

A GUIDANCE NOTE



POVERTY
AND SOCIAL
IMPACT
ANALYSIS (PSIA)

ENHANCING IN-COUNTRY
PARTNERSHIPS IN POVERTY AND SOCIAL
IMPACT ANALYSIS (PSIA)

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ACRONYMS AND ABBREVIATIONS

CPS	Country Partnership Strategy
CSA	Country Social Analysis
CSO	Civil Society Organization
DFID	UK Department for International Development
DPO	Development Policy Operations
ESW	Economic and Sector Work
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IEG	Independent Evaluation Group
MEPD	Malawi Ministry of Economic Planning and Development
MIWD	Malawi Ministry of Irrigation, Water and Development
MDTF	Multi-Donor Trust Fund
NLTA	Non-Lending Technical Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OP	World Bank Operational Policy
OPM	Oxford Policy Management
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
TTL	Task Team Leader
UNDP	United Nations Development Programme



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1. INTRODUCTION

BACKGROUND

Country ownership of the development agenda is widely regarded as way to ensure sustainability and effectiveness of aid and development policies.¹ Dating back more than half a century,² an increased emphasis on the idea that countries should own their own development agenda can be traced back to the 1990s and the significant changes in thinking about development in this decade.³ For instance, the World Bank Comprehensive Development Framework (CDF)⁴ which has informed the poverty reduction strategy process since it was introduced in 1999 recognized country ownership as a core principle. Country ownership was also embraced by the Agenda on Managing for Results and the Rome Declaration on Harmonization, initiatives that have been central to efforts of the international development community to enhance development effectiveness, as well as the Shanghai Agenda for Poverty Reduction in 2004.⁵

In the 2005 Paris Declaration, more than 100 donors and developing countries formally committed to this overarching goal to make aid more effective and agreed to hold each other accountable for the implementation of the principles of the Paris Declaration, including the principle of country ownership.⁶ This idea has primarily been discussed in debates on aid cooperation more generally but also in the context of PRSPs⁷ and the Bank's analytical work. A focus on dialogue and dissemination, as part of a goal of fostering strong country ownership, is considered a key feature of quality analytical work according to two evaluations of the Bank's Economic and Sector Work (ESW), Technical Assistance (TA), and Impact Evaluation (IE).⁸ This note argues that country ownership has an important role to play in the context of Poverty and Social Impact Analysis (PSIA).

The aim of PSIA is to assess the potential distributional effects of specific policy reforms on different groups, with a particular focus on the poor and vulnerable. The PSIA good practice note⁹ identifies two

¹ See, for instance, OECD (2011a).

² See, for example, the US Foreign Assistance Act of 1961, Sec. 102.

³ See IMF (1998), Eurodad (2001) and the World Bank website on the Comprehensive Development Framework <http://go.worldbank.org/N2NDBE5QL0>

⁴ World Bank (2005).

⁵ Entwistle and Cavassini (2005).

⁶ OECD (2011a).

⁷ See Entwistle and Cavassini (2005).

⁸ Independent Evaluation Group (2008b) and (2012).

⁹ World Bank (2008). The Good Practice note offers general guidance on how to conduct PSIAs. For analytical guidance see the PSIA User's guide (World Bank, 2003), and for a framework and tools for policy analysis with a focus on political economy and social dynamics see the TIPS sourcebook (World Bank, 2007).

key elements of a PSIA: on the one hand, *analysis* to determine the distributional impacts of a policy, and on the other hand a *process* that engages appropriate stakeholders in policy-making. In other words, good PSIA should not only offer thorough analysis. They should also provide options to stakeholders involved in policy making and inform their decisions on the design, sequencing, timing and appropriateness of proposed reforms, and to better define compensatory and complementary measures where necessary.

This note departs from the observation that a lack of attention to developing in-country partnerships in PSIA has hampered the impact of PSIA on policy making. For instance, an evaluation of PSIA by the World Bank's Independent Evaluation Group (we refer to it as the IEG evaluation)¹⁰ finds that PSIA have so far had limited effect on country policies, explained partly by lack of government ownership and the lack of engagement with appropriate nongovernmental stakeholders.

Bank-supported PSIA tend to focus too much on the *analysis* and not as much on the *process*.¹¹ Some of these PSIA are largely planned and designed before seeking approval from government counterparts. Others are conducted mostly by Bank staff and international consultants. Presentations and materials used to inform country stakeholders are often too technical for policy makers, and even technical personnel. In some cases, if at all, local stakeholders are consulted during the final stages of the PSIA when there is little room for them to influence it. Sometimes it is not clear how the results and recommendations can be translated into actionable policy recommendations, and in many instances, if the final report is published it is not translated to the local language and its contents are too technical for a general audience.

The paragraph above describes common process issues that arise when PSIA are treated as mere knowledge products. The focus is on the production of a piece of technical analysis leaving little room for considerations of ownership. What matters is that the analysis is well done, not who is involved and how findings feed in to the policy process. In order to enhance the influence of PSIA in policy making the analytical work should be a platform for engagement.¹² Paying more attention to the engagement with stakeholders in a PSIA addresses the issue of how good analysis of the impacts of policies can be used and produced by the parties involved in policy making in countries.

The link of PSIA to DPOs implied by operation policy 8.60 (OP8.60)¹³ provides both opportunities and challenges for enhancing in-country partnerships, a particularly important aspect of the PSIA process. On the one hand it gives PSIA greater leverage since it makes it a requirement to be fulfilled before or during

¹⁰ Independent Evaluation Group (2010). This evaluation is based on a sample of 156 PSIA supported by the Bank over the fiscal 2002-2007 period and interviews with key informants.

¹¹ From conversations with Bank staff and our experience within the PSIA Multi-Donor Trust Fund.

¹² Interview with Nils Junge, independent consultant.

¹³ OP8.60 mandates an assessment of impacts where policies supported by Bank operations are "likely to have significant poverty and social consequences, especially on poor people and vulnerable groups". Approximately 20 percent of the PSIA MDTF grants are linked to DPOs.

implementation.¹⁴ On the other hand, DPOs are sometimes subject to tight timelines which may not only affect the feasibility of conducting a PSIA but also constrain the time available to engage substantively with in-country stakeholders. PSIA conducted outside the scope of DPOs have the flexibility to respond in a timelier manner to the needs of the policy agenda.

