

2015 Annual Report

Discovering & promoting effective solutions
to global poverty problems



ipa
INNOVATIONS FOR
POVERTY ACTION

Joaquin took out credit to run this store in Colombia when he was retired from his job with a company but could not receive his pension due to changes in the law.



Dear Friends,

IPA is synonymous with impact. We're known for both measuring impact and using those results to impact people's lives. In 2015, we further improved our research quality and grew in research quantity, and we began new efforts to share results to improve programs and policies for the poor.

In 2015, we started 80 new studies, built a presence in Myanmar and Côte d'Ivoire, and recommenced full operations after the Ebola outbreak in Sierra Leone and Liberia, bringing our on-the-ground presence to 20 countries. As we grow, we make it easier for more high quality research to happen in some of the most difficult places in the world.

We also began refining our research protocols to build even stronger systems for high quality data. To grow even more transparent in our research, our team also began registering studies on the American Economic Association registry and publishing our data once studies are complete.

We continued our efforts to disseminate research findings and grow our visibility through 43 events across the world and expanded our coverage in the global and local media. We also launched a new website aimed at reaching both local decision-makers and donors with easier access to rigorous research, including highlights of key findings and case studies of how IPA's research has impacted the world.

In 2015, we also saw more research translate into action. The Graduation approach to building livelihoods for the poorest of the poor, which we highlighted in our 2014 annual report, is being adopted and scaled in India and Ethiopia, and other countries are planning to use the approach. We are

increasingly developing strong partnerships with government bodies, for example with collaboration in Kenya (with Vision 2030, the strategic planning arm of the Kenyan government) and Colombia (with their National Management and Evaluation System).

And as you will see on the pages to come, these are just a few examples. Each of our 600+ studies measures impact and generates ideas for effective programs to improve the lives of the poor.

We hope you will continue to join with us as we generate high quality evidence to answer questions that matter to the poor around the world.

Sincerely,



Annie Duflo
Executive Director



Dean Karlan
President & Founder
Professor of Economics,
Yale University

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The New York Times



FiveThirtyEight

THE NEW YORKER

The Washington Post

the Atlantic



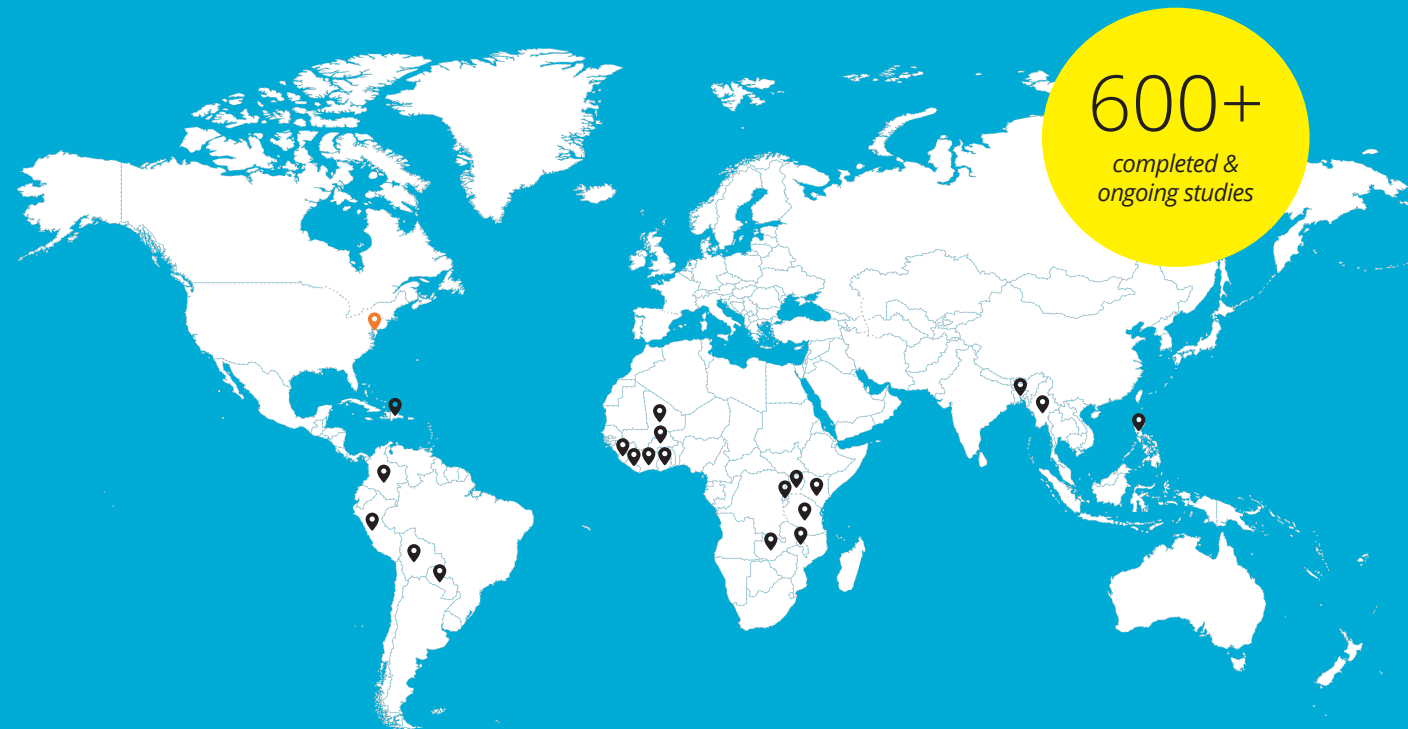
We discover and promote effective solutions to global poverty problems.

IPA brings together researchers and decision-makers to design, rigorously evaluate, and refine these solutions and their applications, ensuring that the evidence created is used to improve the lives of the world's poor.

In recent decades, trillions of dollars have been spent on programs designed to reduce global poverty, but clear evidence on which programs succeed is rare, and when evidence does exist, decision-makers often do not know about it. IPA

exists to bring together leading researchers and these decision-makers to ensure that the evidence we create leads to tangible impact on the world. Since our founding in 2002, IPA has worked with over 400 leading academics to conduct over 600 evaluations in 51 countries. This research has informed hundreds of successful programs that now impact millions of individuals worldwide.

Where We Work



600+
completed & ongoing studies

AFRICA

- Burkina Faso
- Côte d'Ivoire
- Ghana
- Kenya
- Liberia
- Malawi

- Mali
- Rwanda
- Sierra Leone
- Tanzania
- Uganda
- Zambia

AMERICAS

- Bolivia
- Colombia
- Dominican Republic
- Paraguay
- Peru
- United States

ASIA

- Bangladesh
- Myanmar
- Philippines

Program Areas



AGRICULTURE

Three-quarters of the world's poor live in rural areas and depend largely on farming. Identifying ways to increase the productivity of farms is crucial to ensuring food security, increasing farmer income, and alleviating poverty. IPA's research focuses on identifying the drivers of low adoption of technologies and investigates a wide range of approaches that aim to increase the productivity of small-scale farms.



