



RESEARCH BRIEF: IMPP PROJECT OVERVIEW

Decision Making, Poverty and Vulnerability: An Interdisciplinary Approach to Policy

Individuals in poor rural communities engaged in tenuous agriculturally based livelihoods have narrow margins for error. Expanding on activities, and managing risks through diversifying or building a cushion of security, is limited by poorly functioning land, labor, commodity and credit markets. In response to these problems, and the chronic poverty and insecurity they portend, IFAD's "Programme for Improving Market Participation of the Poor in Ha Tinh and Tra Vinh Provinces" (IMPP) is designed to build infrastructure, invest in skills training, and offer financial services to diversify livelihood strategies. For these programs to be successful, two things are essential. First, individuals must decide to make a change, and second, the results of that change must be positive.

This project focuses on decision making. Evidence suggests that people make important choices in ways quite different from the predictions of traditional economic models that underlie development policy and programs, contributing to unexpected outcomes such as low take-up rates. Our research generally seeks to better describe decision making across different decision domains, and across different decision makers. For the IMPP, researchers from the University of Washington Daniel J. Evans School and Institute for Family and Gender Studies in Hanoi (IFGS) seek specifically to test experimental results that relate to interventions aimed at fostering market initiatives and participation at different levels of the supply chain. A secondary goal is to understand how intra-household bargaining and preferences affect efforts to target women. In particular, evidence suggests that women, on average, differ in four areas that may be highly relevant to market participation: risk attitudes, self-efficacy, social preferences, and their reaction to competition.

Who are we surveying?

We are surveying 560 rural households in Ha Tinh province, Vietnam, stratified by income. The sample includes couples (husband and wife interviewed separately) and households where women are the de-facto head.

What are we asking?

Many choices are constrained by economic considerations such as poor roads and the cost of getting to markets, the absence of price information, limited credit, inappropriate training, etc. We ask about these. Additionally, we explore the role of risk attitudes, self-efficacy, social preferences, reaction to competition, cognitive effort and intra-household dynamics, in conjunction with economic incentives, to understand current household decision making and possible unexpected outcomes and unintended consequences of policy and program interventions.

How could this inform policy and programs?

Numerous experiments, largely from the U.S. and Europe, suggest that adjusting to decision making characteristics of a target population could improve participation in training, credit and market initiatives. Within the sample list and cites below, some of these findings have been tested in the field, and some in less developed countries. Some will be tested for the first time in Vietnam with IFAD. All suggest that while basic economic incentives do matter, how they are anchored and framed can affect policy and program traction, targeting, and scale. For example, results suggest that:

- ***qualitative dimensions of risks matter.*** Understand how risk perceptions are affected by the control, familiarity and timing of outcomes, not just magnitudes. People tend to overestimate small, novel, delayed, involuntary, and catastrophic or dreaded risks. (Kahneman, Slovic, Tversky, 1982; Cullen and Small, 2004)
- ***relative losses hurt more than gains help.*** Understand individual reference levels, the importance of reducing downside risk, avoiding irreversible choices, and the advantages of only making claims on above average or new gains.
- ***fairness matters.*** Make the contributions of others visible. (Gintis, 2008)
- ***individuals have imperfect self-control.*** Offer self-commitment devices to reduce the consequences of difficult to resist short run consumption choices that counter long run plans. (Gugerty, 2007)
- ***the status quo is powerful.*** Make use of desirable default options with “opt-out” options, rather than asking individuals to opt in. (Knetsch, 2007)
- ***risk attitudes vary across decision domains.*** Farmers, for example, are more risk taking with seed choices than when choosing local loan officers. Policy makers are the opposite. There is less difference between the two groups when choosing children’s medicines. (Anderson, Cullen and Stamoulis, 2008)
- ***being a parent, not just gender, matters.*** Men and women begin with different savings behavior, but having children may evoke a similar incremental response in both men and women. (Anderson and Nevitte, 2006)
- ***being a farmer, not just living rurally, matters.*** Rural residents discount the future more highly, but their “at the moment” discount rates are more consistent with their long run planning discount rates than their urban counterparts. (Anderson and Gugerty, 2008)

Our household sampling strategy in Ha Tinh will allow us to examine some earlier experiments that have implications for targeting women, such as whether program participatory methods are working and whether we can expect local women’s credit and enterprise groups to be successful up the supply chain:

- ***women appear to have different social preferences.*** For example, on average women are more averse to inequality. In bargaining games, offers are more likely to be accepted if they are from a woman, and women are more likely to accept lower offers. (Croson and Gneezy, 2004; Nguyen, 2006; Fletschner, 2008)
- ***women are more averse to competition.*** Women are more likely to choose a lower piece rate compensation than a higher possible return from competing than are men. Women underestimate, and men overestimate, their odds of winning. (Niederle, Carmit, Vesterlund, 2007).

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