MOTIVATION FOR THIS NOTE

This note responds to demand, especially from within the PSIA MDTF, for better understanding and operationalizing country ownership in PSIA. Consistent with its objective of strengthening client country capacity to implement and to better use the results of PSIA to inform national policies, the legal agreements of the MDTF indicate that a share of the contributions should fund country-led work.¹⁵ How to identify and promote country-led PSIA work has been discussed with donors and regional focal points starting with the conversations to set up the trust fund back in 2009, and with renewed interest after the IEG evaluation.

Country ownership in PSIA is a concept for which there is no clear definition or measure; nor even an understanding of how it can best be promoted. This is reflected in the monitoring system for the Paris Declaration¹⁶, a global initiative signed by more than 130 countries and 25 international organizations. The indicator used in the Declaration to monitor progress on country ownership focuses on the institutionalization and viability of development strategies and not on whether, or to what extent, national development strategies are developed and implemented by partner countries. The lack of a direct connection between the indicator and the Declaration's concerns for broad consultation and participation speaks volumes about the difficulty of finding a definition that can be operationalized.¹⁷

While recognizing that the definition of country ownership is difficult, this note provides some thoughts and pointers to Bank staff. It also provides suggestions on how to promote in-country partnerships that might improve the quality and influence of PSIA.

¹⁴ This greater leverage might also be achieved by linking PSIA to Country Partnership Strategies (CPS), Poverty Reduction Strategies (PRS), or larger Economic and Sector Work (ESW). These links can also ensure sustainability and mainstreaming of PSIA into Bank processes and instruments.

¹⁵ We use the terms country leadership and country ownership interchangeably in this note.

¹⁶ See Paris Declaration on Aid Effectiveness (2005).

¹⁷ Irish Aid (2011).

In the preparation of this note we reviewed the literatures on country ownership and PSIA, drew on evaluations and reviews of PSIA¹⁸, conducted interviews and focus groups with users and doers of PSIA – including Bank staff, task team leaders (TTLs) and PSIA regional focal points, in-country counterparts, donors and independent consultants – and Bank staff working on issues of country ownership.

Country ownership – contrary to common perceptions – does not have to be costly, and does not have to compromise the quality of the analytical work

A total of 16 semi-structured interviews and 2 focus groups were conducted between January and September, 2012.¹⁹ The guiding questions for the interviews and the list of interviewees can be found in Annex A. Invitations were sent to Bank staff from the 6 different regions but due to differences in response rates and availability only 4 of the 6 regions were covered. We used a snowball approach to build our list of invitees using an initial list of Bank staff suggested by the peer reviewers and PSIA MDTF focal points. We added to this initial list authors of Bank reports on country ownership.

The note identifies different points of entry to the PSIA process and provides suggestions for fostering country ownership. A key message this note conveys is that country ownership – contrary to common perceptions – does not have to be costly, and does not have to compromise the quality of the analytical work. On the contrary, promoting country ownership can improve the quality of a PSIA and increase the likelihood that its analytical findings have an influence in the policy making process.

This note provides suggestions to forge strong partnerships with in-country stakeholders throughout the life of a PSIA. It is intended for Bank TTLs and PSIA regional focal points and complements other materials on PSIA produced by the Bank.²⁰

The next two sections propose a definition of country ownership in the context of PSIA and provide suggestions on how to foster it at different stages of the PSIA process.

¹⁸ Including Independent Evaluation Group (2010), Oxford Policy Management (2010), World Bank (2009), and Bird (2007, 2005).

¹⁹ The PSIA MDTF regional focal points provided comments to an earlier version of the definition of country ownership proposed in this note.

²⁰ See footnote 4 for references to these materials.

2. WHAT DO WE MEAN BY COUNTRY OWNERSHIP IN PSIA?

As mentioned in the previous section, the idea dates back almost half a century, but it gained popularity during the last decade in the context of a growing consensus that traditional, donor-driven approaches to aid had not led to sustainable change and development in partner countries. Similarly, in the case of PSIA, the observation that donor-driven PSIAs tend to have low influence on policy processes²¹ prompted calls for more country leadership and participation. Despite the growing popularity of the idea of country ownership, donors and partner countries are still grappling with the definition, identification and measurement of country ownership.²² This note provides suggestions to fill this gap in the context of PSIA.

A DEFINITION

Country ownership in PSIA can be understood as the *active involvement by the relevant country stakeholders in the decisions that shape the PSIA*. We now clarify what we mean by some of the terms used in the definition.

First, while the extent of stakeholder involvement may vary from case to case, active involvement goes beyond formal commitment. From interviews with Bank staff we find that formal commitment by country stakeholders - such as where a government makes a request for the World Bank to conduct a PSIA, or where other country stakeholders demand to participate in the discussions, work, or dissemination of a PSIA - is commonly understood as evidence of country ownership. This is often a minimalist view of

ownership and we suggest that while commitment is a step towards active participation it falls short of active participation.²³

Second, in line with the understanding of ownership as being inclusive and democratic, we use the term 'country stakeholders' to not only include the

Country ownership in PSIA can be understood as the active involvement by the relevant country stakeholders in the decisions that shape the PSIA

²¹ See Independent Evaluation Group (2010) and Oxford Policy Management (2010).

²² See Meyer and Schulz (2008) who touch upon these issues when discussing the elements of the aid contract in general.

²³ The IEG evaluation of ESW and TA cited above (IEG, 2008b) found that "whether the task was client requested or not was not significantly associated with in-country respondents' ratings on the extent to which the ESW informed policy, built capacity, or influenced donor activities. The only ESW objective for which the origination of the task seemed to matter was stimulating public debate". Also see Morrissey and Verschoor (2006) on the distinction between commitment and ownership.

national government, but a broader range of governmental and non-governmental actors.²⁴ Interviews with Bank staff reveal that country ownership is often thought of as government ownership.

