment to control
- (Later: To Independent Surveyor after 3 Months)

# List Randomization - Concept

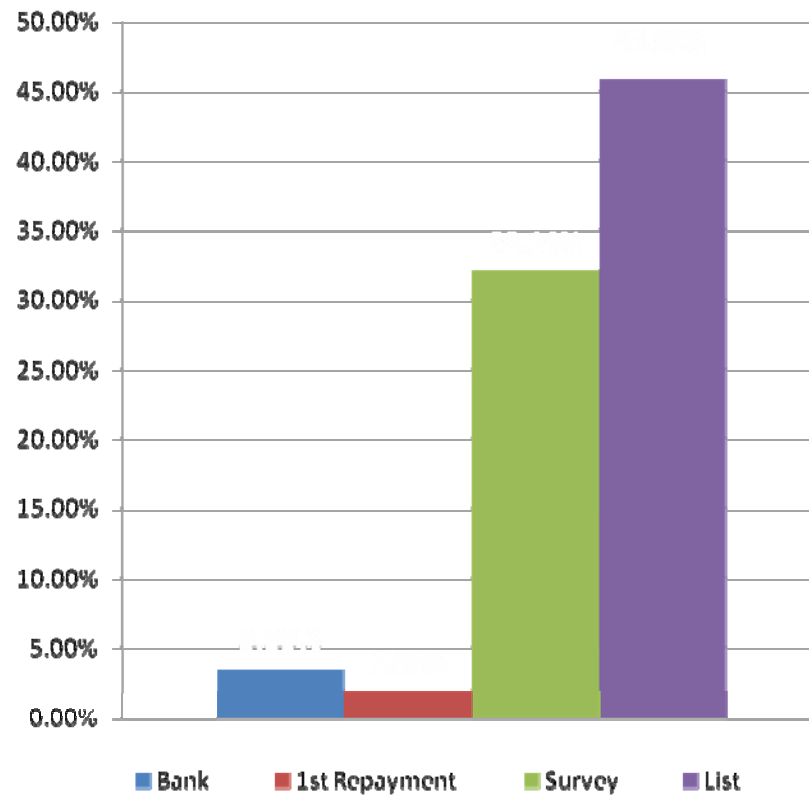
- Technique to ask questions that people may not be truthful about
- Two groups:
  - One group is given 4 useless statements
  - Second group is given the same 4 statements as well as the statement of interest
- Respondents do **not** answer each question. Instead, they say the total number of “true” statements.
- We subtract
- The difference is the average proportion of respondents who answered “yes” to the statement of interest
- Two Statements of Interest:
  - I used 2,500 pesos or more of my loan to pay down other debt.
  - I used 5,000 pesos or more of my loan on any single transaction for my household.

# List Randomization - Example

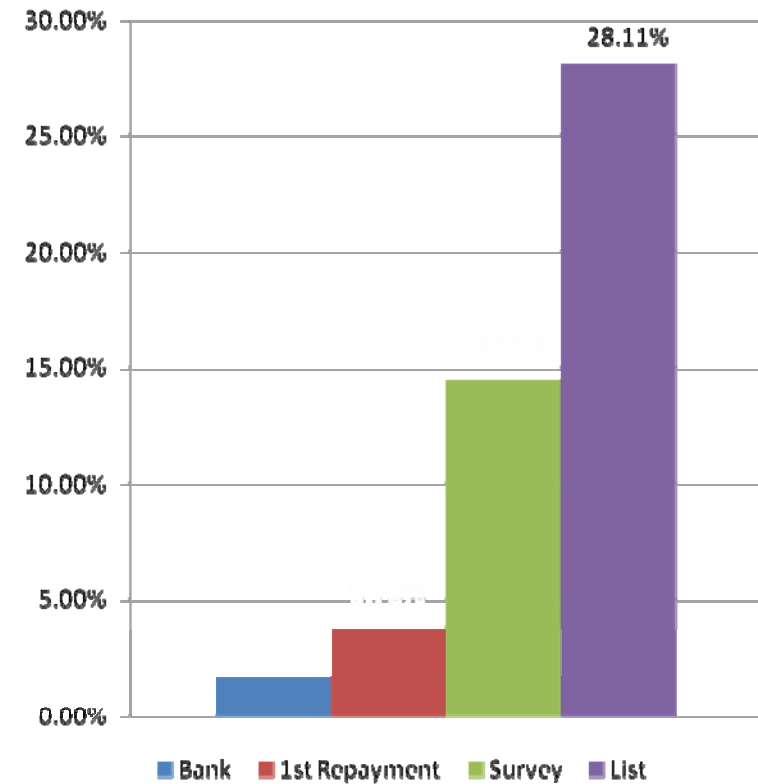
- How many of the following are true for you:
  1. I have visited a hospital in the last six months
  2. I have more than 2 siblings
  3. I have completed more than one year of post-secondary schooling
  4. I am originally from this city
  5. (I used 2,500 pesos or more of my loan to pay down other debt)