EDUCATION

Low school attendance, absent or undertrained teachers, and underperforming schools are on-going impediments to educational attainment for poor students around the world. Even when children attend school, they are often still unable to read, write, and do basic math. IPA's research rigorously evaluates programs that aim to improve education outcomes and school attendance.



FINANCIAL INCLUSION

Low-income households need effective financial tools to help manage and grow their money. Yet many of the financial services they can access are costly, unsafe, or not well-suited to their needs. IPA partners with service providers, governments, and researchers to design and rigorously test financial services and programs that aim to help households better manage their finances.



GOVERNANCE

Poor leadership, weak political participation, and corruption by elected officials are widely considered to exacerbate and perpetuate poverty. While countless programs aim to address these issues, many questions about improving governance remain unanswered. IPA works to rigorously evaluate solutions aimed at promoting democracy, reducing corruption, and improving the performance of elected leaders.



HEALTH

Lack of income, inadequate health services, and poor infrastructure contribute to poor global health. With more than 100 health-related studies, IPA generates evidence on effective ways to improve access to quality health services and products, and ensure people use them.



PEACE & RECOVERY

In the coming decades, most of the poor will live in politically fragile states, yet rigorous evidence on building peace and stability is still limited. IPA is building an evidence base to facilitate peace and address the conflicts and crises that face the majority of the poor around the world. We seek out programs that strengthen state capacities, reduce violence, or respond to crises ranging from health to natural to human-made.



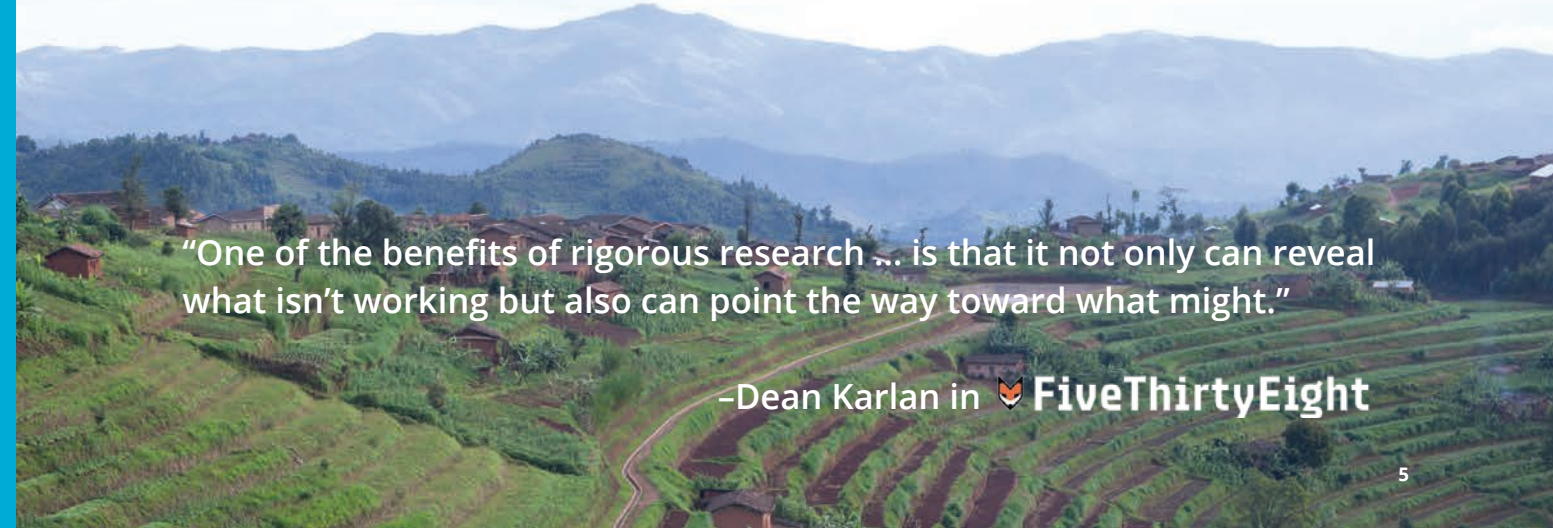
SMALL & MEDIUM ENTERPRISES

Limited access to finance, low levels of human capital, and inefficient markets often constrain businesses in developing countries from growing and creating jobs. Despite countless programs aimed at addressing these barriers to growth, little evidence exists on how to unlock the potential of the SME sector. IPA's research works to discover and promote effective solutions for entrepreneurship and SME growth.



SOCIAL PROTECTION

Social protection programs have broad mandates to stabilize incomes for the poor, build livelihoods, and protect households from shocks. IPA collaborates with governments and organizations working to move households out of extreme poverty by creating economic opportunities for the poor. IPA has a growing body of research on identifying and scaling effective solutions, including cash transfers, graduation programs, and job training.



"One of the benefits of rigorous research ... is that it not only can reveal what isn't working but also can point the way toward what might."

-Dean Karlan in FiveThirtyEight

2015 POLICY INFLUENCE TIMELINE



MARCH
Research Roundtable on Insights from Behavioral Economics in Rwanda

IPA, the International Growth Centre, and Laterite hosted the 4th Rwanda Research Roundtable, a forum for researchers, policymakers, and practitioners seeking to advance the research agenda in Rwanda. IPA Executive Director Annie Duflo presented on using insights from behavioral economics to improve policymaking and program implementation.

WALL STREET JOURNAL

JUNE
Wall Street Journal Feature: The Anti-Poverty Experiment

The Wall Street Journal Weekend Review section had a front-page feature on IPA and RCTs called "The Anti-Poverty Experiment." The story explains how IPA approaches evidence-based policy through rigorous evaluations and how the approach has changed the development field. It also explains how behavioral economics is being integrated into anti-poverty programs and examines several of them.

JUNE
Partnership with Kenyan Government's Vision 2030

IPA Kenya signed an agreement with a government initiative that aims to transform Kenya into a newly industrializing, middle-income country by 2030 through economic, social, and political development. IPA and Vision 2030 will collaborate on research outreach and public policy forums, particularly on themes related to the Sustainable Development Goals.



JULY
Goldilocks Launch: Tools for Right Fit M&E

IPA developed the Goldilocks Toolkit to complement our traditional RCT work and help find the right-fit between collecting too much data that doesn't get used and not collecting enough. The launch event gathered practitioners from foundations, governments, and non-profits to provide feedback on the tools and help make them useful for practitioners looking for right-fit M&E solutions.



OCTOBER
Dean Karlan's Message to Congress

IPA founder Dean Karlan testified in front of a subcommittee of the U.S. House of Representatives on the future of multilateral investment banks. His testimony emphasized how far development has come and the role of rigorous research in making sure that taxpayer money is seeing the greatest possible return on investment.