Third, regarding the 'decisions that shape a PSIA' we organize the discussion around the following stages of the PSIA process where country ownership can be promoted:

- (i) Selection of the policy or policy reform to be analyzed
- (ii) Research design (e.g., choice of research questions, methods of analysis, selection of research team)
- (iii) Conduct of analysis
- (iv) Dissemination and integration of results in policy processes

A schematic representation of the proposed definition is presented in figure 1, where the more active role played by local stakeholders at each of the stages signifies higher levels of country ownership.

Figure 1. Country ownership in PSIA

	LOWER OWNERSHIP		HIGHER OWNERSHIP
1 . Selecting a policy reform for analysis	mainly by WB / int. consultants	→	mainly by local stakeholder
2 . Research design (research questions, techniques, time frame, research team, budget, etc.)	mainly by WB / int. consultants	→	mainly by local stakeholder
3 . Conducting the analysis	mainly by WB / int. consultants	→	mainly by local stakeholder
4 . Dissemination of results	WB disseminates	→	local champions disseminate
5 . Integration in policy debates and design	mainly discussed at WB events	→	mainly discussed as part of local work streams

Figure 1 illustrates two key features of the definition: i) there are different stages of a PSIA at which ownership can be promoted; and ii) stakeholder involvement in each of these dimensions can be understood as a continuum. Using figure 1, the assessment of ownership by a single stakeholder is then a set of five assessments of her participation at the different stages. Depending on the characteristics of the stakeholder and the context of the PSIA, participation at some of the stages might be considered more important than others. The assessment of ownership gets more complicated as we add stakeholders as explained below.

²⁴ The 2008 Accra Agenda for Action states in this regard that "Donors will support efforts to increase the capacity of all development actors – parliaments, central and local governments, CSOs, research institutes, media and the private sector – to take an active role in dialogue on development policy and on the role of aid in contributing to countries' development objectives."



A MULTIDIMENSIONAL CONCEPT

The definition proposed here involves several stakeholders and decisions resulting in a highly multidimensional concept.²⁵ Figure 2 provides an example with four different groups of stakeholders yielding four assessments of participation, each at five stages of the PSIA process.

Figure 2. Assessment of ownership with multiple stakeholders

Executive authorities (national or local)		LOWER OWNERSHIP	HIGHER OWNERSHIP
1 . Selecting a policy reform for analysis	mainly by WB / int.		mainly by local
2 . Research design (research questions, techniques, time frame, research team, budget, etc.)			
3 . Conducting the analysis			
4 . Dissemination of results			
5 . Integration in policy debates and design			
Opinion-makers (Academia, CSOs, media)		LOWER OWNERSHIP	HIGHER OWNERSHIP
1 . Selecting a policy reform for analysis	mainly by WB / int.		mainly by local
2 . Research design (research questions, techniques, time frame, research team, budget, etc.)			
3 . Conducting the analysis			
4 . Dissemination of results			
5 . Integration in policy debates and design			
Legislative		LOWER OWNERSHIP	HIGHER OWNERSHIP
1 . Selecting a policy reform for analysis	mainly by WB / int.		mainly by local
2 . Research design (research questions, techniques, time frame, research team, budget, etc.)			
3 . Conducting the analysis			
4 . Dissemination of results			
5 . Integration in policy debates and design			
People affected by policy		LOWER OWNERSHIP	HIGHER OWNERSHIP
1 . Selecting a policy reform for analysis	mainly by WB / int. consultants		mainly by local stakeholder
2 . Research design (research questions, techniques, time frame, research team, budget, etc.)	mainly by WB / int. consultants		mainly by local stakeholder
3 . Conducting the analysis	mainly by WB / int. consultants		mainly by local stakeholder
4 . Dissemination of results	WB disseminates		local champions disseminate
5 . Integration in policy debates and design	mainly discussed at WB events		mainly discussed as part of local work streams

It is not difficult to think of cases where even more stakeholders are involved. In Ghana, for example, five PSIA were conducted for different reforms, each of them with the participation of donors, several Ministries, local experts, CSOs and local firms. So not only is the number of stakeholders in a PSIA potentially large but also, depending on the context, different stakeholders might be identified as more or

²⁵ Entwistle and Cavassini (2005) and Oxford Policy Management (2010) also refer to country ownership as a multidimensional concept.



less relevant. This is why this note does not propose indicators to quantify and aggregate stakeholder involvement.²⁶

As presented in the previous section, PSIA encompasses a diverse range of activities that respond to country needs as well as to the Bank's own requirements – ranging from improving the poverty, social and distributional focus of its policy advice, to due diligence on the prior actions or projects it is supporting through its lending programs. This implies that the extent to which country ownership can be promoted and achieved would tend to vary depending on the rationale, context, timeline and availability of resources for the PSIA.

It is clear from this framework that country ownership is not an all-or-nothing concept. Even when it is not feasible to have a 'fully country-owned PSIA' it may be possible to promote active participation by some stakeholders at certain points in the process. As both the literature and interviews with TTLs suggest, there is still much room for improvement in terms of country ownership in PSIA.

DONORS AND COUNTRY OWNERSHIP

Donors are often important stakeholders in the PSIA process and their active participation can be consistent with country ownership. They can play an important role in fostering commitment of governments and other in-country stakeholders to a PSIA. They can in fact facilitate ownership by supporting a more inclusive PSIA process at the different stages. Acting as a convener to discuss sensitive issues, building greater public awareness for pro-poor reforms, developing in-country capacity for evidence-based policy making, and providing technical advice and proof-of-concepts as needed, are important contributions of donors during the PSIA process.

Donors may also get in the way of ownership when they do not engage enough with local stakeholders during the PSIA process, when engagement is conducted as a formality and not as real collaboration, and when they impose their will or crowd out participation by local stakeholders. For example, an evaluation of five PSIAs in Ghana mentioned earlier, found that country ownership was undermined by the dominating role played by the donors during the PSIA process.²⁷ According to the evaluation, this was evident in the selections of topics and consultants.

²⁶ Initial proposals to compare assessments across regions within the MDTF were deemed prescriptive and burdensome by managers of the regional windows.

²⁷ Azeem (2005).

3. HOW TO PROMOTE COUNTRY OWNERSHIP IN PSIA

This section describes what country ownership can look like at four stages of the PSIA process and provides suggestions for promoting country ownership at each stage. It also addresses typical challenges and gives examples to illustrate both successes and failures in the process of engagement with local stakeholders. We start by discussing a few cross cutting issues that are often characterized as challenges to country ownership.

