
Proving the Impact

Christian Aid Comment:

A User's Guide to Poverty and Social Impact Analysis (Draft),
World Bank

Jennie Richmond
Paul Ladd

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1. Introduction

Christian Aid welcomes the World Bank's efforts to provide clearer guidance to its staff and other users on the implementation of Poverty and Social Impact Analysis (PSIA) through its draft User's Guide. Christian Aid believes that poverty and social impact analysis is central as a means of determining the prospective impacts of structural and economic reforms on poor people. The PRSP approach has led to a welcome reiteration of the need for PSIA by the World Bank and IMF. Clearly, if a poverty focus is to be made real through these instruments, it is essential to prove that any proposed policies will reduce poverty.

There are a number of aspects contained within the Users' Guide that Christian Aid particularly welcomes:

- The stated intention to support **objective** analysis of impact prior to the implementation of a policy. Christian Aid also believes that it will be important to maintain impact assessment right through the lending cycle and beyond.
- The use of **participatory, qualitative techniques**. Christian Aid believes this is important not only to improve the quality of poverty analysis and subsequent policies, but also as a consequence of a democratic rights approach.

We nevertheless have a number of concerns that we detail below, and where we believe improvements could be made.

2. Participation

In the light of the Bank's stated commitment to broad and inclusive participation by a variety of groups in policy-making, the way that participation is discussed in this document is disappointing. In para 35 the Guide's identification of groups according to the "significance of their role in terms of support or opposition to a policy" (p.14) suggests that stakeholder identification is more about identifying and diffusing potential opposition to proposed policies than about participation by stakeholders. In para. 10 the objective of greater transparency and public scrutiny is stated as being to "help promote national debate and **acceptance** of reform." It seems that the Guide is promoting participation simply as a way of validating already determined adjustment measures, rather than as a means through which poor people can contribute their views on policies that will affect their lives.

The central theme of the paper appears to be how to ensure policy reform is implemented as smoothly as possible, rather than seeking to ensure that a genuinely open-ended process is used to identify the best policy combination to tackle poverty. In para. 6, for example, the Guide refers to "risks to policy reform", rather than the risks to poor people of the wrong policy choice being made.

3. Roles

It is crucial that the roles of the various actors relating to PSIAs be spelled out clearly. At the country level there is often confusion as to who will take responsibility for taking the PSIA forward, and at which points other stakeholders are able to make their contributions. It must be made clear which actors are responsible for:

- Setting terms of reference (*see below on 'Setting the agenda'*)
- Funding
- Implementation
- Capacity building

The User's Guide should make it clear who its target audience is and how they might take forward the implementation of PSIAs. To give a specific example, who is the "intensive learning program" (p.2) organised by the Social Development Department targeted at and how might actors engage with it? Would this programme be wider than simply including World Bank and IMF staff?

4. Transparency

In our view one of the key objectives of Poverty and Social Impact Assessments is to generate broad public debate of proposed policies and their prospective impacts. In order for the analysis process to act as this type of catalyst, public and civic groups must be well informed of plans, methodologies and results of PSIAs. To ensure thus, governments and the World Bank must be transparent at all stages of the process and proactively stimulate public debate.

5. Setting the agenda

A crucial stage of PSIA is in identifying the policies that should most urgently be analysed. If the process is to be truly collaborative and transparent then these decisions should be taken jointly by all relevant actors, including appropriate civil society representatives. The section in the User's Guide on '*Identifying Stakeholders*' comes after the section on '*Asking the right question*'. Christian Aid believes that the 'right question' is unlikely to be identified unless all appropriate stakeholders are involved in that discussion.

Against the backdrop of recent research suggesting that conditions have been ineffective in the past, Christian Aid proposes that PSIA should be made mandatory for all conditions attached to World Bank and IMF grants and loans. These should include in PRSCs and Letters of Intent and Memoranda of Understanding attached to CAS and PRGF documents. For policy areas outside of this, a multi-stakeholder working group (comprising both government and civil society representatives - specifically representatives of poor people's groups) should identify which are the highest priority and what type of external assistance might be needed to support their analysis.

6. Policy choices

Throughout the Guide there is consistent reference to the need to analyse specific individual policies, but the impression is not given that a broad range of policy options would be analysed. For example, in para. 8 "Rigorous analysis requires a comparison to be made between impacts with and without reform". This is true but, in order to take an open minded approach to policy choice, analysis is also needed of a select range of policies so that the best one can be identified according to its prospective impact on reducing poverty. It is insufficient for the Bank to analyse only their preferred policy for each selected area.

The Guide refers to the options of delaying policy reforms. However, it is crucial that the option of totally abandoning the reform, should it be demonstrated to have a likely negative impact on poverty reduction, must be given equal weight to delaying or reordering reforms.

If PSIA's are not to simply be legitimising exercises, they must be open-ended and have no pre-determined outcomes.