# Loan Use - Responses

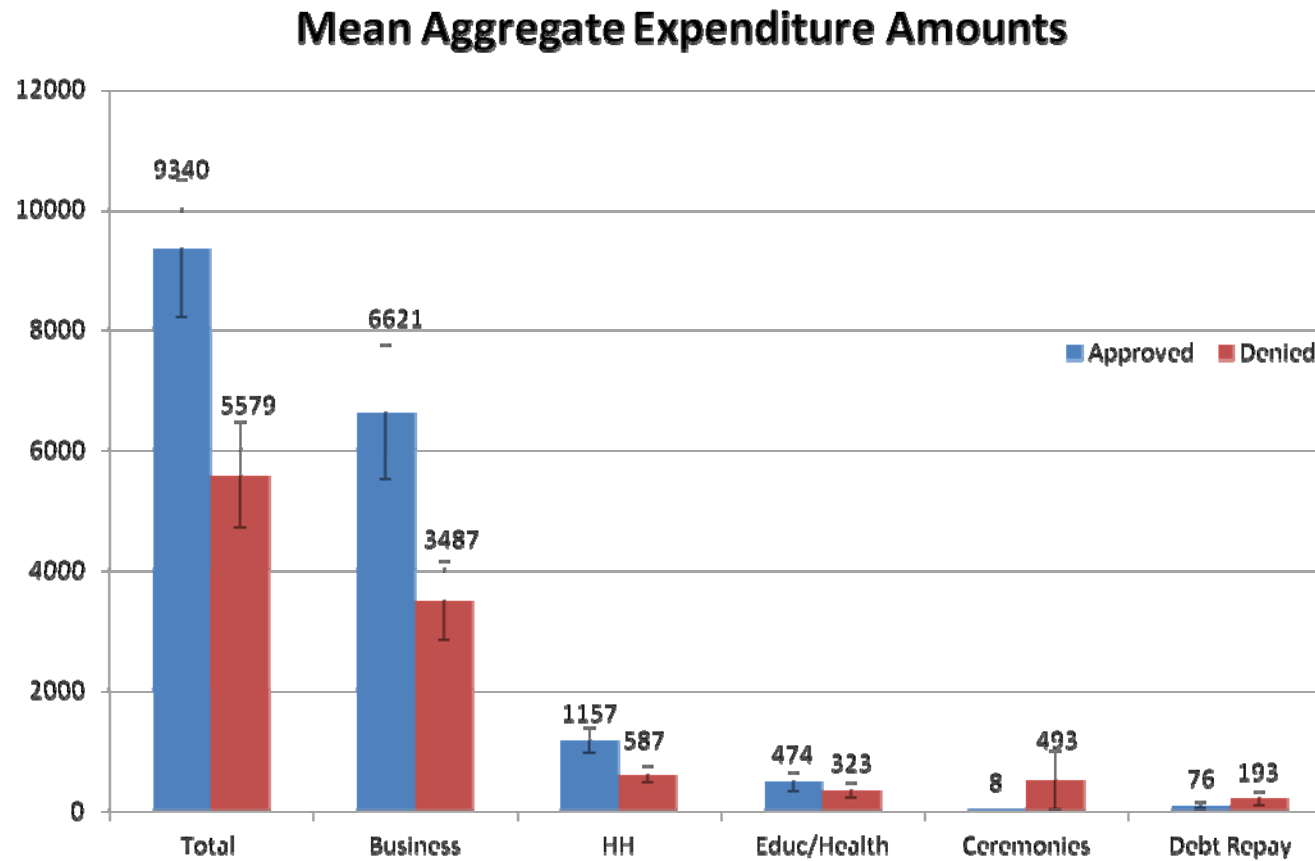
**Spent More Than 2500 PHP to Pay Down Other Debt**