IDENTIFYING THE RIGHT STAKEHOLDERS

In an ideal situation, a country-owned PSIA would engage country stakeholders at all stages of the process.²⁸ This raises, at each stage of the PSIA, the question of who are the 'right' stakeholders. The list of potential stakeholders is long: members of the executive branch of government (central and line ministries, and local governments), members from the legislative branch, people affected by the policy in question (both negatively and positively), and other non-government stakeholders (opinion-makers) including civil society organizations, academia, the private sector and different social groups (e.g., associations of industries and consumers, women's groups, youth organizations, ethnic groups).

When identifying the right stakeholders, it is both important to pursue a *broad* enough engagement and keep in mind how representative/relevant is each stakeholder and whether she has a *legitimate* mandate. Relevant stakeholders include not only those actors who exercise influence and power to either support or oppose the reform but also those who stand to benefit from the policy reform in question and those who could be negatively affected.²⁹

The identification of legitimate stakeholders may be particularly challenging with regard to non-governmental actors or actors from parties in opposition. In fragile contexts it may be challenging to even find the right or legitimate counterparts in government. Given the variety of country and policy contexts in which PSIA may be conducted, there can be no template for identifying all relevant and legitimate stakeholders.

Good practice for the identification of stakeholders involves some type of stakeholder analysis.³⁰ If this is not feasible, an experienced local consultant might be especially useful to understand and navigate local

²⁸ Assuming it is both desirable and feasible to have a broad engagement in the particular circumstances. Highly contested reforms are one example where broad engagement might not be desirable.

²⁹ PSIA Good Practice Note, World Bank (2008).

³⁰ For guidance on tools and methods see TIPS, World Bank (2007).

politics. A number of the TTLs interviewed for this note suggested a snowball sampling approach to identify stakeholders.³¹

A few suggestions on things to avoid when selecting the stakeholders include: (i) bypassing or undermining official structures of democratic representation; (ii) bringing in parties without a legitimate mandate; (iii) leaving out stakeholders due to their lack of technical skills; and (iv) exacerbating conflicts between stakeholders.³²

TIMING AND TIMELINESS

Several reviews of and reports on PSIA³³, have indicated that timing is one of the key conditions to increase the likelihood of a PSIA being influential in policy processes.³⁴ Sometimes the window of opportunity for PSIA to inform a given policy reform is small and timeliness becomes essential.³⁵ In such cases just-in-time analysis may be required and considerations of country ownership would play a secondary role. If there is room for engaging with local stakeholders the advice of an experienced local consultant with strong local networks can be particularly valuable to identify the main stakeholders and to convene meetings and consultations in a short time.

The IEG evaluation cites the example of a PSIA on cotton sector reform in Mali where less than ideal timing and apparent lack of policy relevance were identified as some of the reasons for the low impact of the PSIA on policy reform. On the one hand, the government made important decisions regarding cotton prices when the PSIA was still in preparation. On the other hand, there was a significant delay between conduct of the analysis and preparation of the report and the PSIA did not engage with specific issues around the reform in question.

Some of our interviewees perceive the existence of a tension between the relatively short lifespan of a PSIA grant (slightly over 12 months) and the time it takes to engage with local stakeholders. This tension is usually exacerbated when engagement with in-country stakeholders is seen more as an “add-on” to a PSIA than as the way a PSIA is designed and implemented. Another factor that contributes to that tension is the idea that “if it’s not fully country-owned, then it’s not good enough”. Taking maximum advantage of

³¹ Snowball sampling in PSIA uses a few initial informants, including government officials, to nominate other participants who in their views could contribute to the analysis and the process.

³² Schnell et al. (2006).

³³ Oxford Policy Management (2010), Independent Evaluation Group (2010), Bird et al. (2005), World Bank (2008), and Schnell et al. (2006).

³⁴ This was also confirmed by the majority of the people interviewed for this note.

³⁵ The PSIA good practice note mentions political timing, exogenous shocks and change in leadership as factors that might shorten the time span of reform proposals. The need to fast-track development policy loans (DPO) to support countries in crisis can also be a deterrent not only to country ownership but to conducting PSIA in DPOs.

the opportunities for enhancing partnerships given the context of a PSIA should be considered an important achievement irrespective of the resulting degree of country ownership.

THE POLITICAL ECONOMY OF REFORMS

It is increasingly recognized that sound analysis of a country's political context is crucial for the success of development interventions.³⁶ In the context of PSIA, the political economy context of a reform is often cited by Bank staff as a factor that shapes the engagement with in-country stakeholders and as a potential obstacle to ownership. An evaluation of PSIA by Oxford Policy Management (we refer to it as the OPM evaluation) highlights the strong influence that the institutional and policy contexts have on the impact of PSIA.³⁷

PSIA teams need to understand the political context and the social pact around policy reforms

By identifying the winners and losers of a policy reform a PSIA might create tensions between different groups. A good understanding of the political economy of

the reform can help anticipate, and as far as possible mitigate, these tensions. In case of strong disagreement between different stakeholders, conducting consultations separately rather than forcing conflicting parties to sit at the same table might be a better option.

Tensions within government arose in three of the five case studies analyzed by the OPM evaluation. During a PSIA on private sector participation in the urban water sector in Malawi tensions surfaced between the sector Ministry (Irrigation, Water and Development -MIWD) and the planning Ministry (Economic Planning and Development -MEPD). The MEPD chaired the steering committee for the PSIA which was not well received by the MIWD and led to a lack of ownership. The MEPD was also perceived by other stakeholders not to have the authority or credibility to lead the committee. Similar tensions were documented in Uganda during a PSIA on the national land use policy.³⁸

High-level champions, both inside and outside government may provide valuable support in navigating national politics and in securing buy-in for the PSIA. Strong advocates within the Bank country office – ideally members of the PSIA team- or a similar development partner office can be as important and might keep the process going once the analytical work is complete.³⁹

³⁶ See for instance Social Development Department (2008, 2006).

³⁷ Oxford Policy Management (2010).

³⁸ Ibid.

³⁹ World Bank (2009).