DECEMBER
Education Evidence for Action in Kenya

Momentum is building for evidence-based planning, implementation, and decision-making in Kenya's education sector. IPA Kenya, together with its government and nonprofit partners, organized a conference on edging towards inclusive and equitable quality learning. Achieving this will demand a sustained conversation of actors and building a community of evidence and practice.



FEBRUARY
Lessons and Implications of the Latest Research on Microcredit

IPA, CGAP, J-PAL, and the World Bank hosted a day long event to present the latest evidence on the impact of microcredit, discuss the implications for policy and practice, and identify directions for the future. The event also explored promising innovations in product design and delivery channels that could expand the reach and improve the impact of financial services for the poor.



APRIL
Improving Research Transparency

IPA's Research Transparency Initiative made progress in 2015 towards its mission to promote the public sharing of data and code. Among other events, the team participated in the conference "Reproducibility in Federal Evaluations," which brought together academics, researchers, and government sponsors of research to discuss how research transparency could become part of federal policy, and lead to policies based on better evidence.

JUNE
Graduating the Ultra-Poor

Results from IPA's six-country study on a comprehensive approach for the ultra poor were presented at a World Bank event. The program, which offers a holistic set of services including a productive asset transfer (often livestock), along with training and regular coaching visits, consumption support, and savings services, showed increases across income and consumption, assets, food security, and health.



SEPTEMBER
Scaling Inclusive Digital Finance

IPA co-organized the Responsible Finance Forum, which convened leading experts to debate the most effective ways to deliver inclusive and responsible digital finance. The forum provided a unique evidence-based discussion on the products and services, financial capability programs and consumer protection measures that are required to give full, secure access to the more than 2 billion adults still excluded from formal financial services.



OCTOBER
Evaluating Social Programs in the Philippines

IPA Philippines and J-PAL hosted practitioners and researchers for a five-day executive training program on evaluating social programs. The sessions provided a thorough examination of randomized evaluations and pragmatic step-by-step training for conducting evaluations. They focused on the benefits and methods of randomization and common threats and pitfalls to the validity of the research method.



DECEMBER
MineduLAB: Education Policy Lab in Peru

MineduLAB is an innovation lab for education policy housed within the government of Peru. The lab pilots and evaluates the effectiveness of innovations with the ultimate goal of allowing the Ministry to use evidence to improve children's learning throughout the country. In 2015, IPA Peru and J-PAL LAC provided technical assistance to the Ministry to establish the lab, including a capacity-building workshop in December.





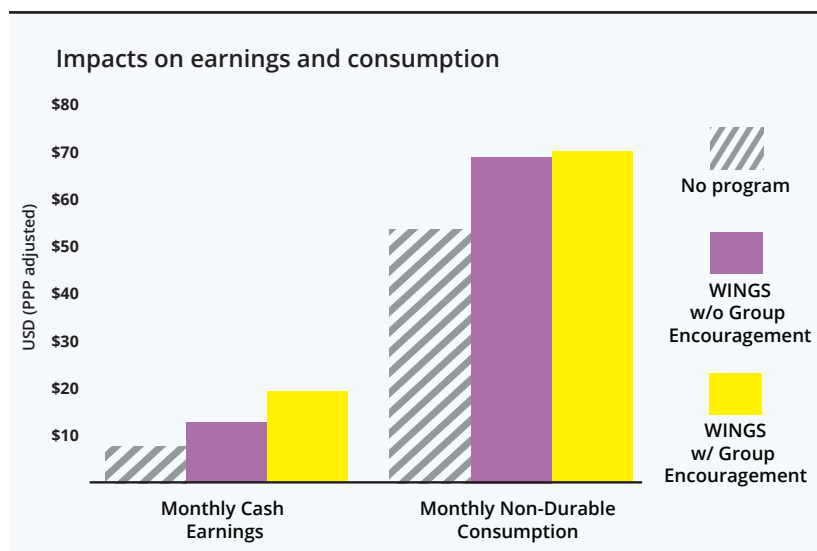
Enterprises for Ultra Poor Women After War in Uganda

Cash, training, and support doubled the incomes of ultra-poor women after a war

Two-fifths of the world's extreme poor are projected to live in fragile and conflict-affected states by 2030, yet rigorous evidence on ways to alleviate poverty in these settings is sparse. To help fill this gap, IPA worked with researchers and the Association of Volunteers in International Service, a humanitarian organization, to evaluate a relatively common approach to relieving extreme poverty—transfers of human and physical capital—but in a postwar setting.

The Women's Income Generating Support (WINGS) program provided randomly selected poor people in northern Uganda, most of whom were women, with grants of \$150, five days of business skills training and planning, and ongoing supervision. The grant was about 30 times larger than the beneficiaries' typical monthly earnings. Some women also received group encouragement through self-help groups.

Sixteen months after receiving the grants, participants saw large increases in their microenterprise ownership and incomes. Cash earnings rose from \$7.72 in the comparison group, to \$12.88 with the standard WINGS program, to \$19.35 when participants received group encouragement. However, there was little evidence of changes in physical health, mental health, financial autonomy, or domestic violence.



Policy Implications

- » The results of this study suggest that the poorest people may be able to start and sustain small enterprises, even in very small, fairly poor communities.
- » This study adds to the body of evidence that giving the poor cash is an effective and cost-effective way to improve their lives.



Does Reconciliation Heal the Wounds of War in Sierra Leone?

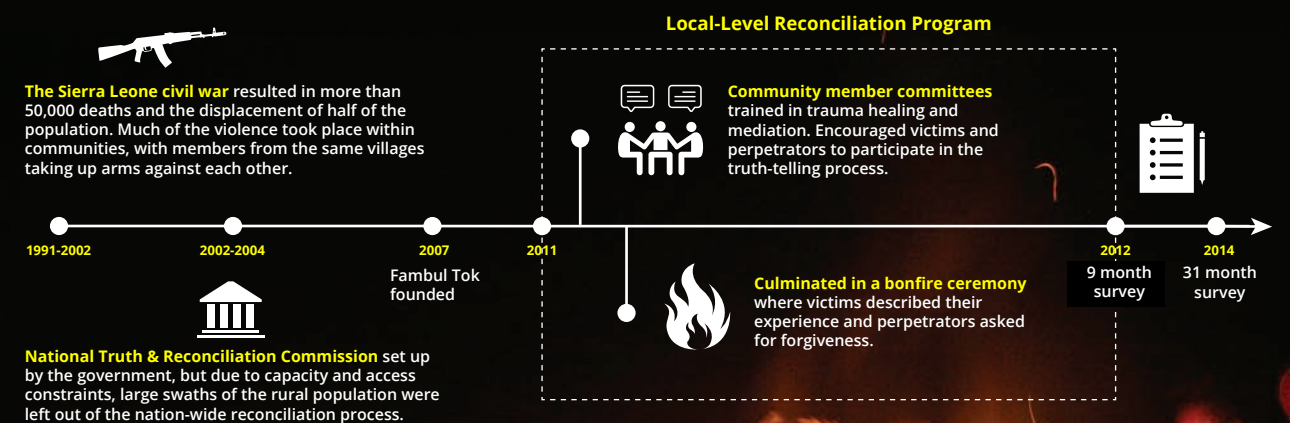
A truth and reconciliation program increased forgiveness, but worsened mental health

Truth and reconciliation processes are a common approach used across the world to promote societal healing in the aftermath of civil war. Proponents of reconciliation processes claim that they are highly effective – not only in rebuilding social ties among individuals and promoting societal healing, but also in providing psychological relief and aiding individual healing. Yet, little rigorous evidence has been available on whether, and how, reconciliation processes help communities heal from conflict.

