

**“THE NORTH SEA MANIFESTO”**  
**Action plan on PSIA for Bilateral Donors**  
**International Workshop in The Hague**  
**13-14 October 2003**

**Aims of Workshop**

The aim of day 1 was:

- To achieve a common understanding of PSIA and how it is being undertaken, practical experiences and problems to date.

This was achieved through presentations from a variety of participants (representatives of DFID, World Bank, IMF, Oxfam, GTZ and Government of Ghana) sharing their experiences and views; from a synthesis of lessons learned from the pilot studies; and from working groups discussing a number of hot issues, and presenting back to the plenary.

On the basis of this experience, the aims of day 2 were:

- To share ideas about how to harmonise joint efforts, clarifying roles and actions of bilaterals
- To exchange information about key networks, with the aim of reducing duplication of effort in future

This was reached through working groups of participants from similar organisations (Bilateral donors, IFI's (World Bank and IMF), Southern Participants and NGOs/Academics) developing their ideas of the role for bilaterals.

The output from these working groups was then debated in the plenary session and with a facilitated panel session.

**Issues resolved**

Consensus was reached over a variety of issues:

- PSIA should be an integrated part of the PRS process and linked into the PRSC / PRGF;
- PSIA should be country led, involving relevant stakeholders (i.e. governments and parliament, IFI's, civil society, donors, private sector);
- The capacity of these stakeholders to consume and produce PSIA should be strengthened;
- PSIA should use existing structures and not create parallel processes (e.g. consultation for PSIA should link into the PRS consultative fora where possible);
- PSIA should be transparent and participatory;
- With limited resources and time, PSIA needs to be carefully prioritised;
- The context will determine the most appropriate methods and process – PSIA's should be pragmatic and seek to have greatest relevance to policy makers;

- PSIA should make use of multiple sources of data, for example, quantitative and qualitative data drawn from household surveys, existing analysis and case studies, specific studies undertaken for the analysis;
- PSIA should use multiple tools as part of the analysis, for example, economic, social and institutional (political) analysis offer different tools;
- PSIA should be used to address the neglected distributional effects of policy; to review policy /reform options, trade-offs, choices and design, to maximise the pro poor impact and address mitigating measures if negative impacts occur. It is needed where there is concern, and not necessarily where there is already consensus
- Funding of PSIAs should be through country governments to foster ownership;
- Greater harmonisation of donors is required to increase the effectiveness of our support (DAC may be a channel for this);
- Collaborative, systematic monitoring of whether PSIA is being carried out on key policies is needed;
- We are still learning! – We need to develop and improve practice and develop methodology (particularly on PSIA of macro economic policies).

PSIA seeks to move policy development away from some current problems, such as closed and biased processes, towards evidence-based policy making. How PSIA is done can influence its impact and the ideal process will contain the elements given in the box below:

#### **Ideal PSIA process**

- Integrated into PRS, budget and WB/IMF lending cycles
- Selection country led
- Broad participation in design and TOR
- Long lead-time so can look at policy choice rather than policy formulation
- Transparency throughout
- Dissemination (pro-active)
- Results should support final policy choice, and develop a credible policy dialogue

#### **Unresolved issues:**

However tensions still remain in some areas:

- IFI due diligence with regards to assessing the poverty impacts of programmes they support could conflict with country ownership. There can be a conflict of interest between donors pushing IFIs to honour

their commitment to do PSIA on all major reforms, and donors pushing for country ownership – if the country governments are not interested in PSIA, should the IFIs be doing it anyway?