The Bank has developed different types of analyses that may help better understand political constraints. Country Social Analysis (CSA)⁴⁰, for instance, offers useful guidance to identify the relevant institutional and governance arrangements and to understand the socio-political context of reforms.

CAPACITY AND COUNTRY OWNERSHIP

A common perception among Bank staff that emerged during interviews conducted for this note is that country ownership can only be promoted when there is sufficient technical capacity at the country level. First, PSIA's are often considered too technical or complicated to be understood by a broad audience. Engagement with a wider range of stakeholders is consequently considered not worth the effort. Secondly, and related to the first point, involving stakeholders at the research stage of the PSIA is perceived as a threat to the quality of the analysis where capacity is not high enough.

We see low capacity not necessarily as a challenge to ownership or a threat to quality but as an opportunity. On the one hand, PSIA's provide unique opportunities for local stakeholders to participate in capacity development activities and more importantly to learn by doing.⁴¹ Several studies by the World Bank Institute argue that capacity development works best when understood as an interactive process of learning by doing and it strengthens inclusive ownership by increasing knowledge and skills to empower government and civil stakeholders with the ability to assess policies and influence policy making.⁴² An evaluation of the Bank's ESW and TA work found that the capacity level of the country did not affect the desire for partnership or for partnership to have positive effects.⁴³

A PSIA conducted in Orissa as a non-lending technical assistance program (NLTA) is a good example of successful capacity development. Linked to a DPO, the PSIA aimed to contribute to the understanding of inclusive aspects of the state's natural resources based growth. The PSIA not only engaged with government and civil society but developed capacity for PSIA within government, local think tanks and

⁴⁰ CSA materials and an online toolkit are available at <https://wb9220.worldbank.org/csatoolkit/>

⁴¹ Note that the findings of the impact of PSIA on capacity building are mixed. The IEG evaluation found the impact to be negligible while Bird et al. (2005) cite several cases where PSIA enhanced research capacity. World Bank (2009) emphasizes that effective capacity building is a longer term undertaking that cannot be achieved with a single PSIA.

⁴² See Entwistle and Cavassini (2005), Otoo et al. (2009), Smithers (2011), and Balbo di Vinadio et al. (2012). These studies identify institutional characteristics that contribute to inclusive stakeholder ownership and how this ownership can be fostered by capacity development activities.

⁴³ Independent Evaluation Group (2008b).

consultants. There was a deliberate attempt by the PSIA to hire local firms and consultants in areas where they lacked capacity to then mentor them.⁴⁴

On the other hand, even when technical capacity is not sufficient for local stakeholders to be partners in the analytical work, they may still provide valuable knowledge and reality checks for preliminary results, and access to networks. As confirmed by the IEG evaluation, the likelihood of a PSIA informing the policy making process is higher when local stakeholders are engaged in the process.

In its evaluation of the Bank's training activities, the Independent Evaluation Group provided recommendations to enhance the contribution of training to capacity building.⁴⁵ Some of the recommendations that are especially relevant for the case of PSIA include:

- As much as possible, target the training content to individual or institutional needs. Keep in mind that training in the context of a PSIA might not be the right way to address more structural capacity gaps.
- Distinguishing the role that different stakeholders play in the PSIA might be a good starting point to identify different training audiences. More general training might be appropriate for wider audiences while more specific/technical training might be a better fit for those directly involved in PSIA work.⁴⁶
- Didactic methods should be varied and appropriate for the level of participants and training goals. Common complaints from country stakeholders about Bank trainings include the lack of practical exercises and that time is too short for the number of topics covered.
- Client commitment to training goals is important for successful capacity building so try to get country stakeholders involved in the design of the training.
- Capacity building activities should include opportunities for trainees to learn by doing. During our interviews local stakeholders highly appreciated the opportunities to be actively involved in some of the PSIA work as a way to develop and enhance their skills.
- On demand, be prepared to provide follow-up support to help trainees implement the new knowledge and skills learned at the training. Partnerships with other donors or related Bank operations can be explored to go around funding restrictions or relatively short duration of some PSIA's.⁴⁷

⁴⁴ The PSIA was linked to the Orissa Social and Economic Development Loan (OSEDL II). See the completion note "Orissa: Institutionalizing poverty and social impact analysis (PSIA) capacity (P104435)".

⁴⁵ Independent Evaluation Group (2008a).

⁴⁶ A similar point is made by Gros (2008, in draft).

⁴⁷ Gros (2008 in draft) and Elke Kasmman (personal communication on country ownership and capacity development for PSIA in the framework of the PSIA MDTF, December 19, 2011).

Another good example of a PSIA that provided opportunities for capacity development was financed by UNDP in St. Lucia. After the 2007-8 financial crisis, the government requested evidence on the impacts of the crisis on different vulnerable groups in the population. UNDP provided a donor-executed grant and brought an international consultant on board to lead the PSIA. Given the relatively low capacity, community development officers from the Ministry of Social Transformation and NGOs with presence in the communities used the infrastructure from the country poverty assessment done in 2005-06 with the Caribbean Development Bank to facilitate focus groups for the qualitative component. Participants highly appreciated the hands-on training and are enthusiastic to learn more about PSIA.⁴⁸

Additional resources on capacity development can be found in Annex C.

FINANCING OF PSIA

A tangible way for a country to show commitment to a PSIA is by dedicating resources to finance it. However, lack of resources is often used to justify low demand for PSIA from countries. Secondment of government staff to the PSIA team can be considered in-kind financing and has the added benefits of keeping the government engaged throughout the PSIA process and developing the capacity of its staff.

Financial support by donors has been the norm for PSIA especially in low income countries, and such financing can be compatible with country ownership. One option to give countries more control over the resources is to give local stakeholders (typically governments) responsibility for the execution. The use of country systems is considered a good way to increase aid effectiveness and promote ownership.⁴⁹ However recipient-executed grants have been difficult to promote from the PSIA MDTF due to the small average size of the grants and the cumbersome procedures involved in setting up this type of grants.

The use of country systems, under country financing or country execution, may sometimes risk delays due to procurement issues. In some cases procurement rules and procedures lead to long delays in contracting or in the hiring of firms or consultants that do not offer a good quality/cost ratio or that are not perceived as neutral. Some partner countries have requested the Bank to do the contracting for analytical work because they consider its own procurement rules inappropriate.