To shed light on this topic, IPA worked with researchers to evaluate the impact of a community-level reconciliation program in Sierra Leone. The program had several features in common with truth and reconciliation processes from around the world. It brought victims face-to-face with perpetrators in community forums where victims detailed war atrocities and perpetrators admitted to crimes and sought forgiveness for their actions; no one was compensated financially or punished for participating. The

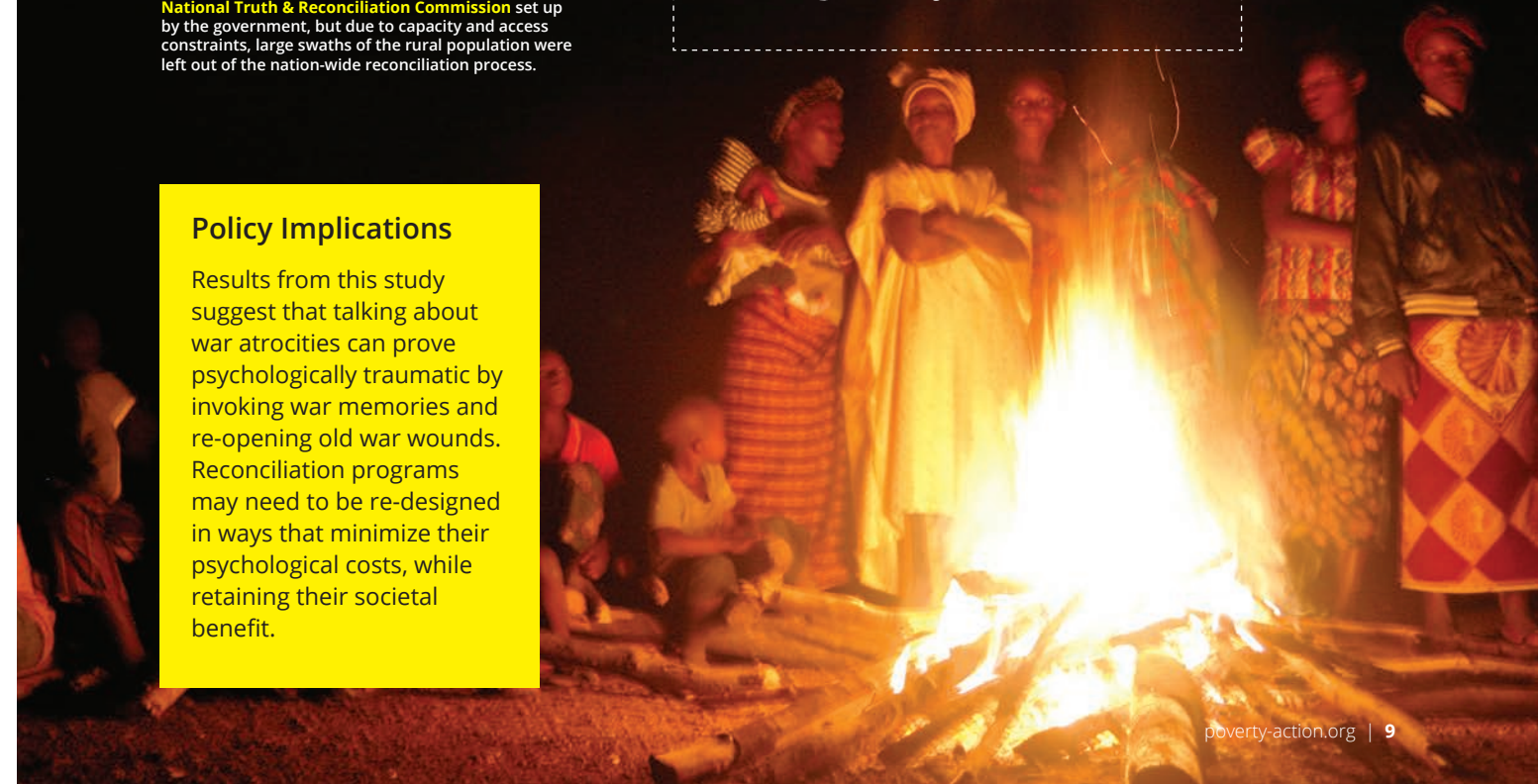
forums in the study took place from 2011-2012, a decade after the civil war ended.

The program was shown to have both positive and negative impacts on participants. On the one hand, it promoted societal healing: it led to greater forgiveness of perpetrators and strengthened various measures of social capital. On the other hand, these gains came at the cost of reduced psychological health: the program worsened depression, anxiety, and trauma.



Policy Implications

Results from this study suggest that talking about war atrocities can prove psychologically traumatic by invoking war memories and re-opening old war wounds. Reconciliation programs may need to be re-designed in ways that minimize their psychological costs, while retaining their societal benefit.





Finding Missing Agriculture Markets in Kenya

Turning to export crops initially increased farmers' incomes, but left them in the lurch one year later

In much of the developing world, farmers only grow crops for local or personal consumption, despite export options that are thought to be much more profitable. To investigate the reasons for this, and to measure the impacts of exporting, IPA worked with researchers and Pride Africa's DrumNet project to evaluate whether a package of services—including links to commercial banks, retail farm suppliers, transportation services, and exporters—would help farmers adopt, finance, and market export crops, and earn more income.

The initial impacts were positive: the services increased production of export crops and lowered marketing costs, leading to a 32 percent income gain for new adopters. However, the services

collapsed one year later when the exporter stopped buying from DrumNet because farmers could not meet new E.U. export requirements. Farmers defaulted en masse, and went back to growing local crops. Three years later, the relationship with the exporter remained severed.

However, farmers who had only received marketing services, and not loans (and had not defaulted), had re-established a relationship with the exporter three years later: these farmers were more likely to export, more knowledgeable about farming practices, and less likely to use toxic pesticides, improving their own health.