- The need for agreed systematic World Bank and IMF approaches to PSIA to ensure appropriate coverage vs working pragmatically to create internal support for use of the approach;
- If donors, NGOs and other stakeholders put too much effort in to influencing the IFIs on PSIA, this might undermine the building of capacity at national level and institutionalisation of PSIA within legal frameworks in the South;
- The drive for country leadership should not over burden governments;
- The need to be aware that consultation will not necessarily lead to consensus. In discussions it seemed that we were assuming PSIA will lead to all parties being agreed on the best policy – this is not true;
- There is concern that the interest in a set of minimum standards may prevent relevant studies being used in policy making or prevent PSIA studies being done because capacity or data are not up to standard. Principles for good practice that are flexible in application may be more useful than technocratic standards;
- The need to be aware that PSIA is part of a political negotiation of policy (beware of ending up with “policy based evidence making” - rather than “evidence based policy making”);
- The IMF is at present “an enthusiastic consumer of PSIA”, but should they be developing the capacity to undertake PSIA?
- Is PSIA ‘a framework’, ‘a toolbox’ or ‘an approach (tools and process)’?

### **Follow up Actions:**

The following action plan was determined through consensus at the workshop; representatives from DGIS, DFID, NORAD, SIDA, USAID, GTZ, EU, Ministry of Foreign Affairs Finland and Development Cooperation Ireland were present.

While some of the Action points have clear leads along side them, there is room for other organisations to come forward and commit to the agenda, and to add action points.

## Action plan on PSIA for Bilateral Donors

1. Internal awareness building and development of a corporate position on PSIA as part of the organisations support to the PRS process (within development organisation and ministry of finance in donor country).

**Action: All** (with support from other agencies as needed – for example GTZ held a workshop and invited the WB to assist in developing their strategy for PSIA)

2. Promote in-country harmonisation between donors on PSIA, to ensure that we all:
  - a. Ensure that there is effective civil society engagement in the PSIA process;
  - b. Ensure that PSIA is on the agenda at PRS workshops and events;
  - c. Build awareness of what PSIA can offer with key stakeholders;
  - d. Develop capacity to produce and consume PSIA as part of evidence based policy-making;
  - e. Establish how donors can finance PSIA most effectively within each country;
  - f. Establish discussions with governments and IFIs (and Missions) to identify key Bank/Fund reforms requiring PSIA, and to review support to such work.

**Action: DGIS** to lead on through putting PSIA on the agenda of consultative groups, **NORAD** also to support;

**All** to communicate key messages in a systematic way to country offices; promote more active country office engagement.

**Note:** *A clearer strategy for developing capacity building is still needed, and a firm commitment to take this forwards.*

3. Pro-active sharing of data and analysis both at the country led and centrally. This should be appropriate to the technology available to stakeholders. But where possible, it would use existing websites:
  - a. Use WB PSIA website for key information (e.g. on financing systems available for PSIA). Make sure there is a link to ODI PSIA website
  - b. Post country specific information on the country analytical work website (DAC)

**Action: All** to communicate in a systematic way to country offices.

4. Maintain donor coordination on PSIA at a central level on:
  - a. Developing shared positions on IFI approaches to PSIA: in-country, at Board meetings etc (including more systematic mechanisms for monitoring progress towards due diligence commitments);

- b. Developing tools for PSIA for social and macro economic analysis;
- c. Trust funds and pooled funding;
- d. Principles of good practice for PSIA;
- e. Integrate PSIA as part of DAC task force on harmonisation and alignment and the four PovNet groups.

**Action:** Establish an electronic group: **DFID** to establish and facilitate for yr 1; **All** to ensure membership up to date and to identify other possible members; **DFID** to ask DAC re membership.

**Action: DFID and DGIS** to continue to work jointly on macro economic tools – this area needs others to become involved.

**Action: DFID and World Bank** to work jointly on macro social tools – this area needs others to become involved.

**Action:** Produce good practice papers to be shared across bilateral donors and others. **DGIS** to develop an initial paper on principles for good practice for PSIA based on previous debates

**Action: WB** to clarify trust funds available (e.g. PRS trust fund) and detail process to access. **All** to pass on knowledge of different funding mechanisms and their strengths and weaknesses.

**Action:** Follow up to PSIA studies after one year to take stock and link with PRS process. **DFID** to follow up DFID pilots.