Having addressed several cross cutting issues, the following section explains in more detail why active participation by local stakeholders is important at each stage of the PSIA process and some suggestions on how to promote it.

⁴⁸ Interview with Mary Wilfred, staff at the Ministry of Social Transformation at the time of the PSIA and currently in the UNDP office in St. Lucia.

⁴⁹ See the Paris Declaration on Aid Effectiveness (2005).

(I) SELECTION OF THE POLICY OR POLICY REFORM TO BE ANALYZED

The IEG evaluation of PSIA finds that close alignment with country priorities is a feature of the more influential PSIA. Prominence and urgency of the reform in the government's policy agenda and in the national debates may therefore be a useful criterion for the selection of policies for a PSIA.

A second criterion, in the case of development policy operations (DPO), is defined by the Bank's operational policies. As mentioned above, OP 8.60 prescribes that country policies supported by a DPO that are likely to have significant poverty and social effects, especially on poor people and vulnerable groups, should either summarize existing work on these effects and on reducing adverse effects and enhancing positive effects, or should fill any gaps in the analysis before or during program implementation. Even if not supported by a DPO, policies with potentially significant impacts on the poor and vulnerable groups are good candidates to be analyzed by a PSIA.

Two additional criteria proposed by the PSIA user's guide⁵⁰ are i) the likelihood that new knowledge would make a difference to the content or implementation of the reform; and ii) prospects that the reform can actually be implemented.

There are a number of ways to engage with country stakeholders at this first stage of the PSIA. A scoping mission may be used to organize initial stakeholder consultations and meetings, focusing on government stakeholders (e.g., planning and line ministries, and agencies in charge of policy analysis) to make sure that the PSIA is embedded in the policy agenda. This mission is a good opportunity to look into options to anchor the PSIA process within the country and to set up ongoing support with links to Bank and other donor staff in country.

We understand country ownership as inclusive and democratic, involving a wide range of stakeholders

In addition to stakeholder consultations and meetings, different formats of workshops have also proven effective in the past. In Ghana, for instance, a national workshop around the Poverty Reduction Strategy Paper (PRSP) was used to identify policy reforms with likely adverse impacts and that were amenable to a PSIA. Participants were drawn from government, academia, and civil society more broadly. Local experts familiar with the PRSP analytical process facilitated the workshop. In Yemen, a stakeholder workshop was organized and facilitated by Bank staff to select the reforms for a PSIA. Using some of the criteria

⁵⁰ World Bank (2003).

described above, participants chose reforms dealing with water resources management and irrigated agriculture, as well as the reform program for rural water supply and sanitation.

(II) RESEARCH DESIGN

Stakeholders that participate in the design of a PSIA are more likely to stay engaged throughout the study and eventually help in the implementation of the PSIA and its recommendations.⁵¹ Local stakeholders can also contribute valuable local knowledge and may bring up issues that were previously ignored. They may have connections with communities and local organizations, and know local experts who can be recruited for the PSIA. Involving stakeholders in the design of the PSIA also provides opportunities to raise awareness and explain the benefits of the PSIA approach.

The Bank can play an important role at this stage as technical advisor for and facilitator of the discussions on design. The Bank can use its convening power to attract the relevant stakeholders, may recommend consultants in cases where local capacity does not suffice, and can draw from the international experience of PSIA in similar contexts as a valuable proof of concept.

Some of the decisions that need to be made at this stage include:

- drafting terms of reference
- selecting a diverse team of consultants and research partners
- framing the research questions
- choosing methods of analysis - mixed methods not only enhance the understanding of the poverty and social impacts of a reform but create space of participation by local stakeholders

The design stage is also a good time to establish structures to manage the PSIA process. Different types of committees have proved successful in different contexts. The most common types are i) committees that deal with the technical aspects of a PSIA and its quality; and ii) committees that provide supervision and strategic advice on linking the PSIA to policy dialogue, and that make sure that the results are appropriately incorporated in policies and taken forward.

The design stage offers good opportunities for capacity building activities. Some of the topics that can be covered include technical training on primary data collection, mixed methods, the use of tools, and how to review PSIA results and consider policy alternatives based on its findings.⁵²

⁵¹ Interview with Sabine Beddies, Senior Social Development Specialist.

⁵² PSIA Good Practice Note, World Bank (2008).

(III) CONDUCT OF THE ANALYSIS

Having local stakeholders involved in the conduct of the analysis is another valuable way to sustain commitment to the PSIA and may contribute to capacity-development-by-doing. Depending on their interests, expertise and capacity, some stakeholders may be involved directly in the technical aspects of a PSIA, others might provide logistical support, or serve as advisors by providing feedback to draft reports and preliminary findings.

Capacity-development-by-doing for local researchers usually requires availability by Bank staff or consultants to provide technical and other support on an ongoing basis. Anecdotal evidence from conversations with country stakeholders suggests that their enthusiastic response to PSIA was not always matched by the depth of support by the Bank. In cases where the PSIA team is not based in the country, another donor working on PSIA or the sector involved in the PSIA could be in charge of the local follow-up activities. Engaging with other donors can also prolong the life-cycle of the PSIA recommendations in the policy process, and increase the likelihood of influencing policy decisions.

Sharing preliminary findings and drafts periodically with select local stakeholders ensures transparency of the research process, keeps the stakeholders engaged, provides reality checks to the PSIA and gives enough time to make changes to the analysis if needed.

Even though actual participation by local stakeholders in the production of parts of the task might be beneficial for capacity development and sustained commitment, what is important is working closely with clients to ensure that they are part of the process and that there is close collaboration from task initiation to the formulation of conclusions and recommendations.⁵³

(IV) DISSEMINATION AND USE OF THE ANALYTICAL RESULTS

The evidence generated by a PSIA does not automatically feed into policy identification or formulation.⁵⁴ Once the analysis has been completed and drafts and preliminary findings have been discussed with select stakeholders, it is important to disseminate the results widely and effectively. Dissemination is a continuous process of reaching out to stakeholders within and outside of government and not a one-off event.⁵⁵

⁵³ Independent Evaluation Group (2008b).