**Spent More Than 5000 PHP on a Single HH Transaction**

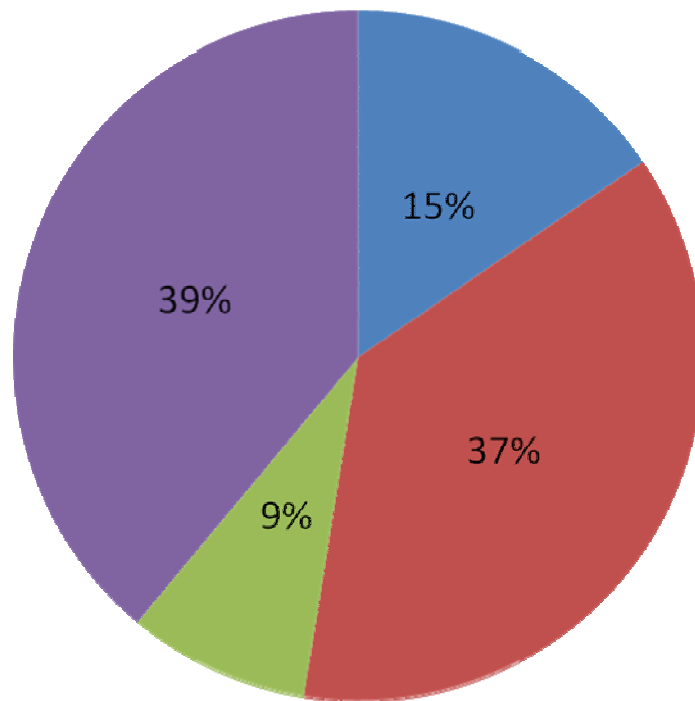


Loan use – Via Expenditure Survey  
Asked: “Tell us about all expenditures greater than  
US\$20”

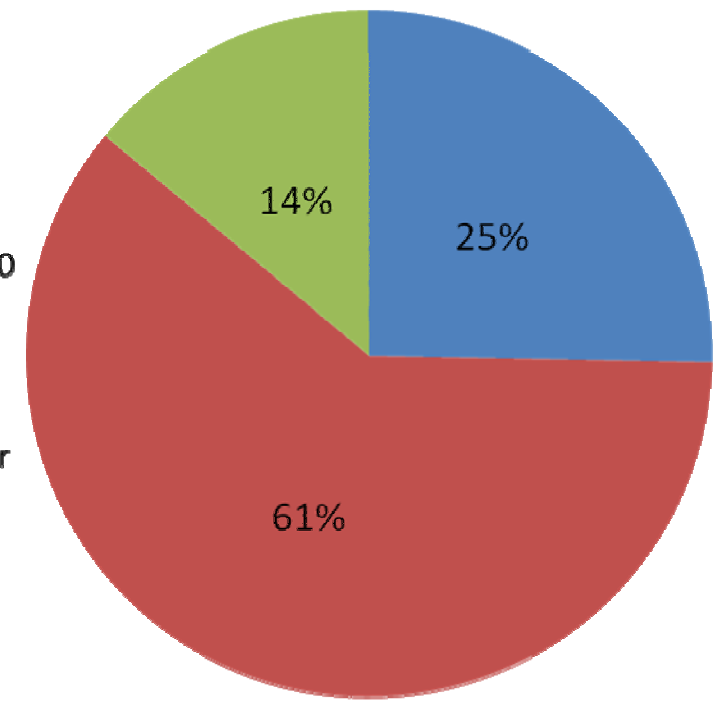


Loan Use – via expenditure survey  
Asked: “Tell us about all expenditures greater than US\$20”

**What happened to loan proceeds?**



**Of the funds accounted for, what happened to the loan proceeds?**





# Loan Use - Conclusions

## ■ Current Results:

- Borrowers will tell banks one thing and do another
- Borrowers more truthful to surveyors, but still not entirely truthful
- Household and debt repayment common use of funds, even for “enterprise” lending