Policy Implications

This research suggests that:

- » Exporting has many potential benefits for farmers, including increases in income and knowledge, use of fewer chemicals, and even health improvements.
- » Yet exporting is risky: contracts can collapse due to external factors, putting farmers' livelihoods at risk.
- » Many farmers are aware of the risks of the export market, and opt for the low-risk, if low-reward, option of cultivating local crops.
- » If offered credit, farmers should be informed that defaulting on a loan by side-selling could hurt their prospects of working with future exporters who may learn of their default history.



Food and Cash Loans for Smallholder Farmers in Zambia

Offering farmers food and cash loans increased their incomes and agricultural output, and improved their food security

In Zambia, like in much of Sub-Saharan Africa, the climate allows for only one harvest per year, which must generate enough food and income to last farming families the entire year. In the months before the harvest, when families are getting to the end of their reserves, they often turn to costly coping strategies like selling livestock, borrowing from informal lenders, reducing their food consumption, and taking on short-term work on other farms, even though this work can lead them to neglect their own farms.

IPA worked with researchers to evaluate how access to seasonal credit during the lean season impacts the wellbeing and agricultural output of farming families. Households were

randomly assigned to receive either three 50 kilogram bags of maize, a loan of 200 Zambian kwacha (approximately US\$35), or to be a part of the comparison group. Regardless of loan type, borrowers were able to repay with either maize or cash.

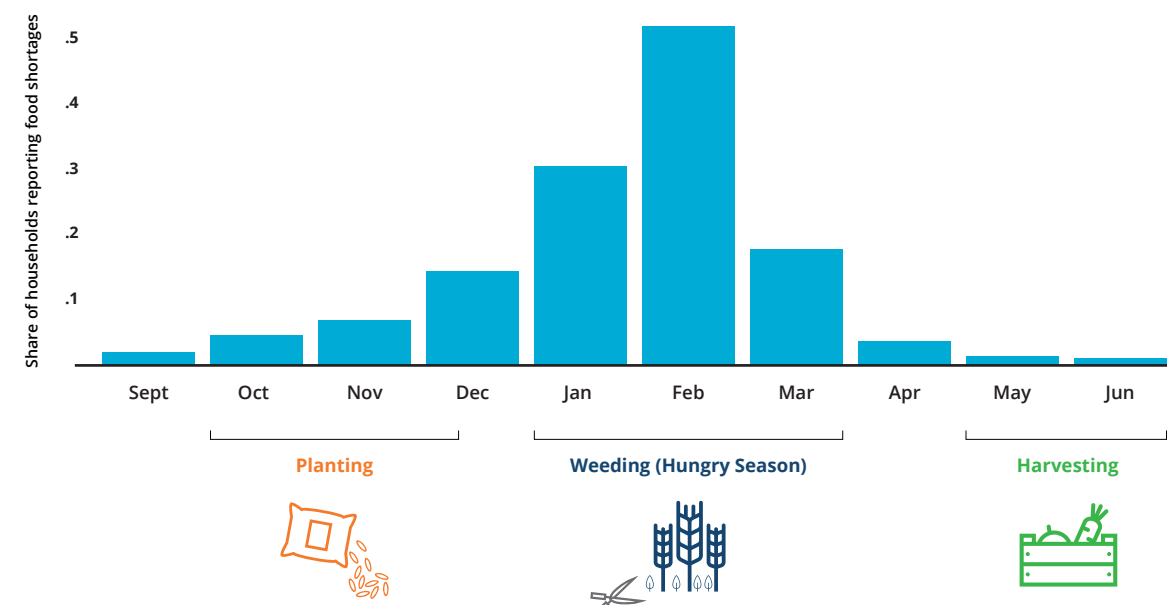
The study found that access to both the food and cash loans increased agricultural output, decreased off-farm labor, and increased local wages. Food security also improved: when offered food or cash loans, households were almost 40 percent less likely to experience food insecurity during the lean season, they consumed significantly more protein, and they had a more diverse diet.

Policy Implications

- » Offering even relatively small loans during the lean season can increase well-being and agricultural output.
- » Larger loans would be needed to finance fertilizer or other more expensive agricultural inputs.
- » Access to credit is just one way of smoothing lean season shortages—similar improvements might be achieved with improved saving mechanisms.

Seasonal patterns of food shortages

Food and income from May and June's harvest must cover a household's needs until the following year's harvest. Reserves begin to diminish six months after harvest.



Benefits to Secondary Schooling in Ghana

Access to secondary school boosted skills and knowledge, and delayed childbearing for girls

Sub-Saharan Africa has achieved near universal access to primary education over the last two decades, but secondary school enrollment rates in the region remain relatively low. Policymakers, confronted with resource constraints and the competing need to improve primary education, are debating how much to invest in secondary schooling.

Since 2008, researchers have been working with IPA Ghana to better understand the benefits of secondary school, measuring the impact of needs-based scholarships on educational attainment and cognitive skills in the short term, and on life outcomes such as employment, health, and civic participation in the long term.

Thus far, findings show that making secondary school free for poor students has had large and significant impacts on their likelihood of acquiring secondary education, on their skills and on their knowledge. There have also been large economic returns for young women, as well as impacts on their marriage and fertility behavior. Three years after the scholarship funding ended, 46 percent of girls who had received the offers had started childbearing, compared to 55 percent of girls not offered the scholarships. For boys, economic returns have not been significant thus far, pointing to the necessity to expand economic opportunity for young graduates.

In order to determine the long-term impact of scholarships on earnings, this study will continue until 2020, and possibly beyond.

Policy Implications

- » If scholarships can only be made available to some, girls can reap the largest benefits—financially, socially, and in terms of health. For girls the economic returns in future earnings also outweigh the costs.
- » Needs-based scholarships appear to produce a larger return on investment than merit-based scholarships. The largest gains were found among young people who had average or below-average performance before the study began.

Impacts on childbearing
7 years after scholarships were awarded



Improving Children's Reading Skills in Kenya

Enhanced literacy instruction improved children's reading skills and reduced the school dropout rate

Even though more students in Sub-Saharan Africa are in school, they are not learning to read, and literacy rates remain low in the region. Across the continent, 47 percent of adults and 28 percent of young people aged 15-24 are illiterate. Data suggest that the problem originates in the first years of schooling.

IPA worked with researchers and the Kenyan Ministry of Education to evaluate the impact of two strategies aimed at improving the literacy skills of young school children in Kenya: enhanced literacy instruction, through teacher training and text message support, and child-to-child reading groups.

Results showed that the enhanced literacy instruction improved children's reading skills in both Swahili and English and reduced the school dropout rate by 50 percent. Researchers found that the impacts were driven by changes in teacher behavior: teachers spent more time teaching letters and sounds and less time focusing on whole sentences, and their students spent more time reading and interacting with text and less time writing and copying from the blackboard.

The reading groups led to a small improvement in children's attitudes about reading, but did not significantly improve their reading skills.