⁵⁴ Bird et al. (2005).

⁵⁵ World Bank (2009).

The reviews by IEG, OPM, and World Bank (we refer to the latter as the WB-ODI review) agree that dissemination is a key factor in enhancing the influence of PSIA recommendations on the policy process and that much more can be done to improve dissemination of PSIA results and recommendations.⁵⁶

According to the WB-ODI review communications is one of the weakest areas of PSIA practice.⁵⁷

Engaging with a local communications specialist may provide valuable inputs to the dissemination strategy

Engaging with a local communications specialist may provide valuable inputs to the dissemination strategy. We recommend PSIA teams to lay out the dissemination strategy at the early stages of the PSIA and to fund it appropriately.

Some of the key things to keep in mind when planning dissemination activities include:

- Making presentations and materials accessible to different audiences. Local counterparts often complain about presentations that are too technical and difficult to understand. The inability to present the research and its findings in simple terms could be interpreted as lack of capacity by the PSIA team and not by the audience. As possible and where applicable, translate presentations and documents to local languages.
- Think about the most appropriate ways to communicate with different audiences. Technical government staff, political leaders, academic researchers, civil society organizations and Bank staff have different needs, preferences and backgrounds.
- Be creative to make results widely available so as to feed the public debate. Use radio, TV, newspapers, websites and social media as appropriate.

In order to enhance the influence of the PSIA recommendations in the policy process the WB-ODI review cited above suggests devising an actionable plan with feasible policy recommendations.⁵⁸ A good example on both fronts – feasible and actionable recommendations - is the PSIA on water sector reform in Yemen cited by the IEG evaluation and the WB-ODI review.⁵⁹ In addition to a detailed report, the PSIA produced an implementation matrix providing clear recommendations for the national water sector strategy update. The working groups established for the update process used the PSIA and particularly the implementation matrix as key reference documents. The implementation matrix was deemed the most critical factor in ensuring that PSIA recommendations were fed into the policy process in the water sector.

⁵⁶ Independent Evaluation Group (2010), Oxford Policy Management (2010), and World Bank (2009).

⁵⁷ World Bank (2009).

⁵⁸ Ibid.

⁵⁹ See also Ward et al. (2007) for the PSIA report.

Very few PSIA have a plan for follow-up once the research is completed. Given the typically fixed (and short) duration of the PSIA activities, the engagement with other donors and local institutions enhances their role in taking forward the recommendations of a PSIA. The wider literature cited by the WB-ODI review suggests that "... the hard work of building greater public awareness of and support for pro-poor reforms does not end with dissemination but begins with it."⁶⁰

4. CLOSING THOUGHTS

Country ownership is slowly gaining traction as an important concept in PSIA. Donors and partner countries are still learning how to move from PSIA processes led by donors to PSIA where the role of donors –if any– would be limited, well-defined, and specified by local stakeholders. As countries move towards more country-owned PSIA the roles typically played by donors would be taken over by local stakeholders. This note aims to contribute to the transition between donor-driven and country-owned PSIA and assumes that donors have an important role to play in that transition.

During the interviews we found many misconceptions on country ownership, most of which have been mentioned throughout the note. Given their prevalence and prominence we organized them in the table below for reference.

Table 1. Common misconceptions about country ownership

Misconception	Comment
Demand for a PSIA from government implies ownership.	Demand is a sign of commitment which is a step in the direction of government ownership, but falls short.
Government ownership is the same as country ownership.	In the last decade the definition of country ownership has become more democratic and includes both executive and legislative branches of government and non-governmental stakeholders like academia, CSOs, and media organizations.
The recommendations of a PSIA were adopted by policy makers so the PSIA was country-owned.	This is an influential PSIA but we would have to know more about the participation of local stakeholders to assess country ownership.
Active participation of local stakeholders in conducting the work is time-consuming or costly.	The local knowledge and networks that in-country stakeholders bring to the table can improve the quality of a PSIA.
Lack of technical capacity limits country	Participation of locals in the research design

⁶⁰ World Bank (2009).



participation in analysis or research design.

and analysis is a good opportunity to build capacity by doing and to sustain the engagement throughout the PSIA. The key is to make the best use of the existing capacity and to ensure that the materials and information provided to in-country stakeholders give them a real opportunity to have a meaningful participation.

We consider this note a living document. The guidance provided here will be piloted with a few PSIA MDTF teams in the next months and what we learn from the pilots will inform future versions of the note. Another potential source of information to update this note is the mid-term review for the PSIA MDTF that will be conducted during the next semester.

The lack of a good self-assessment mechanism for PSIA⁶¹ and the relatively low attention paid to the PSIA process so far make it difficult to find enough information on the PSIA process. Trust fund managers can contribute to improving the reporting arrangements by ensuring that proposals state clearly how the task team will report upon results and impact, and that internal reporting requirements like the GRM (grant report monitoring) are fulfilled timely and meaningfully. Proposed modified questions for the GRM for PSIA grants that delve deeper into the process and partnerships with local stakeholders can be found in Annex B. Efforts to induce PSIA stakeholders to say more about the process in their analytical reports or elsewhere, if successful, would deepen our understanding of what works and what does not in moving towards country-owned PSIA and in enhancing their influence in policy processes.

As countries move towards more country-owned PSIA, the roles typically played by donors would be taken over by local stakeholders

⁶¹ The IEG evaluation recommended a self-evaluation system for PSIA. The Grant Report Monitoring (GRM), an existing reporting requirement for Bank trust fund grants, could be used for that purpose if the right incentives are provided to TTLs to report high-quality and comprehensive information.