7. Constraints

7.1 Analytical – In relation to the analytical and data constraints to PSIA implementation recognised in para. 8, and the stated primary objective of poverty reduction, we propose that donors abide by what would essentially be a social 'precautionary principle'. This would require the positive impact of a policy on poverty reduction to be demonstrated *before* it is implemented. Obviously it would be unfeasible to do this on all policies contained within a PRSP, but should be applied to the conditions imposed by the World Bank and IMF and other policies as identified by the working group of multiple stakeholders.

7.2 Capacity – The guide suggests that local capacities are likely to "be more suited to more basic approaches" (p.4). This, together with other text in the draft User's Guide, suggests an under-valuation of local capacities. These will vary enormously, bringing to the process a skills mix unique in each country context. It is impossible to generalise, then, as to which approaches would be appropriate. Furthermore, it is wrong to assume that "complex tools and methods" (p.4) are necessarily the best ones.

7.3 Time – It is true that "the policy maker is often under pressure to make fast policy decisions", but what the Guide fails to acknowledge is the role that donors often play in setting time constraints. One example of this has been the integration of the HIPC initiative and PRSPs. Country governments are understandably keen to access debt relief and other concessional funds that hinge on the rapid completion of a PRSP, making them reluctant to delay the process further by undertaking detailed PSIA's. But this also takes place in a myriad of other less formal aid relationships or processes.

8. Analysis of poverty

On page 5 the Guide suggests that in some cases "economic intuition may be appropriate", whereas in others econometric modeling. Whose economic intuition is the Guide referring to here? We would suggest that the 'economic intuition' of Bank and Fund staff is likely to provide a different perspective to the 'economic intuition' of many civic groups and even low income country governments.

The recognition of non-income dimensions of poverty in para. 14 is welcome. However this section, and the Millennium Development Goals to which it refers, fail to acknowledge the centrality of *risk* to people's experience of poverty. Increased risk and vulnerability often result from rapid change. Risk has accompanied many of the structural reforms in ESAF programmes, such as utility restructuring, labour market reform, and trade policy. These increased risks have tended to affect women more severely than men, due to their respective positions in both the household and employment market.

An example that illustrates this is contained in para. 30. Some hypothetical priorities of a country are listed as fiscal discipline, full employment and greater efficiency of firms. If the agenda for policy definition is truly open, then the Bank must recognize that countries may choose priorities that include national ownership of key sectors or utilities such as water, defence or education, or proceed with labour market reforms in ways that seek to minimise political instability or inequality. Poor countries must be permitted to protect themselves in an effort to reduce risks and vulnerability that may arise at the national level.

9. Political economy

Christian Aid is pleased to see that the PSIA Guide acknowledges the importance of the political economy to the feasibility and sustainability of policy reforms (para. 16). It is clear that the implementation of PSIA is not simply a technical exercise, but a deeply political one. The interests of many different groups, both national and international, are affected by policy choices, so they are likely to have strong opinions on which policies are selected for analysis and what this analysis recommends. However, donors themselves are powerful players within a country's political economy and bring with them their own ideological preferences and political agendas. In the formulation of these the role of powerful international and national business lobbies deserve a specific mention. Donors are by no means neutral parties and have a profound impact on the national policies that are selected through PRSPs.

An illustration of the Guide's failure to recognise the influence of donors on national policy is provided in para 34. Here, all organised stakeholders are listed - unions, business associations and NGOs - but donors are missing from this list. This seems to suggest that in the Guide's analysis donors are neutral actors, who are not likely to "become sources of support or opposition to policies" (page 13). In the experience of Christian Aid, the reverse is true - donors are crucial sources of support or opposition, the reasons for which connect directly to the ideological preferences and political agendas mentioned above. Connections with the external political economy, then, should be made more explicit in the Guide.

10. Conclusion

While Christian Aid welcomes efforts to strengthen analyses of policy reform, we suggest that the following recommendations be adopted in the draft guidance, and thereafter in practice:

- PSIA should be mandatory for all conditions attached to World Bank and IMF grants and loans – including on PRSCs, Letters of Intent and Memoranda of Understanding.
- In each country a multi-stakeholder working group should identify the highest priority areas for PSIA beyond these conditionalities, and make requests for external support where appropriate.
- PSIA should be conducted on a range of different policy options, so that the best policy for poverty reduction can be selected.
- PSIA must acknowledge the centrality of risk to poverty, and consequent policies must remain flexible in order to adapt to changing circumstances.
- Roles and responsibilities of different actors in conducting PSIA must be clarified.
- National civil society actors should be involved in PSIA processes throughout - from the conceptual stage, setting the terms of reference, identifying priority areas for analysis, discussing policy options, ensuring that outcomes of analysis affect policy decisions and monitoring implementation.
- There needs to be greater understanding of what is involved in a genuine and high quality participation process in all parts of the World Bank. Such exercises must not be simply a way of legitimising already determined policy reforms.