# Time Inconsistency: Three Realities

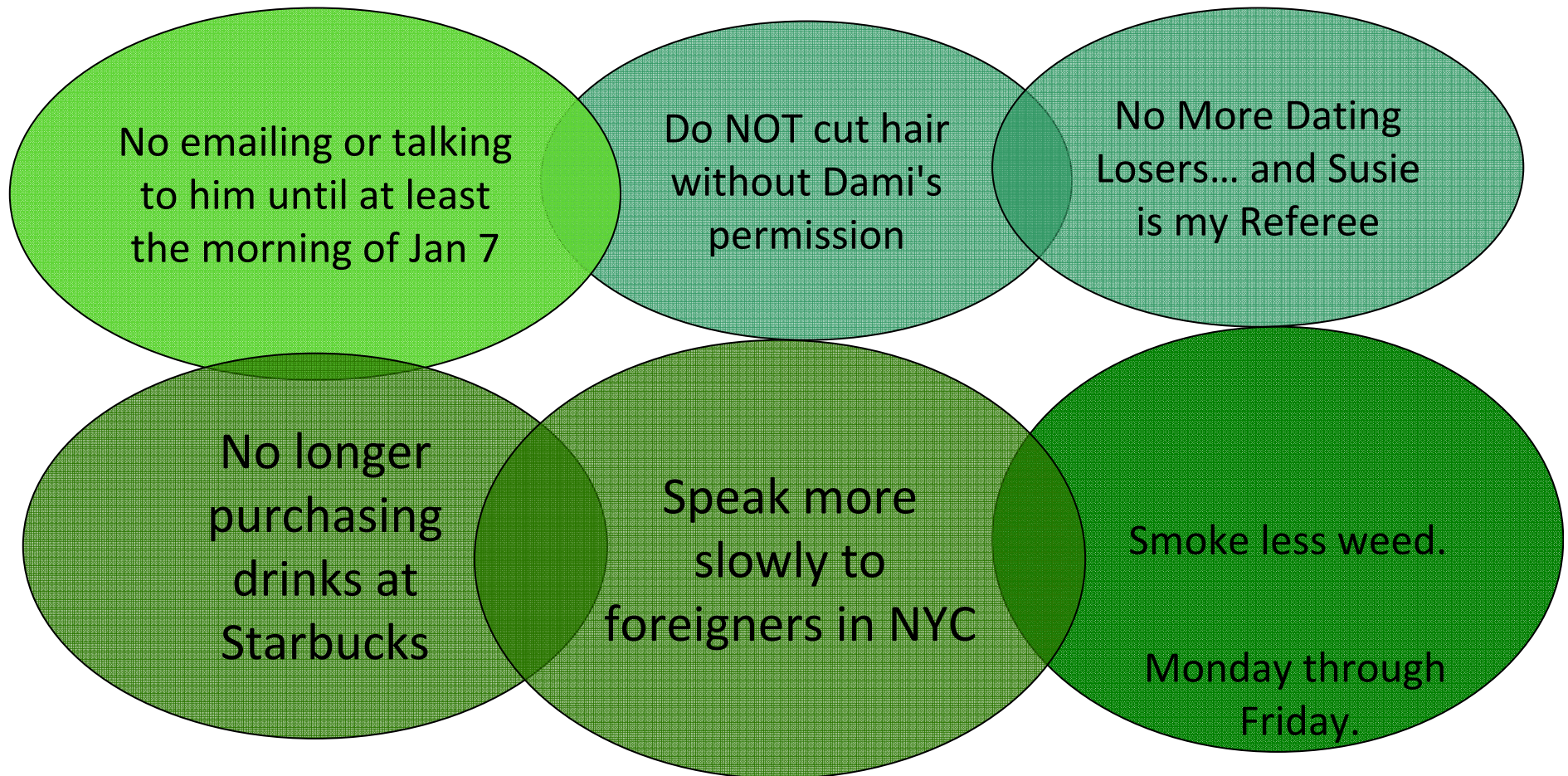
- We say we want to do things.
  - That we do not do.
  - And then we later regret not doing.
- 
- Public policy must recognize that we don't always do what we say we want to do.