Enhanced literacy instruction

The enhanced instruction intervention supported teachers in developing the literacy skills of one cohort of children through the first two years of primary school. It included:



140 sequential lesson plans for literacy sessions in Swahili and English.

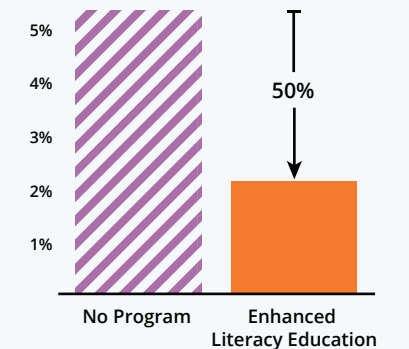


Five days of professional development for teachers.



Weekly text messages to teachers with brief instructional tips and motivation to implement lesson plans.

Dropout rate after 24 months



Policy Implications

- » A key aim of literacy instruction in the early years of school should be the systematic teaching of letter-sound correspondence and text interaction.
- » In areas where dropout is common, improved instruction may be an effective way to keep children in school.
- » Text messages may be a cost-effective way to increase motivation, monitor progress, and create support among teachers.
- » Child-to-child reading groups may be an important complement to enhanced literacy instruction since they enhance children's motivation to read.



Mystery Shopping for Financial Products in Peru and Colombia

Financial institutions provided limited information and almost never offered the cheapest products

Financial products like savings accounts and loans have the potential to help the poor. However, there has been concern that, because financial institutions are driven by commercial goals, they are not offering low-income clients the cheapest or most suitable products, or offering sufficient information about the products.

IPA worked with a researcher and regulators in Peru and Colombia to investigate what products institutions offer to clients in practice and how much of their cost is actually disclosed.

Mystery shoppers visited hundreds of banks and microfinance institutions in each country and pretended to be shopping for loan or savings products. After the visits, staff at the institutions were interviewed

on their perceptions, pay and incentive structures, and other topics. The researcher conducted similar studies, not managed by IPA, in Ghana and Mexico.

Across countries with varying transparency regulations, staff only provided information about the cost of the product when prompted, indicating that customers typically lack cost information to make sound financial decisions. In addition, staff almost never offered the cheapest product, unless the customer explicitly asked for it.

Policy Implications

Although some governments have created strong financial disclosure and transparency policies to protect consumers, institutions continue to act in their best financial interest, suggesting regulation may not be very effective. However, some improvements could be made, such as:

- » Providing consumers with basic guidance on what to ask when looking for a credit or savings product.
- » Requiring that banks disclose the APR and APY of products and usage fees.

Mobile and online savings accounts also offer a promising avenue because they are less expensive for institutions to offer and administer, so financial mistakes may be less costly.



Customers wait in line at a bank in Peru



Mobile-izing Savings in Afghanistan

In a country with some of the lowest savings rates in the world, defaulting employees into a savings plan made them substantially more likely to save

Saving money is important for everyone, but it is especially critical for the well-being of the poor, particularly in countries with no health insurance or social security. But saving money can be hard, as people tend to procrastinate, give in to temptation, and avoid small hassles like signing up for an account. Research from high-income countries shows that “saving by default,” as happens with 401(k) accounts, can be a very effective way to increase savings.

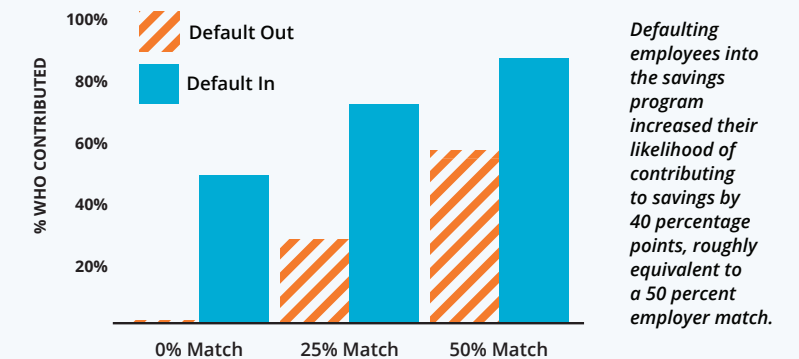
IPA supported research that tested this approach in Afghanistan, a country with one of the lowest savings rates in the world. Researchers worked with a large employer who informed randomly selected workers that, unless they chose to opt-out, 5 percent of their paycheck would be automatically deposited into a mobile phone-based savings account.

The study found that employees assigned to contribute to savings by default were 40 percentage points more likely to accumulate

savings than employees who had to opt in – an effect equivalent to providing 50 percent matching incentives on employee contributions. Default enrollment also changed employees’ perceptions about savings: these

employees reported greater interest in saving and a higher sense of financial security. Even after all incentives were removed and the study had ended, 45 percent of employees continued to contribute to their accounts.

Defaulting employees into the savings program



Policy Implications

This study suggests that defaulting people into a savings plan where they can opt-out is an effective way to increase savings balances not only in richer countries, but in low-income countries as well. It also shows that mobile money platforms, which are less costly to administer than branch banking, can create an opportunity to use automatic enrollment to increase savings.



Increasing Children's Access to Healthcare in Mali

Subsidized healthcare greatly increased the number of sick children who saw a doctor—and did not result in overuse of healthcare resources

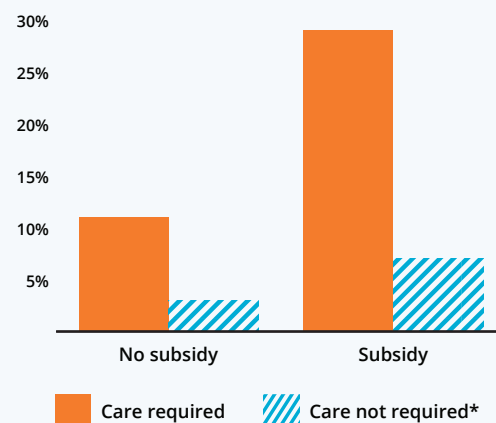
Improved treatment for childhood illness is a global health priority—in 2015, around 3 million children died from infectious diseases—but policymakers disagree about how to fund children's healthcare. Some believe that charging fees prevents poor families from accessing care, while others think fees prevent overuse of healthcare resources.

To help settle this debate, IPA worked with researchers and the NGO Mali Health to investigate the impact of subsidized healthcare on clinic use in Mali. Randomly selected families with children under five received subsidized consultations and treatment. The research team measured both under- and overuse of clinic services by collecting daily data on children's symptoms and whether families sought medical care.

Subsidized care greatly increased timely use of clinic resources, with almost no increase in overuse. In fact, even with heavily subsidized care, underuse of medical care remained a problem: in about 70 percent of the illnesses that required medical care, the child never saw a doctor.



Percentage of illness episodes in which a formal healthcare provider was seen



Subsidized care nearly tripled the likelihood that a sick child would visit the clinic when they needed to see a doctor.