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ANNEX A. QUESTIONS FOR INTERVIEWS AND INTERVIEWEES

INTERVIEWS WITH PSIA TTLS

1. What does country ownership mean to you, and in particular in a PSIA context?
2. Is country ownership important for PSIA? If yes, why? If not, why not?
3. How much did the government and other stakeholders in the country participate in each of the following dimensions of a PSIA
 - a. Selecting a policy reform for analysis (What?)
 - b. Deciding on techniques, time frame and other details of the analysis (How?)
 - c. Determining executors of the analysis (Who?)
 - d. Determining the use of the results of the analysis (For what?)
4. Do you think that your PSIA is a good example for country ownership in PSIA? If so, why?
5. What aspects of country ownership went particularly well/ did not go well in your PSIA process? And why? (This question is targeted at process aspects, not technical aspects)
6. Was technical capacity of in-country stakeholders a constraint for country ownership in your case?
7. In your experience, what could the Bank do to promote country ownership in its activities in the country, not only in PSIA?
8. In your everyday work, what are the barriers to promote country ownership? (These may be barriers inside the Bank, but also at country level). Do you know any work on country ownership that could be useful for us? In particular, we are trying to identify good practices of how to promote country ownership.

Interviews with MDTF regional managers and other PSIA experts

1. What does country ownership mean to you, and in particular in a PSIA context?
2. Is country ownership important for PSIA? If yes, why? If not, why not?
3. How could country ownership of PSIA be enhanced and promoted?
4. What are the main obstacles to country ownership in a PSIA context (this may be obstacles due to institutional factors inside the Bank, or obstacles at the country level)
5. Do you think country ownership may need to be balanced against competing considerations?
6. Do you know any work on country ownership that could be useful for us? In particular, we are trying to identify good practices of when and how to promote country ownership.



LIST OF INTERVIEWEES

Name	Title	Unit	Comments
Janet Entwistle	Senior Operations Officer	LCSHE	Co-author of report "An operational approach to assessing country ownership in PRS"
Nicola Smithers	Lead Specialist	WBIOD	Author of report "The Importance of Stakeholder Ownership for Capacity Development Results"
Mayra Ugarte	Lead advisor	GIZ Peru	Participated in PSIA on fiscal incentives in Peru
Willy Reuben	Consultant	LCSSO	Led PSIA on fiscal incentives in Peru
Emil Daniel Tesliuc	Senior Economist	ECSH3	Led several PSIAs in ECA
Julian Lampietti	Sector Leader	LCSSD	ARD Lead Program Coordinator in MNA at time of interview. Long experience with PSIAs.
Andrea Liverani	Senior Social Development Specialist	MNSSO	Leading PSIA on climate policy in Morocco
Nandini Krishnan	Economist	MNSSED	Led PSIA on employment policies in Jordan
Sabine Beddies	Senior Urban Specialist	MNSUR	PSIA expert. Led PSIA on water sector reform in Yemen
Nils Junge	Consultant	ECSUW	PSIA expert
John Newman	Lead Poverty Specialist	SASEP	Co-manager of the SAR PSIA window
Ihsan Ajwad	Senior Economist	ECSH4	Co-manager of the ECA PSIA window
Karina Vargas	Coordinator	Ministry of Finance - Peru	Government counterpart for PSIA on fiscal incentives in Peru
Alexander Pankov	Country Sector Coordinator	ECSF1	Task leader for PSIA on mine restructuring in Serbia
Mary Wilfred	Programme officer	UNDP Saint Lucia	Participated in PSIA on effects of economic crisis as Social Researcher at the Ministry of Social Transformation in Saint Lucia
Priscilla Kandoole	Economist	Ministry of Development Planning and Cooperation - Malawi	Task leader for PSIA on water sector



ANNEX B. PROPOSED CHANGES IN REPORTING FOR PSIA GRANTS

The Grant Reporting and Monitoring (GRM) application is the Bank instrument to monitor and report on the implementation and outcome of grant financed activities and it can be used to learn more about the PSIA process with minor modifications. Currently the GRM for the PSIA MDTF has a PSIA-specific tab with 6 questions (the maximum allowed by the system) inquiring about different aspects of the progress and outcomes of the grant. The proposed questions below are modifications of the ones used for the last GRM cycle for the PSIA MDTF and delve deeper into the process and partnerships with local stakeholders during a PSIA.

1. Has the PSIA impacted a) Bank operations, sector strategies or country strategies; b) policy dialogue or programs run by country, donors or civil society? Please list the operations and programs impacted and specify the impact of the PSIA.
2. Who are the different stakeholders for the reform analyzed in this PSIA? Describe your efforts to consult/engage with each of them and the nature of the engagement. (Suggested categories of stakeholders include member of the executive and legislative branches, people affected by the policy and opinion-makers)
3. List activities/strategies undertaken for knowledge sharing and dissemination (inside and outside the Bank), and number and type of participants (e.g., executive, legislative, people affected by the policy, opinion-makers, etc.). Describe the role of local stakeholders in their design and implementation.
4. What steps were taken for building the capacity of in-country institutions? Please name the organizations whose capacity was improved, describe the engagement of local stakeholders in the design/implementation of these step and how their capacity was enhanced.
5. Which analytical methodologies were used for the PSIA? Describe which analytical methods worked best.
- 6a) Has this PSIA gone through any kind of review process after approval (e.g., formal decision meeting process, internal or external peer review)? b) What is the share (%) of the total cost of this PSIA work that will be funded using Bank budget (BB)?

ANNEX C. ADDITIONAL RESOURCES ON CAPACITY DEVELOPMENT⁶²

While there are no resources on capacity development that are specific to PSIA, there are numerous resources and training opportunities for capacity development in policymaking and the use of evidence in policymaking more broadly.

The World Bank's learning portal, hosted by the World Bank Institute (WBI), contains publication on different aspects of capacity development and online courses, many of them for free, that can be used as additional material for PSIA trainings.

www.worldbank.org/capacity

UNDP's Capacity Development section maintains a publicly accessible expert roster, containing contact information for hundreds capacity development specialists (access by invitation only). It also offers a variety of manuals and good practice notes on the topic.

www.capacity.undp.org

The Overseas Development Institute has published a toolkit for policy-makers on evidence-based policy-making. Relying on lessons learned from evidence-based policymaking in the UK, it contains information on approaches for "getting evidence into policy". The intended audience is policymakers and policy advisers in the public sector, rather than those working within the private sector or civil society.

<http://www.odi.org.uk/publications/154-toolkit-progressive-policymakers-developing-countries>

The Asian Development Bank's capacity development website contains case studies and good practice notes that might be particularly relevant in the Asian context.

<http://www.adb.org/themes/capacity-development/main>

⁶² This annex draws heavily from Gros (2008, in draft).