

Key Facts: Poverty Assessment Tools Reporting Requirement

What does the law require? The Microenterprise Results and Accountability Act of 2004, as amended, requires that USAID develop and certify “low-cost methods” to measure the share of the beneficiaries of USAID-funded microenterprise programs who are “very poor” as defined in the law. Once such a method has been certified for a given country, USAID must require its microenterprise implementing partners in that country to use that method at least annually to measure and report extreme poverty among its clients.

USAID refers to these “low-cost methods” as “Poverty Assessment Tools” (PATs).

What are Poverty Assessment Tools? PATs are short, country-specific client surveys, each developed through statistical analysis of a broader household survey for that country. The PAT survey consists of the 15 or so questions most closely linked with extreme poverty, typically involving household composition, education levels, and ownership of various items. The PAT survey is administered to a random sample of around 350 clients; their answers provide the basis for estimating how many are very poor.

Why did Congress enact this requirement? The apparent purpose is to allow Congress to monitor USAID’s compliance with the requirement that at least 50 percent of USAID microenterprise funds be targeted to clients who are “very poor” – a term specifically defined in the law. Based on our partners’ reported results from using the PATs, USAID reports the estimated share of funds benefiting the very poor as part of our Microenterprise Results Annual Report to Congress (MRR).

Who are the “very poor?” The law defines the “very poor” as those who *either* (1) live on less than \$1 per day, *or* (2) are among the poorest half of those living below their country’s national poverty line. Each country-specific PAT is calibrated against whichever of these two criteria includes the largest share of people in that country.

Who must apply the Poverty Assessment Tools? The law allows USAID to make “reasonable exceptions” to the general requirement that all microenterprise partners use the PATs. USAID interprets this language as allowing us to exempt partners that spent less than \$100,000 in USAID funds on microenterprise development in the preceding fiscal year. In addition, activities aimed at improving policies affecting microfinance, or those affecting the operations of micro and small enterprises, fall outside the scope of the law because they do not work with identifiable sets of clients. As a result, Mission obligations reported to the MRR as supporting “financial services” or “enterprise development” fall within the scope of the law; those that support “financial policy” or “enabling environment” do not.

Who is responsible for identifying and contacting the affected implementing partners?

Because Missions know their partners and their funding situation, we are asking Missions to identify the partners whose funding levels and activities fall within the parameters outlined in the preceding section, and contact them directly regarding this reporting requirement. Partners that need help in implementing this requirement can be referred to the sources cited below.

When should the PATs be applied, and when are the results due? PATs should be applied either during or shortly after the fiscal year when USAID funds were spent. Partners should report their results no later than the end of April of the following calendar year, so that they can be incorporated into the Microenterprise Results Annual Report to Congress.

When should implementing partners start preparing to apply the Poverty Assessment Tools? Ideally, they should already have begun their preparations. Partners who have already received PAT training should be able to implement the full PAT cycle in no more than 8 weeks – less if they have in-house survey capacity. Partners who have not yet been trained should begin preparing immediately, using the extensive online training materials posted on the Poverty Assessment Tools website at <http://www.povertytools.org>, backed up by live help from the PAT Help Desk at pathelp@iris.econ.umd.edu. In most cases, partners without previous training will require considerably more time and effort to understand the concepts, develop a sampling plan, translate the survey into the local language(s), train staff or hire consultants to carry out the PAT surveys, and process the data. It is particularly important in these cases that Missions encourage their partners to move forward with this effort without delay.

What is the Mission's role? Partners themselves are responsible for applying the Poverty Assessment Tools. However, Missions can greatly help by coordinating efforts among multiple partners to help them pool resources and thus avoid duplicative effort in key aspects of the process, especially in translating the PATs into local languages. Just as important, Missions need to confirm that USAID is legally bound to enforce this reporting requirement.

Where can Missions and implementing partners get more information? The Poverty Assessment Tools website at <http://www.povertytools.org> provides extensive additional information on all aspects of the process, including legislative background, the process used to develop the PATs, a complete web-based training course, a wide range of printable training materials on the application of the tools, and answers to many frequently asked questions (FAQs). In addition, the PAT Help Desk (pathelp@iris.econ.umd.edu) can answer questions regarding planning and implementation. For additional information, contact Don Sillers, EGAT/PR, COTR for the PAT development process (dsillers@usaid.gov).