# Design

- Time consistency matters
  - Make vices more expensive, and virtues cheaper
  - Also ties money away from friends/family/spouses
- Examples
  - Smoking commitment contracts: 30 percentage points less likely to be smoking
  - Colombia: Conditional cash transfer delivered *later*, timed with school fees, leads to higher education.
  - Fertilizer in Kenya: sold at time of harvest → more fertilizer
  - Commitment savings accounts for fertilizer in Malawi → higher yield, higher consumption

# stickK.com

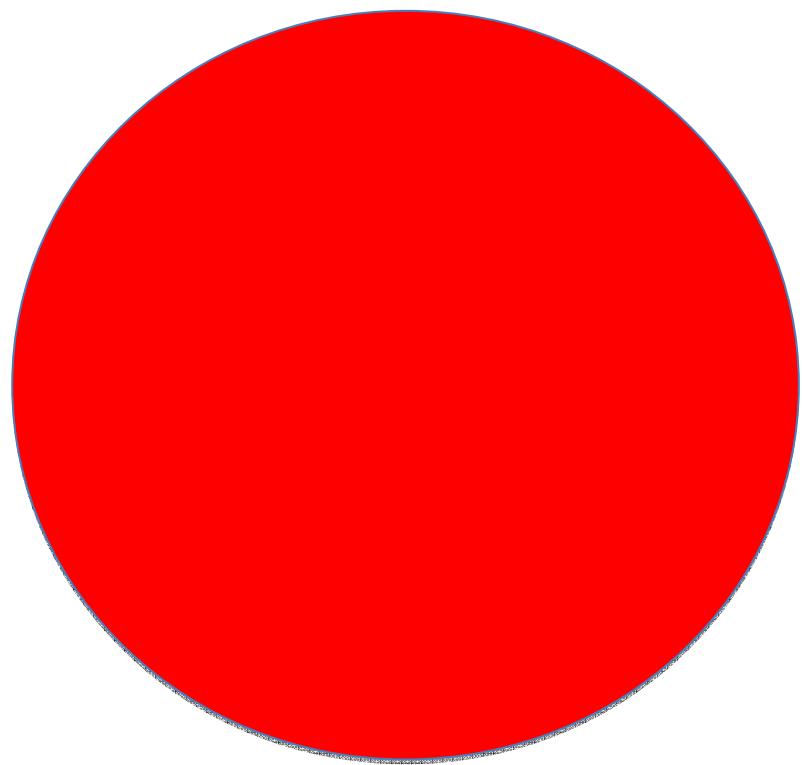
The less than obvious (actual contracts!)

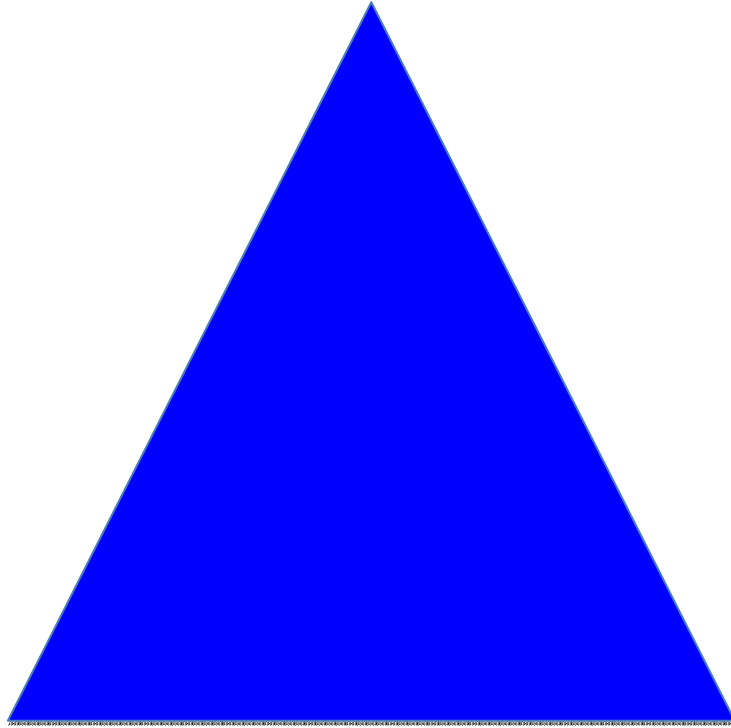


# Design

- Attention matters

Say the color of the object...