*According to WHO guidelines

Policy Implications

This research counters the concern that low-cost healthcare for children will waste resources. Instead, it suggests that removing healthcare fees for poor families would dramatically increase the number of sick children who see a doctor. More broadly, it joins a body of evidence supporting the removal of healthcare fees for the poor.



Does Sanitation Behavior in Bangladesh Migrate?

Migrants brought good sanitation habits with them from rural to urban areas, but brought unsanitary habits back

As more people migrate to urban areas in developing countries, where sanitation infrastructure is often weak, there is concern that they are bringing back a poor sanitation habit—open defecation—to their home villages. IPA worked with researchers in rural areas of northwest Bangladesh to evaluate the impact of seasonal migration on sanitation behavior in home villages and whether approaches to reduce open defecation and increase latrine use impacted migrants' sanitation habits.

Results from two studies showed that people bring their sanitation habits—both old and new—with them from rural to urban areas, and back. While toilet use (a good

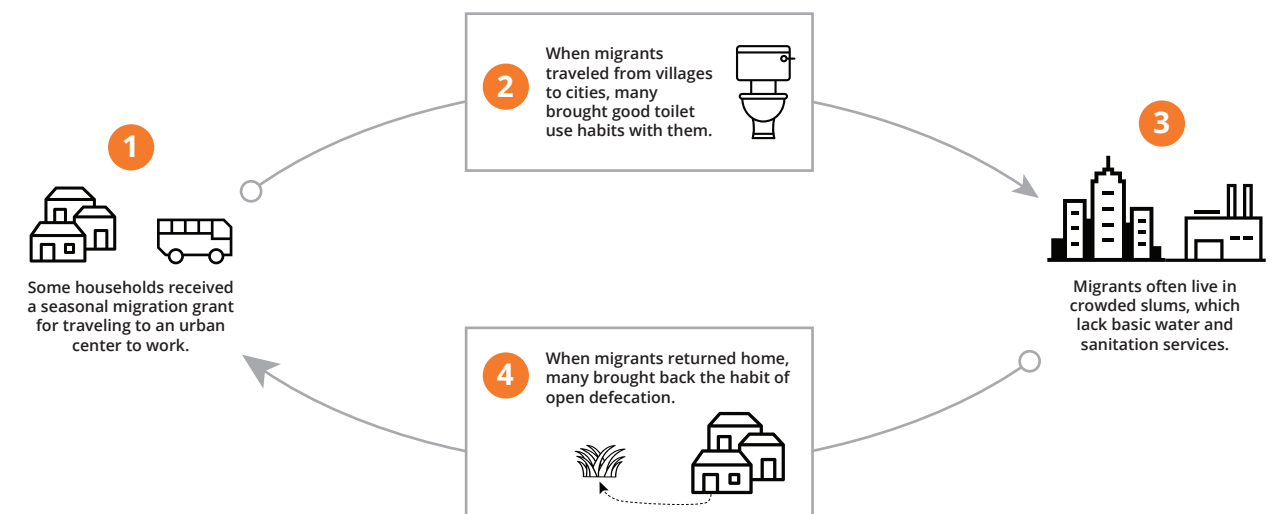
habit) migrated from villages to cities, open defecation (a bad habit) also migrated from urban destinations back to villages, an increase driven by migration to a small town where sanitation infrastructure was weak and open defecation was common.

Some sanitation programs in villages were able to offset

this increase: an awareness campaign combined with either a subsidy for the purchase of hygienic latrines or support for latrine construction made it less likely migrants would practice open defecation. However, an awareness campaign by itself had no effect.

Policy Implications

Policymakers and organizations working to improve sanitation habits should be aware that new behaviors can be brought from one location to another, and that these habits (good or bad) can spread. A two-pronged approach—of awareness campaigns in combination with either subsidies or latrine construction—is one way to offset increases in open defecation.



Researchers tested combinations of approaches for improving sanitation habits

- 1 Awareness campaign + Subsidy for purchasing latrines = ✓
- 2 Awareness campaign + Support for latrine construction = ✓
- 3 Awareness campaign = ✗



Performance Pay for Tax Collectors in Pakistan

Pay-for-performance schemes for tax collectors substantially increased tax revenues—but also increased bribes

Low levels of tax revenue can restrict economic growth and prevent governments from providing essential services. This is particularly a problem in low-income countries where tax revenue as a share of GDP is substantially lower than in richer countries. One solution may be to reward tax collectors for better job performance, but pay-for-performance might also increase corruption or bribes as tax collectors gain more bargaining power and seek to increase their own pay.

Researchers partnered with the Government of Punjab in Pakistan to examine the impact of performance pay for tax collectors on tax revenue and bribery. After two years, tax areas that were randomly

allocated to a performance pay scheme had a 46 percent higher tax revenue growth rate than tax areas without performance pay. The increased revenue more than offset the cost of the incentive scheme. Another important finding was that simple and objective performance pay schemes perform better than ones which were designed to reward collectors on multiple

dimensions, which included both monetary and non-monetary outcomes. Moreover, performance pay did not impact taxpayer satisfaction or the accuracy of tax assessments. However, the majority of property owners in tax areas that implemented performance pay reported paying higher and more frequent bribes.

Policy Implications

This study suggests that performance pay may be a cost-effective way to increase tax revenue in countries with trouble enforcing tax collection. The scheme should be accompanied by additional monitoring processes such as customer feedback mechanisms, random audits, and inspections to keep a check on rent-seeking behavior and ensure that performance pay schemes work optimally.



Identifying and Spurring High-Growth Entrepreneurship in Nigeria

A \$50,000 cash grant was very successful at spurring entrepreneurship and hiring, but picking winners can be difficult

Nigeria, like many countries across sub-Saharan Africa, has large numbers of unemployed youth. Also like elsewhere, many businesses remain small—99.6 percent employ fewer than 10 people. Governments struggle to design policies that spur business growth and hiring because it can be impossible to predict in advance which firms will grow if provided with capital. Researchers in Nigeria used a nationwide business plan competition to test if the contest could identify the entrepreneurs with the most potential, and if a large cash investment which did not have to be repaid could spur growth.

Almost 24,000 people submitted business plans in competition for 1,200 prizes of \$50,000. In addition to the top proposals selected by an independent

panel, researchers also awarded funding to a randomly chosen group of applicants who did not win. Results showed that the cash investment resulted in large increases in profitability and number of employees, as well as an increased likelihood of being in business three years later. But researchers also found there was no difference between results for the randomly selected winners with higher scores to those with lower scores. A \$50,000 cash grant was very successful at spurring entrepreneurship and hiring, but this success was conditional on getting to the semi-finalist stage. These findings suggest that while the money was effective, even outside experts were not effective at predicting which entrepreneurs would be the most successful with it.