**GREEN**

YELLOW

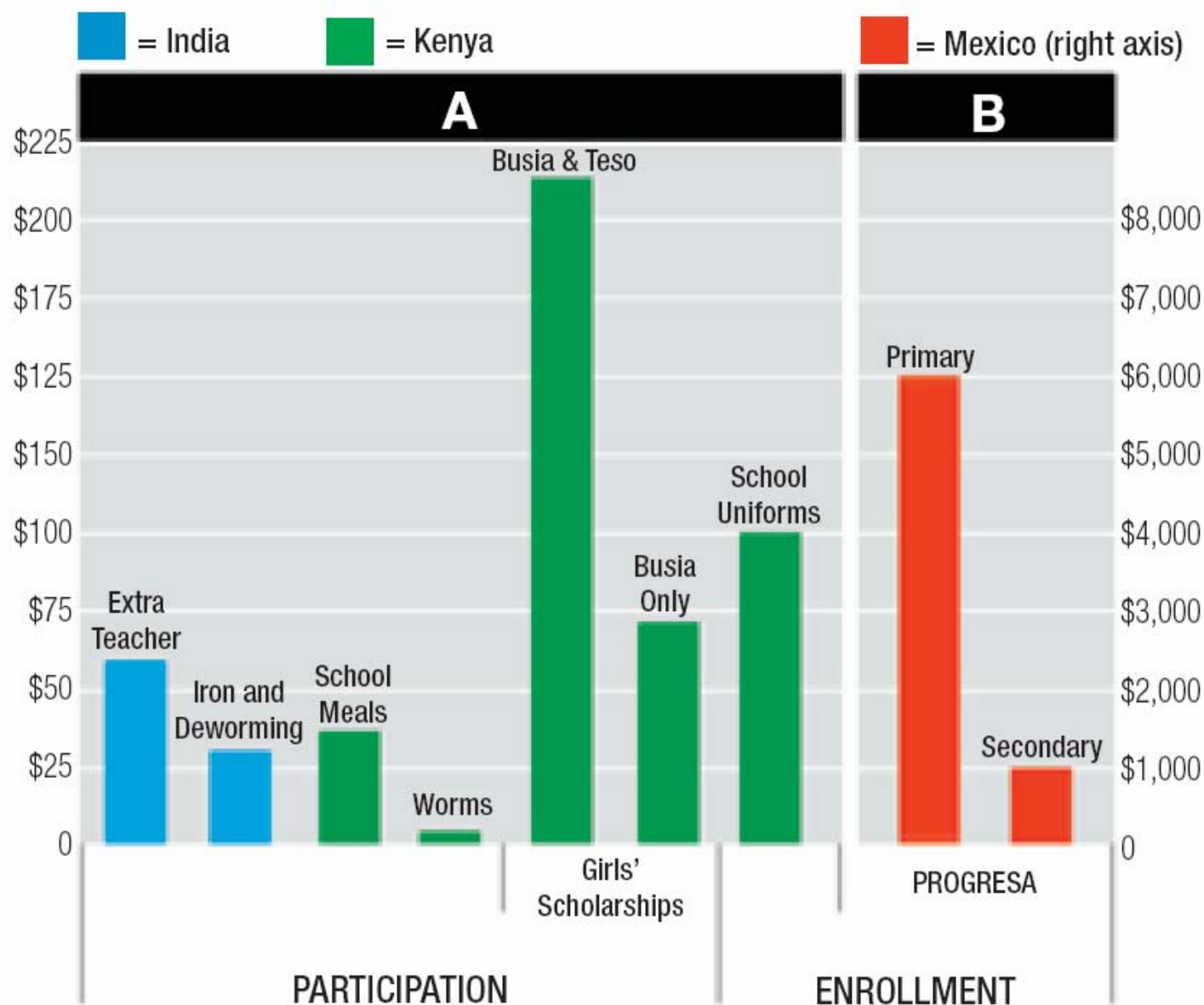
# Attention, Replication

- Three studies
- Sent reminders via SMS or letter
- Peru, Bolivia, Philippines
- 6% increase in savings
- 3 percentage points more likely to reach goals
- More likely when expenditure named in reminder

# Concerns with current state / Lessons going forward

- External validity
  - Debate off the mark
    - Not about RCT vs non-RCT
    - Rather, about THEORY and CONTEXT
  - Answer
    - Theory
    - Replication (motivated by theory, not just larger samples)
    - Replication (motivated by likelihood of “getting it right”)
    - Clusters
    - Common process for cost/benefit (see chart on next slide)

## Cost Per Extra Year of Education Induced



# Concerns with current state / Lessons going forward

- Ideas versus programs
  - Big focus on Impact Evaluation
  - Need work on monitoring too
    - Governance of government
    - Governance of NGOs
    - What information is useful? What is not?
    - Who needs to lead the way, the donors?

# Thank you!

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<http://www.poverty-action.org>