Policy Implications

- » In the context of a rigorous business plan competition, large cash awards can be effective at spurring entrepreneurship, economic growth, and hiring.
- » The rigorous screening program may have limited predictive power once firms got to the semi-finalist stage—if most firms are capital-constrained, additional money can be effective regardless of whether the recipient was scored more highly on their business plan.



A few of the business plan competition winners

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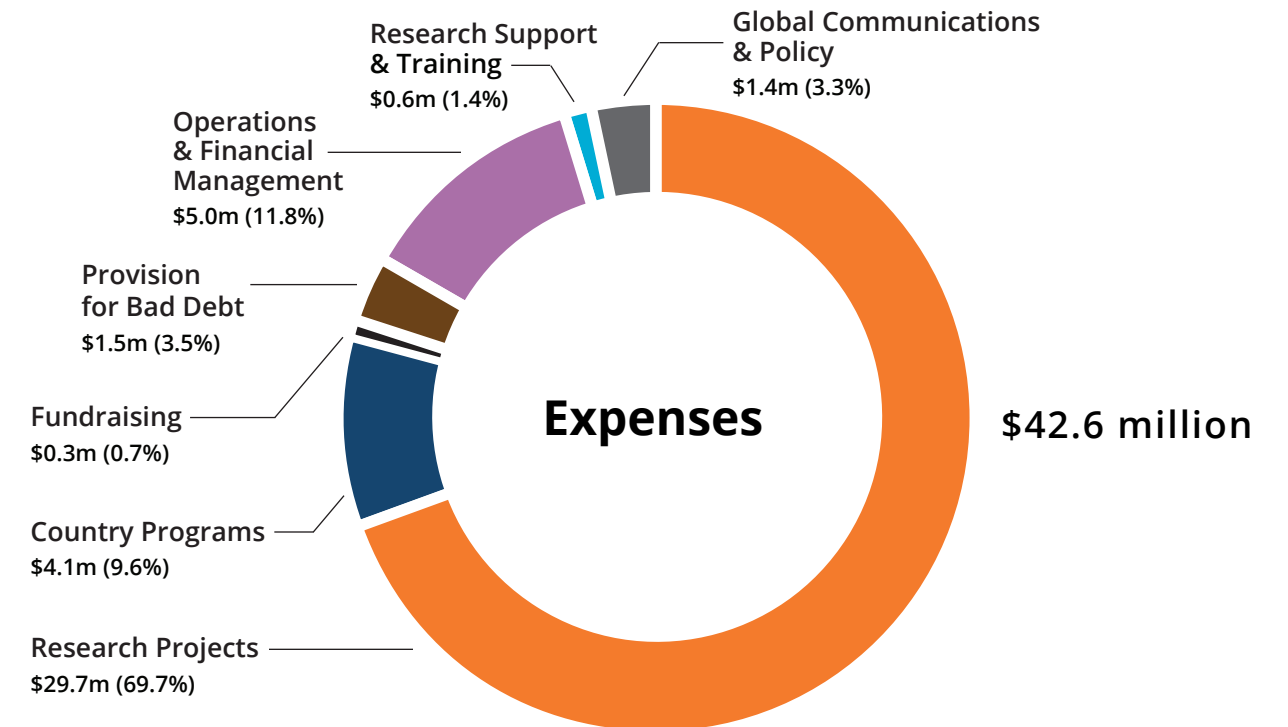
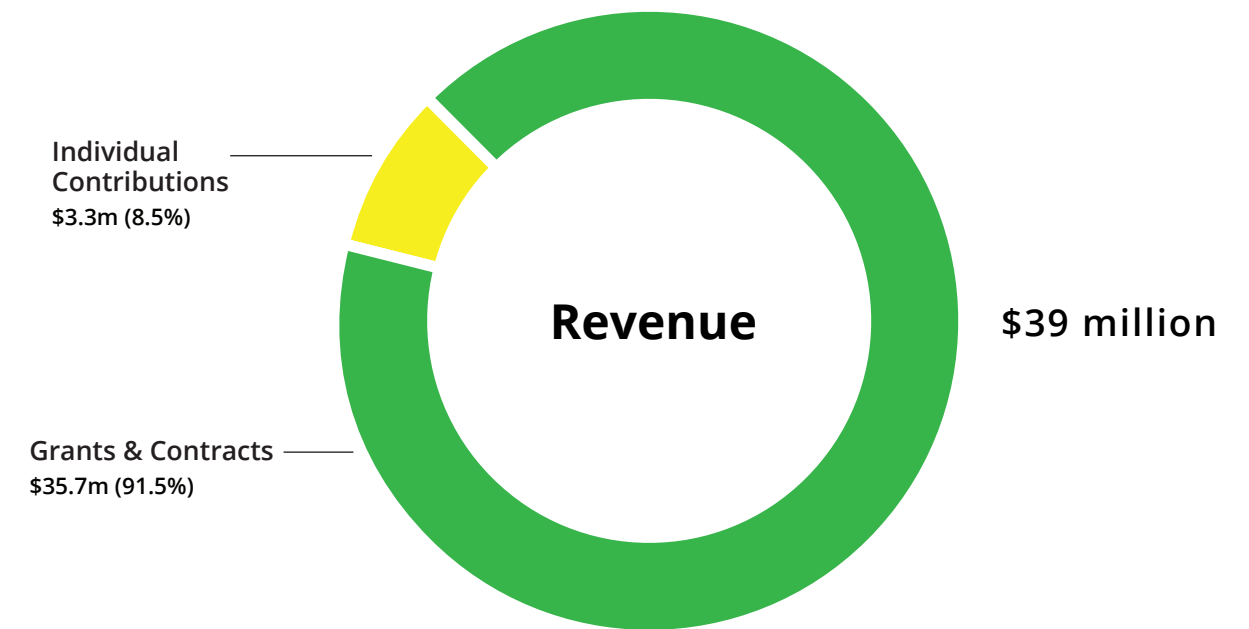
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"Reconciliation, Conflict and Development: A Field Experiment in Sierra Leone"

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"Enterprises for Ultra Poor Women After War: The WINGS Program in Northern Uganda"

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"Identifying and Spurring High-Growth Entrepreneurship: Experimental Evidence from a Business Plan Competition"

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"Evaluating Strategies to Improve Children's Reading Skills in Kenya"

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www.poverty-action.org/study/role-fees-and-information-healthcare-decisions-mali

Mobile-izing Savings in Afghanistan

"Mobile-izing Savings: Defined-Contribution Savings on a Mobile Money Platform in Afghanistan"

Researchers: Joshua Blumenstock, Michael Callen, Tarek Ghani

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www.poverty-action.org/study/mobile-izing-savings-defined-contribution-savings-mobile-money-platform-afghanistan

Mystery Shopping for Financial Products in Peru and Colombia

"Shopping for Financial Products in Colombia"

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"Experimental Evidence on Performance Pay for Tax Collectors in Pakistan"

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